

Accelerating the industrial enterprise

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Industrial enterprises: Moving from recovery to accelerated growth

For industrial enterprises (IEs), the past two years were especially disruptive, with sharply declining sales, shortages of microchips and other critical materials and supply chains that became clogged and inefficient. The outlook for economic recovery was uncertain and bleak.

But more recently, that picture has changed dramatically. Indeed, projections for many key customer industries indicate that a positive growth trend (Figure 1) has already begun, prompting some observers to announce that the world is now

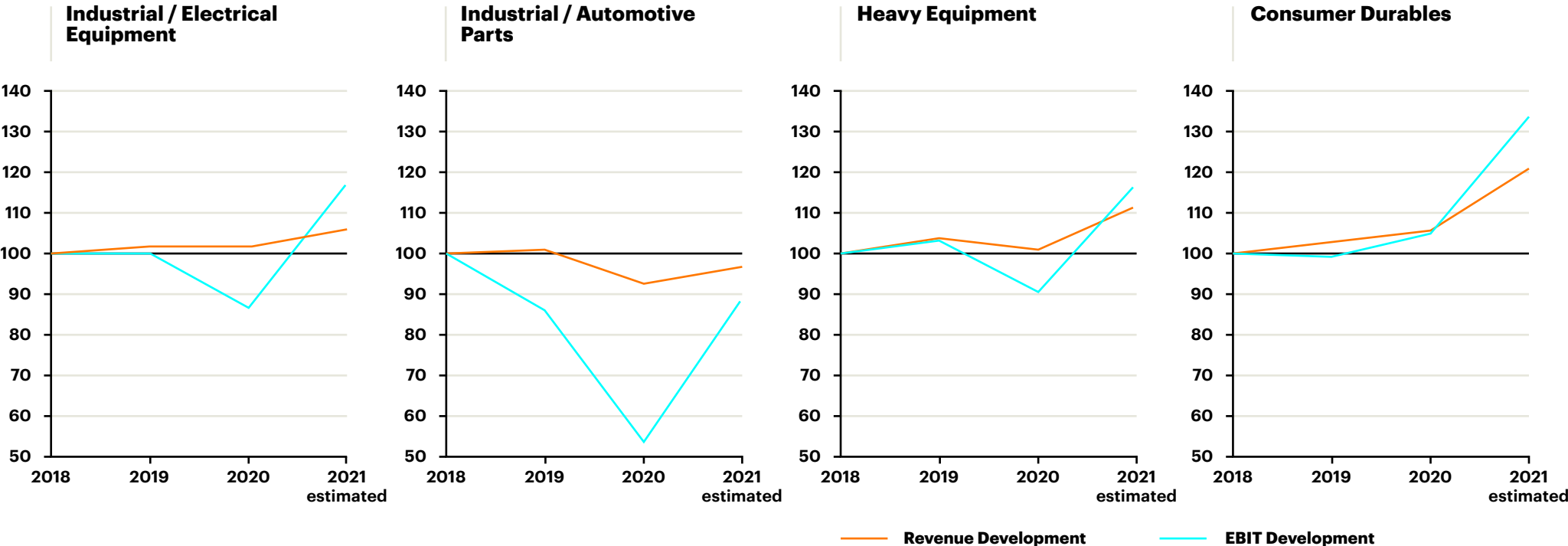
in the midst of an industrial renaissance. This will create tremendous opportunities for IEs to shift gears from rebounding from the pandemic to accelerating their growth.

A new era of growth for industrial companies

For industrial enterprises (IEs), this is a time of great change and great promise. As we look to the global post-pandemic recovery and beyond, a series of trends are converging and reinforcing one another to create new opportunities on an exponentially larger scale. Accenture calls this era the “industrial renaissance”—a time characterized by extraordinary creativity and technological progress, but also sector-wide disruption and realignment.

Accenture sees five key drivers for IEs to ignite accelerated growth: a growing focus on cloud and digitalization; the next generation of connected and intelligent products and services; consumerization of the B2B environment; intelligent operations; and an increased emphasis on responsible and sustainable business.

Figure 1: Index of revenue and EBIT development



[Click here to read the blog:](#)



How the Industrial Renaissance is powering growth

IEs clearly operate in an environment where accelerated growth is not simple. It requires a deep understanding of emerging technologies, new customer requirements and a focus on employees—along with a variety of other components. It means finding a balance between tomorrow’s accelerated growth and today’s business. It calls for a clear understanding of when to partner, when to invest and when to acquire. And it demands access to the right talent.

To better understand growth in this changing environment, Accenture explored the attributes and behaviors of companies in a number of growth-related areas. Using these insights and the lessons learned from IEs that are leading in growth, we developed a framework that companies can use to assess their own growth efforts—and build accelerated growth into the DNA of the business.

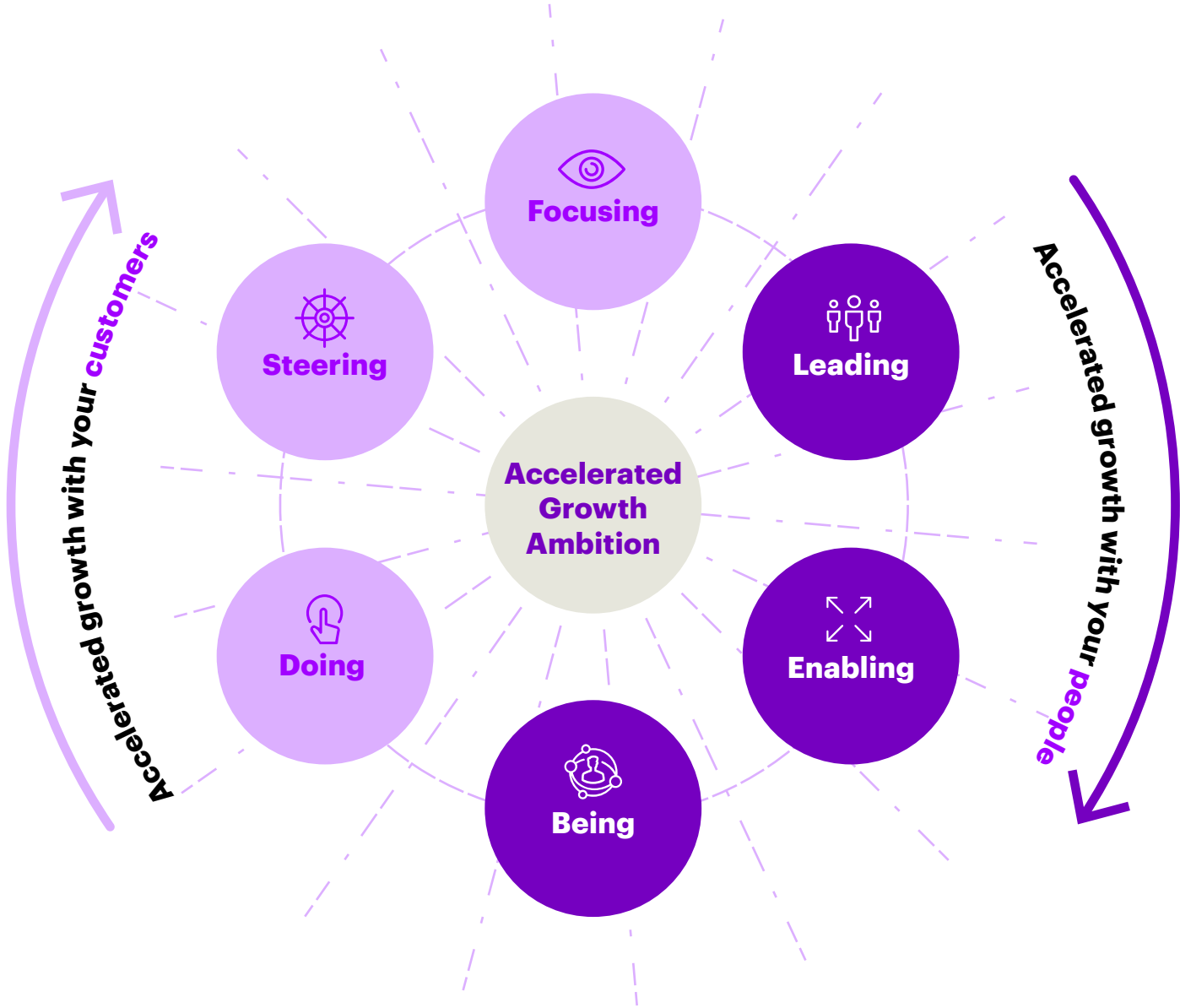


Unlocking accelerated growth



To gain insight into how IEs can accelerate their growth agendas, Accenture surveyed 1,150 industry executives from around the globe about their companies' perspectives on and approaches to growth. The study also included non-IE companies, providing valuable context for the IE findings.

The research explored IEs' activities in six "practices," or groups of activities, that Accenture has identified as being critical to accelerating growth (Figure 2):



About the research

From May to June 2021, Accenture surveyed 1,150 executives globally — 45% of whom were C-level or equivalent — across 12 countries (China, Denmark, Finland, France, Germany, Italy, Japan, Spain, Sweden, Switzerland, United Kingdom, United States) and 8 industries.

These included:

690 participants from Industrial Enterprises

- 230 Industrial/Electrical Equipment
- 230 Industrial/Automotive Parts
- 115 Heavy Equipment
- 115 Consumer Durables

460 participants from non-Industrial Enterprises

- 205 Consumer Goods
- 101 Pharmaceuticals
- 81 Aerospace and Defense
- 73 High Technology

1. Focusing

How well companies address significant challenges and opportunities in areas where they have a “right to win”—that is, where they have the best chance to successfully compete consistently over the long term. For IEs, this requires a holistic view of growth that includes digital transformation, customer and employee satisfaction and data- and service-driven business models to win in the Industrial IoT.

2. Steering

How well companies balance and adjust their portfolio of projects to maximize the impact of staged funding and accelerate growth in three key activities: growing the core business via a shift to services; digitally transforming the core business to lift up efficiency gains; and reinvesting those gains to build new business.

3. Doing

How well companies execute to launch new software-driven and intelligent products and services that provide value-driven experiences. Here, IEs need to collaborate with customers and suppliers, use cloud and digital technologies to increase speed in bringing new offerings to market—including data- and outcome-driven business models—and accelerate digital transformation.

4. Leading

How well companies set a clear ambition, use persuasive storytelling, and “walk the walk” to accelerate growth. IE executives need to instill the company with a clear purpose, be proactive advocates for increasing speed and agility, and be “authentic” leaders who can motivate people with diverse perspectives to pursue the change needed for accelerated growth.

5. Enabling

How well companies manage talent, technology and ecosystems to increase the pace of implementation for their growth visions. IEs need to build agile organizational structures, leverage dynamic ecosystems, revise their recruiting and talent strategies and reshape the work environment to create a “cool” place to work.

6. Being

How well companies foster a culture that fuels growth through supportive mindsets, behaviors and ways of working. For IEs, creating a diverse and inclusive environment that encourages people to experiment and continuously learn, while providing “room to fail” in exploring growth opportunities, will be critical.

These six practices are based on a broad view of growth—one that defines it as the process of creating 360 degree value. That means not only delivering financial value in the form of profitable revenue growth, but also making progress in areas such as sustainability, diversity and inclusion, employees’ skills and improved employee and customer experiences—factors that are becoming critical to driving and sustaining growth. Ultimately, working across all six practices helps embed a deep focus on growth into the company’s culture.

Accenture assessed IEs’ behavior and success in each of those six practices, enabling them to place companies into one of four groups: Leaders, Aspirers, Mainstream and Laggards.

Assessing performance across the six practices



The analysis found that in general IEs are focused on growth, but their growth targets measured along the six growth practices are not yet ambitious enough to shift gears and significantly accelerate their current plans.

Even the Leaders, about 10% of the total sample, have not reached a growth acceleration potential score above four in any of the six growth practices in Accenture's assessment (Diagnosing growth acceleration potential).

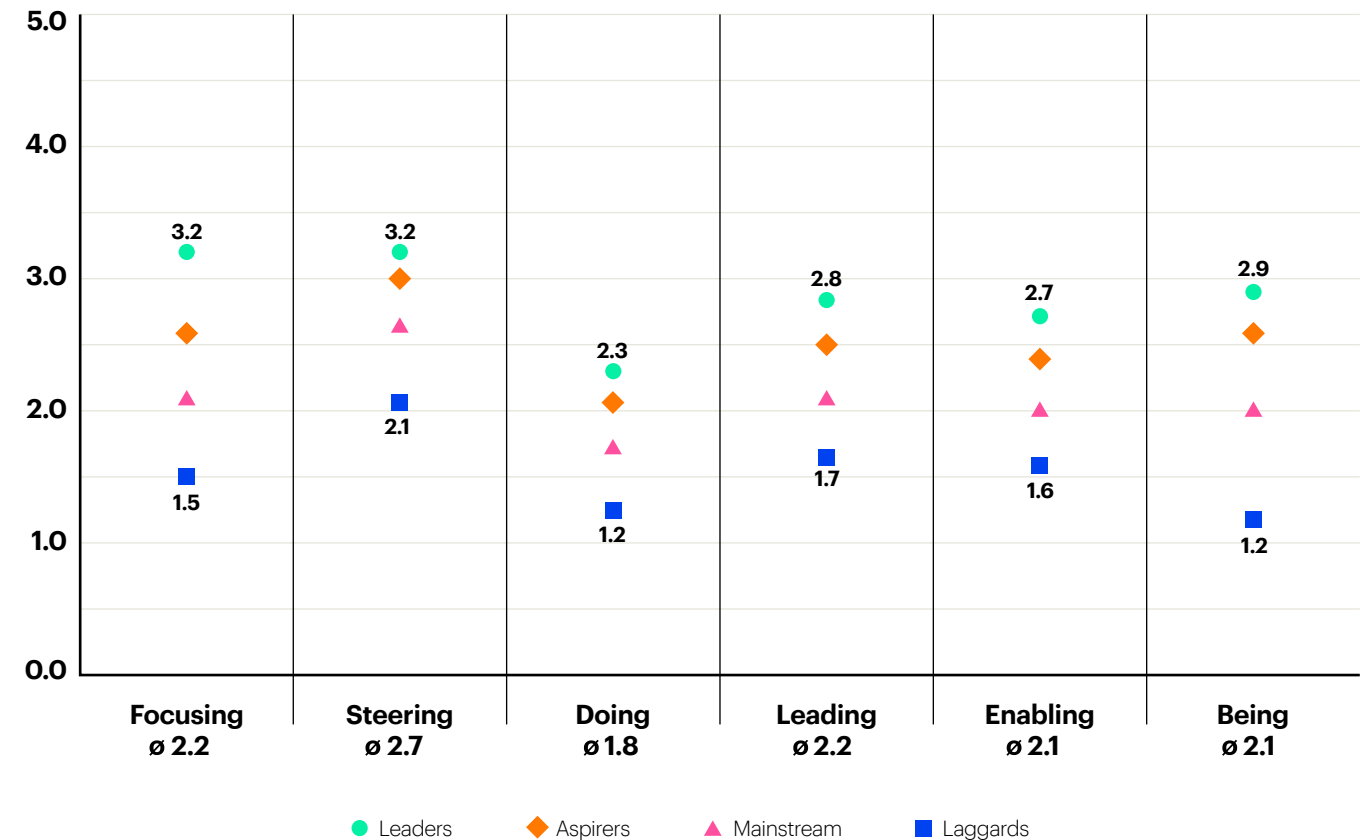
Perhaps most important, the analysis proved that focusing on these six practices is efficient, as IE Leaders have generated a better business performance than other IEs. In the last five years, their CAGR (Compound Annual Growth Rate) for revenue was

13% higher than that of Laggards, and their EBIT margins were 68% higher.

A focus on growth needs to be instilled throughout the company and supported by a culture that favors calculated risk-taking, a 360-degree view of growth that explores new offerings and partnerships, and the discipline to identify high-potential growth opportunities and re-invest profits in them. Growth needs to become a central tenet. "Our strategy is very clear going forward—growth. Growth in size, growth in service offerings, growth in value-add," Elke Eckstein, President & CEO, Enics, told Accenture.

Interestingly, many Laggards appear to recognize that their growth performance is not keeping pace with other companies, especially their growth culture. The question is, why aren't they acting on that insight, and taking steps to accelerate growth?

Figure 3: Performance along the six growth practices



Diagnosing growth acceleration potential

To help industrial companies take advantage of the insights developed in this research, Accenture has created an online benchmarking tool that they can use to assess their growth acceleration potential and benchmark themselves against others in the industry.

→ [Click here to use the benchmarking tool](#)



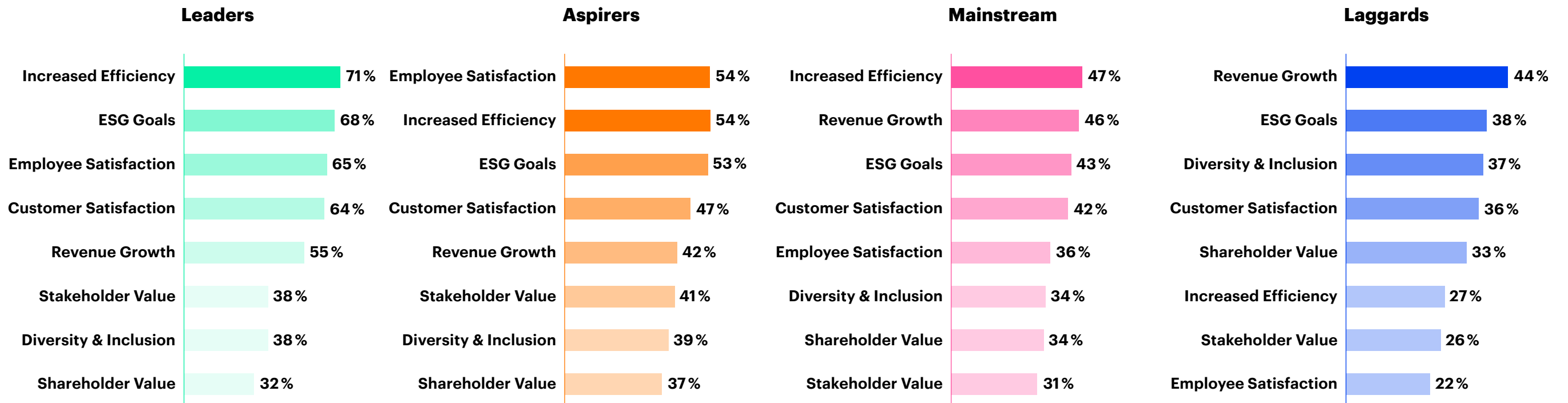
1. Focusing

Tackling the right things
in the right way

Leaders are 2.3 times better at Focusing, compared to Laggards. They also tend to take a broad view of growth that encompasses not only the traditional hard financial components, but also the soft, qualitative components, in total up to 70% more components. Laggards, on the other hand, typically put a greater emphasis on financial factors (Figure 4).

In particular, Leaders consider components such as increasing efficiency, customer and employee satisfaction and achieving ESG goals with business value.

Figure 4: Main components of long-term growth vision



“Helping our customers achieve their climate-related objectives while meeting requirements for performance, durability and economic value is a priority for Caterpillar. Electrification and other advanced power sources are important pieces of this puzzle that we’re excited to support from a digital perspective.”

Ogi Redzic,

Chief Digital Officer & Vice President,
Caterpillar Inc.



Overall, the findings indicate that IEs need to develop growth strategies that take a holistic view of internal and external growth factors, from financial KPIs to market share and customer needs. In addition, they can broaden that view to include increasingly

important factors such as digital technologies, ESG and diversity to fit with changing stakeholder expectations and competitive demands.

The research found that by improving their **Focusing** activities, industrial companies have the potential to increase annual revenue growth by 0.7 to 0.9 percentage points and EBIT margins by 1.1 to 1.9 percentage points.



2. Steering

Managing investments in growth and efficiency

Leaders are particularly good at identifying ways to increase efficiency, freeing up funds that they then use to adequately invest in long-term growth. While more than 96% of all respondents reinvest some efficiency gains to fund future growth, Leaders invest 42% of those gains in growth—nearly twice the percentage (22%) invested by Laggards.

Often, a lack of funds is a major roadblock to investing in growth, which points to a need to increase shop-floor efficiency further. To that end, IEs can add more automation, robots and autonomous machinery and equipment to their production facilities—and make sure their people can make effective use of them.

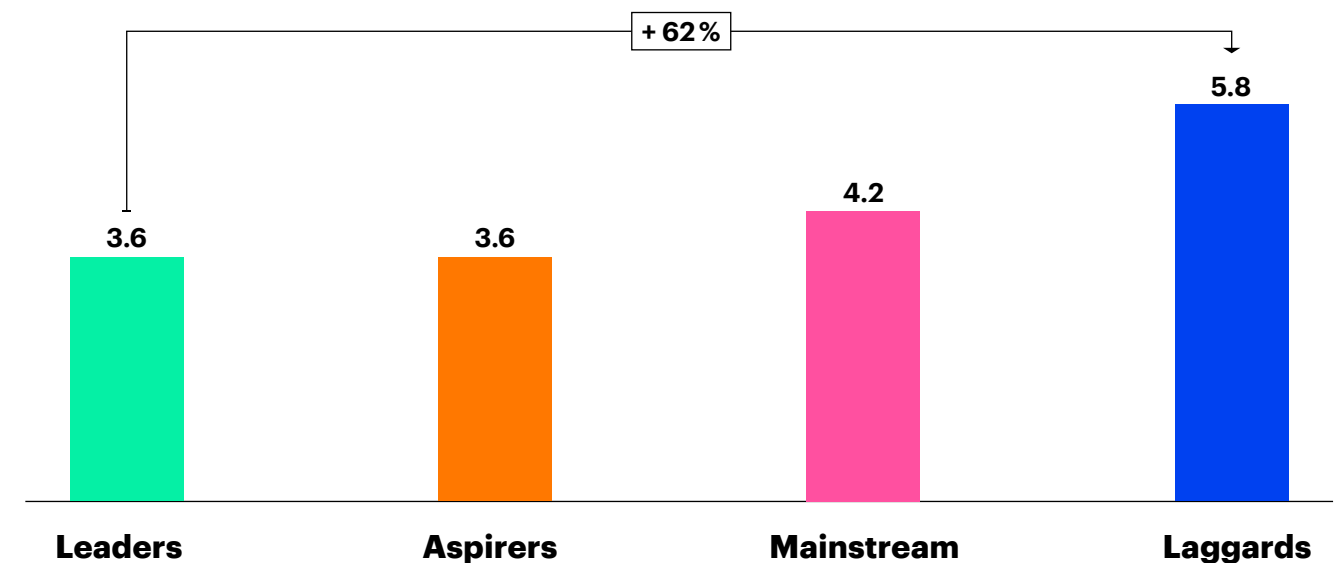
Meanwhile, Leaders are also more flexible in terms of adjusting their growth investments to keep in step with changing realities. They reevaluate their investment strategies significantly more frequently (62%) than Laggards do, which enables them to react more quickly to market shifts or new customer demands (Figure 5).

“Now is the time to respond with investments in radical technological changes. Companies that are already taking action in these areas are laying the foundations for post-COVID-19 growth.”



Dr. Eberhard Veit,
Former Chief Executive
Officer of Festo

Figure 5: Number of months between investment allocation decisions



Finally, when it comes to incentivizing strategy, IE Leaders do not do as well as non-IE Leaders. These non-IEs are more likely to incentivize long-term financial actions and cost efficiency-related actions, while the IEs tend to emphasize short-term financial KPIs. This points to an area where even the IE Leaders can make improvements.



The research found that by improving their **Steering** practices, IEs have the potential to increase annual revenue growth by 0.3 to 0.5 percentage points and EBIT margins by 0.4 to 1.3 percentage points.



3. Doing

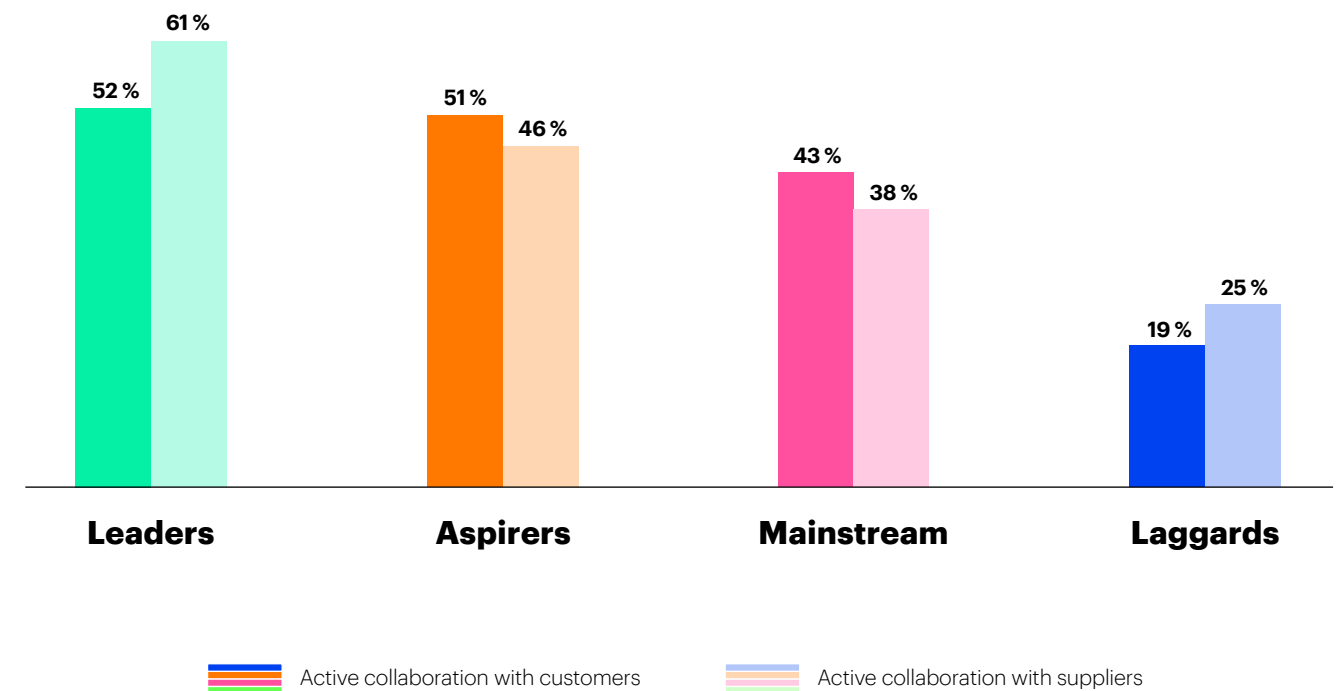
Delivering new growth in the market

When it comes to bringing new innovations to the market, partnering is a key component of Doing, and Leaders are especially effective at actively cooperating with both suppliers and customers (Figure 6). While IE Leaders do well in these areas, they can still learn from non-IE Leaders, who perform 12% better in actively forming multi-disciplinary innovation teams with both customers and suppliers to scale innovation initiatives more quickly.

In addition, cloud-enabled services and software-based products are expected to be increasingly profitable components of IE offering portfolios, while demand for a good customer experience is rising. Collaboration with customers can help on both fronts, as it lets IEs get closer to customers and better understand their evolving needs.

While this may seem self-evident, even among Leaders only 52% collaborate with customers. Collaboration with suppliers is also important to growth, because it can help speed up the delivery of new offerings and give IEs exposure to a broader range of market insights from those partners.

Figure 6: Share of respondents that achieved active collaboration with customers and suppliers



Just as important, Leaders often recognize the need to be willing to change to take advantage of those opportunities.

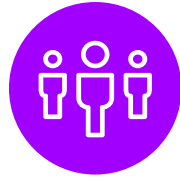
“At times, we must accept that our core business may diminish while new business opportunities emerge. This requires industrial companies to reimagine ourselves in completely new ways. We are challenged to define new roads to success that ultimately redefine our identity and purpose.”



Julie Ragland,
Senior Vice President
and CIO at Navistar



The research found that by improving their **Doing** activities, IEs have the potential to increase annual revenue growth by 0.4 to 0.5 percentage points and EBIT margins by 0.6 to 1.3 percentage points.



4. Leading

Creating a leadership culture of growth

Leadership plays a vital role in enabling growth. Executive teams establish a vision, model the learning and other behaviors needed for growth, create an open and diverse workforce, help foster a growth-oriented culture that reduces the fear of failure, and make the key decisions about where the company will place its bets for future growth. In short, they help the company address the broad range of factors needed to drive accelerated growth in today's environment.

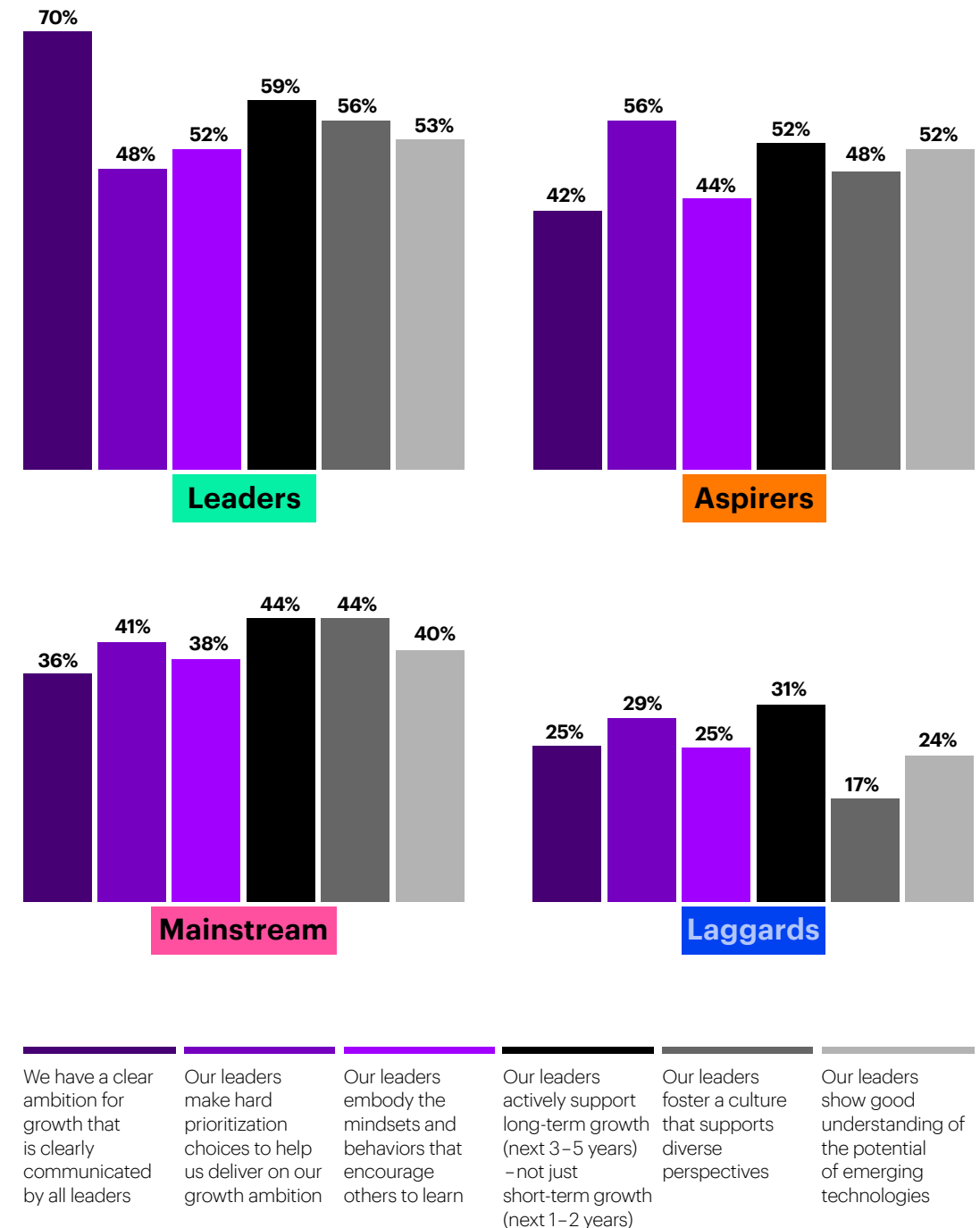
Across most of the activities in the Leading practice, IE Leaders are particularly good at formulating and communicating their ambition for growth.

“Fundamentally, we’ve aligned around our common business models. That’s allowing us to make decisions and execute on those decisions much faster. With that comes a very strong mentality of empowerment in the organization: shared goals, shared directions, shared framework and guardrails, all empowering people to act as they see fit.”



Michael G. Vale,
Group President,
Safety & Industrial Business at 3M

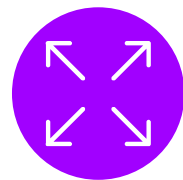
Figure 7: Leaders have a clear ambition and actively support it





Leaders also tend to focus on long-term growth and building cultures that draw on diverse perspectives to tap into a wider range of innovative ideas and increase flexibility (Figure 7) and agility, which helps enable rapid change and thus growth. Nevertheless, they lag behind Leaders in other industries, who perform 31% better in fostering a culture that supports diverse perspectives.

The research found that by improving their **Leading** activities, IEs have the potential to increase annual revenue growth by 0.45 to 0.5 percentage points and EBIT margins by 0.6 to 1.3 percentage points.



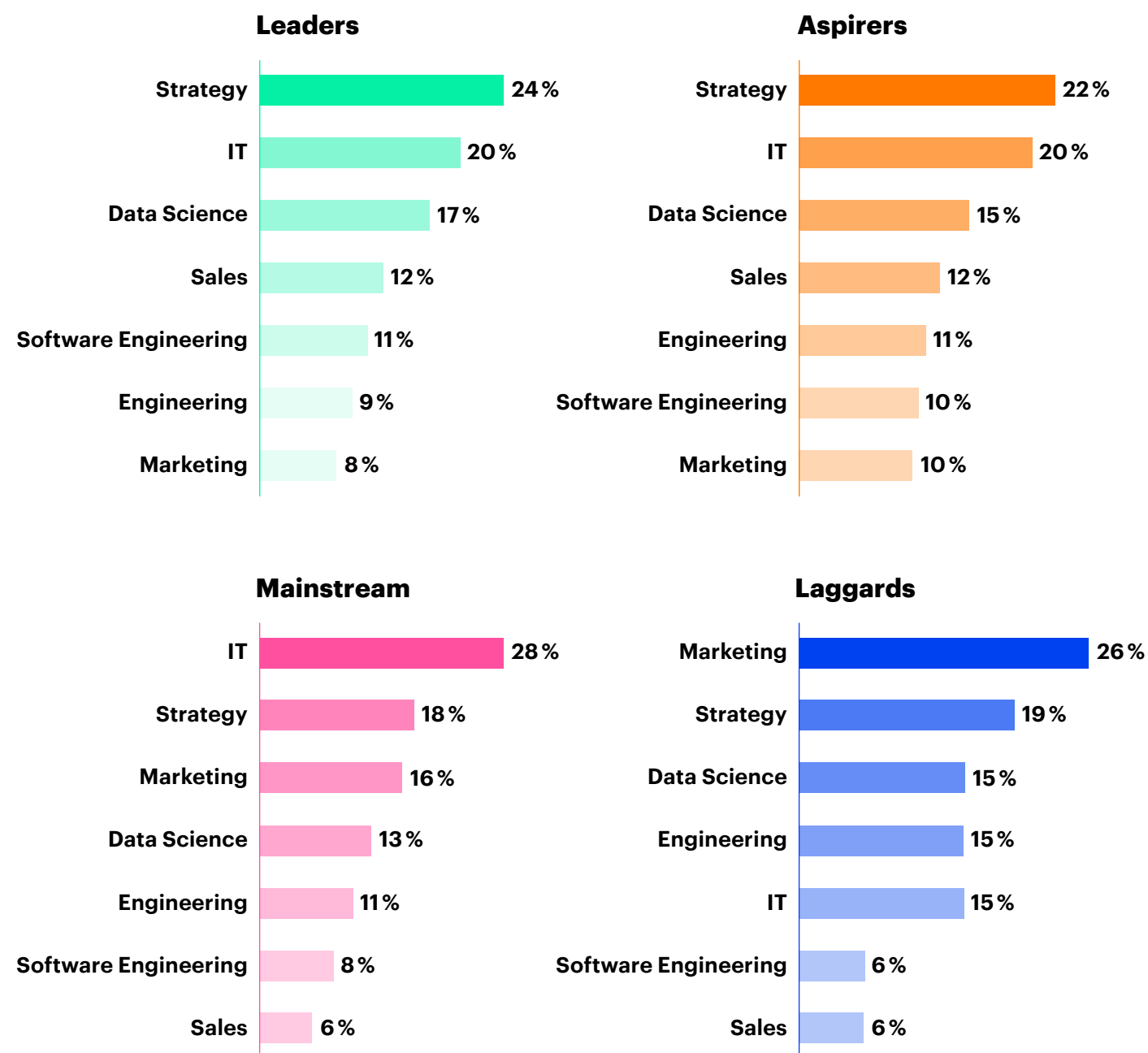
5. Enabling

Talent, partnerships and technology to support growth

Talent and technology are of course fundamental ingredients for growth. The analysis found that Leaders excel at having the right talent—a trait cited by nearly two-thirds of this group, compared to only one-fifth of Laggards. But that is not to say that Leaders have won the talent war, with many saying they have trouble finding people with strategy, IT and data science skills.

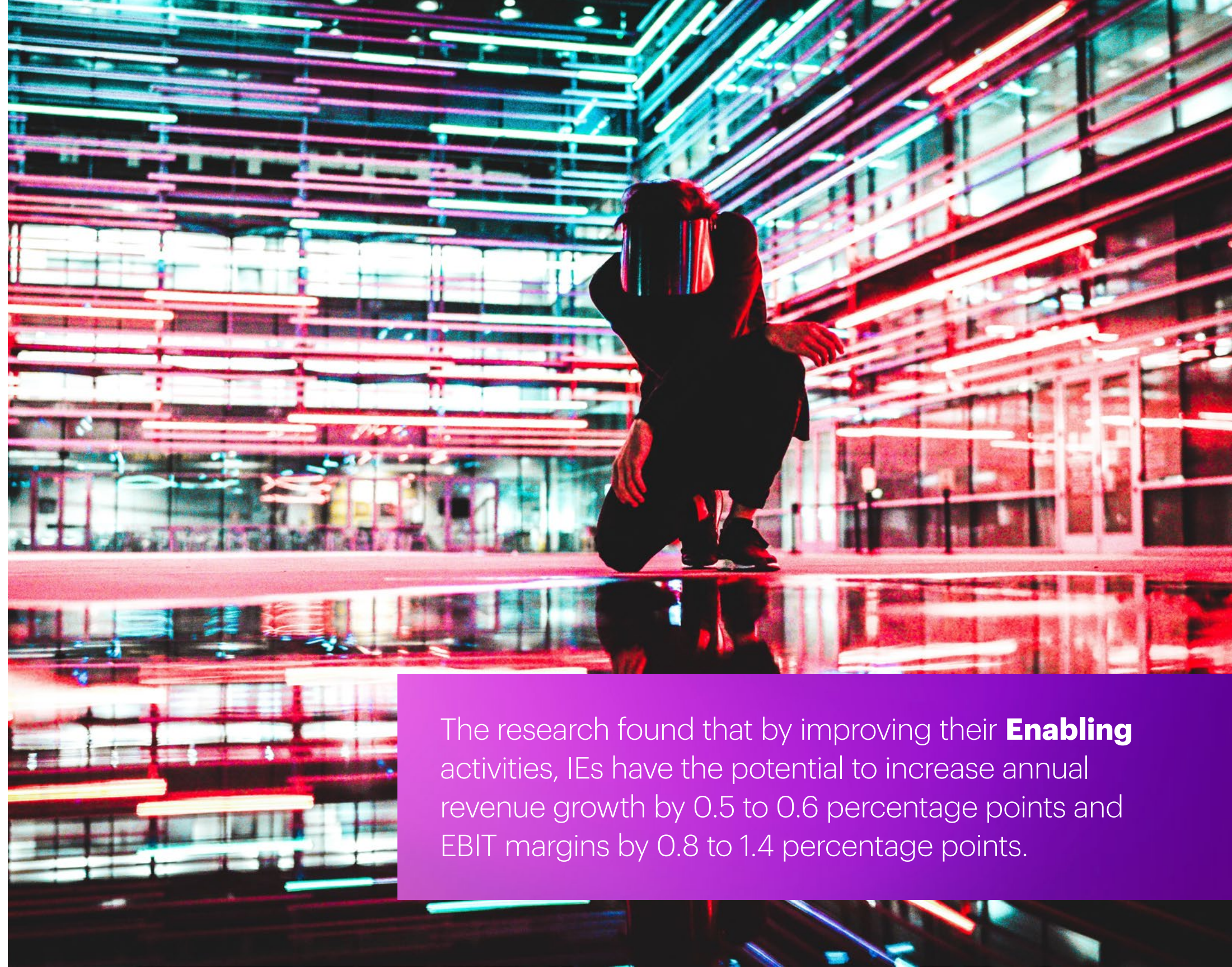
Leaders, Aspirers and Mainstream companies ranked people with strategy skills as the talent they lack most, while Laggards are in urgent need of marketing talent, which suggests they are struggling to create awareness in the marketplace rather than looking to new plans for the future (Figure 8).

Figure 8: Most lacked talent



Leaders also do well at understanding emerging technologies. They see 5G as the most critical technology for them over the next few years. That is not surprising, because 5G can deliver more data needed for robust Internet of Things operations and the enrichment of AI and machine learning systems.

Finally, Leaders tend to have strong relationships with ecosystem partners—an increasingly important factor in growth. By cooperating with customers, industrial companies can better understand and address changing customer needs with greater agility. “This approach is translating into financial performance and success for 3M as a whole and the Safety & Industrial Business Group”, said 3M’s Mike G. Vale.



The research found that by improving their **Enabling** activities, IEs have the potential to increase annual revenue growth by 0.5 to 0.6 percentage points and EBIT margins by 0.8 to 1.4 percentage points.



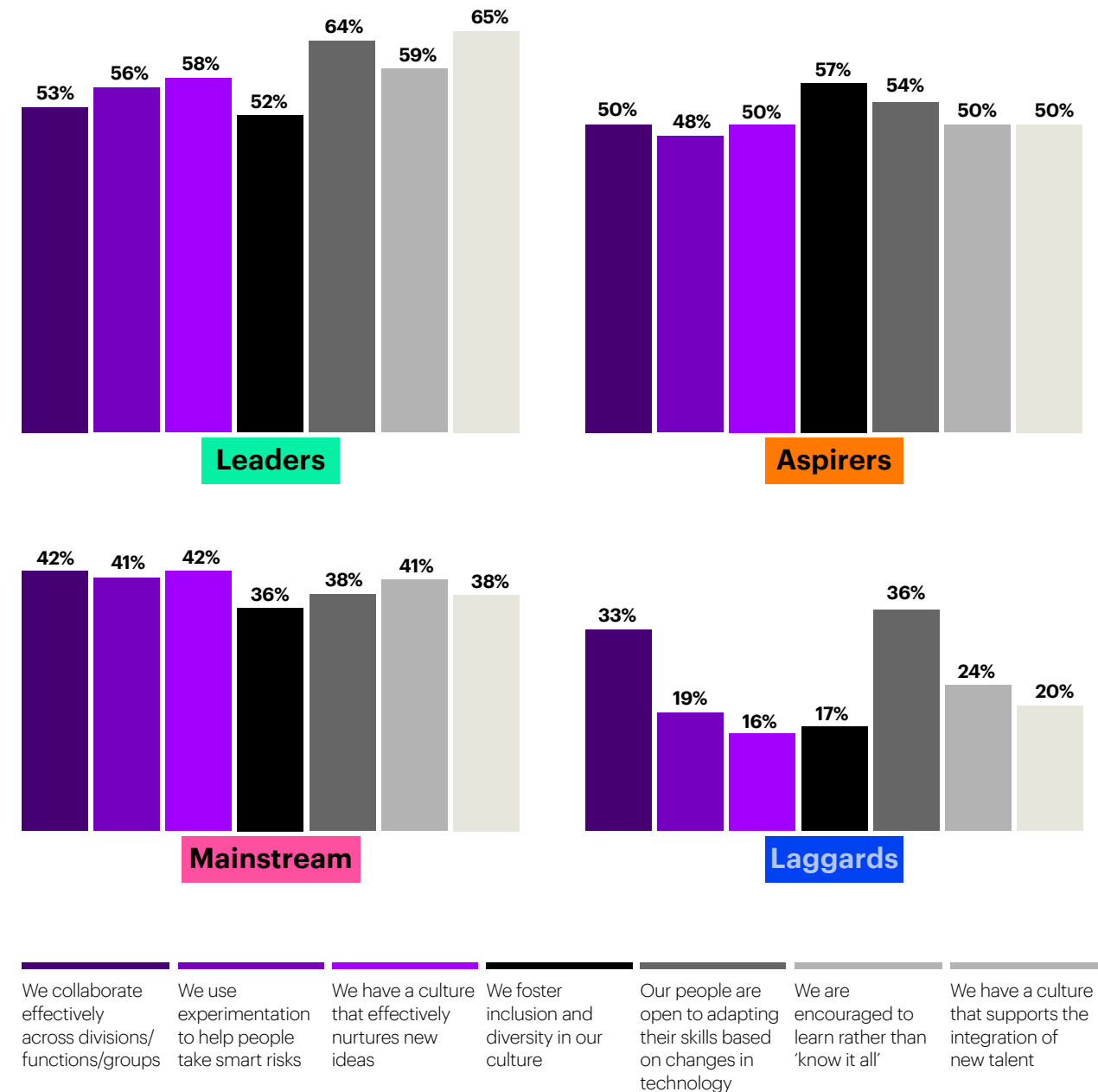
6. Being

Mindsets, behaviors and ways of working

For IEs, services and software solutions—enabled by analytics—offer significant potential for growth and profitability. Realizing that potential will depend on having the right talent with the right skills. IEs will need to build those skills in-house by re- and upskilling their workforce, or attracting the right people in a competitive labor market. To find and enable this talent, they will need to create a suitable work environment and corporate culture.

As one might expect, Leaders excel in this area, particularly at having cultures that support the integration of new talent—an especially important point in light of the growing importance of M&As, partnerships and working with a broader ecosystem of partners. Having people that are open to adopting new skills is also critical (Figure 9).

Figure 9: The differing mindsets and behaviors



Leaders also do well when it comes to encouraging people to learn and question, rather than just “knowing it all.”

Fostering diversity and inclusion is relatively low across all IEs, except for Aspirers, where it is the most commonly cited trait. IEs in general can learn from non-IE companies, who have on average 12% better performance in terms of encouraging inclusion and diversity in their cultures.

The research found that by improving their **Being** activities, IEs have the potential to increase annual revenue growth by 0.4 to 0.7 percentage points and EBIT margins by 0.6 to 1.9 percentage points.



Building the foundation for accelerated growth

Looking across the six practice areas, the actions associated with growth provide some valuable guideposts for IEs. An analysis of Leaders' behaviors shows a number of "lessons learned"—essentially, a list of success factors for accelerating growth.

Leaders' experience also underscores the fact that the six practices should be seen not as a set of standalone categories, but rather as an integrated suite of activities that are interwoven and support one another. Working across all the practices will ultimately be key to embedding accelerated growth into the DNA of the company, which is critical to sustained success. Unlocking accelerated growth will take time and actions on multiple fronts. To get started, however, IEs can focus on four activities.

Think growth through and set a holistic growth ambition

Define and communicate a clear ambition for accelerated growth and what it is expected to deliver. This should encompass financial, market and ESG value; emerging technologies; software and services as well as physical products; and partnerships with customers and suppliers. This holistic approach is key to adjusting to changing customer needs and expectations and reacting to volatile market conditions.

Assess the company's growth potential

The six practices model described here provides a framework for continuously assessing a company's growth potential in relation to current market conditions. This will help IEs understand their strengths and weaknesses in the activities that drive growth, and finding the areas that will have the greatest impact on growth.

Find efficiencies to fuel growth and reinvest the gains

This should include automation and digital technology-driven improvements in the back office and shop floor; efforts to make employees more efficient; and the active sharing of knowledge and learning across the company. Have the discipline to re-invest a significant percentage of gains in growth, rather than payouts to shareholders.

Incubate your individual approach to growth

The shift to accelerated growth can be made gradually. IEs can start small and nurture efforts across the six practices, constantly iterating based on progress and market feedback, and eventually scale the new approach across the enterprise. Take an individual and integrated approach that fosters cross-entity collaboration and a diverse culture.

COVID 19 has created challenges, but it has highlighted the need for change and provided an impetus to make that change.

As IEs work through recovery and plan for the next steps, the six practices framework can provide a valuable tool for navigating through today's complex challenges and finding a way forward to accelerated growth.



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