



Productivity: The next competitive edge

A breakthrough in managing costs

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The power of productivity

Companies often are hyper-focused on managing costs when facing economic uncertainty and geopolitical volatility. But others are taking a different course. They are making the most of this moment to strengthen financial resilience, increase competitiveness and drive growth. They are focused on reinventing their organization for productivity — balancing both financial and human capital allocation to gain efficiency today while harnessing technology and generative AI to build new capabilities for tomorrow.

Seizing opportunity from volatility

Navigating disruption has become a constant challenge for management as they work to balance capital allocation and operating performance amid rapidly changing conditions. Most executives (71%) prioritize enhancing working capital, driving operational efficiencies or optimizing spend as the most important financial outcomes.¹

Cutting costs alone isn't going to help companies weather economic storms—or help them thrive when storms clear. But there is a silver lining: organizations that seize this opportunity to reinvent themselves can emerge stronger. How? By balancing effectiveness as well as efficiency. By creating a learning culture with workers skilled for the future. And by embracing new capabilities now possible with advanced technology including generative AI. We call this Cost & Productivity Reinvention. At a time when artificial intelligence can increasingly enhance the ability to target and capture value and as managed services become even more important in a world laden with uncertainty and disruption, CXOs can now bring the power of productivity—balanced with the ability to reduce their absolute cost base—to bear on their business.



Our [Global Disruption Index](#)—a composite measure that covers economic, social, geopolitical, climate, consumer and technology disruption—shows that levels of disruption increased by 200% from 2017 to 2022 as compared to only 4% from 2011 to 2016. As such, companies now face a volatile faster-paced environment.

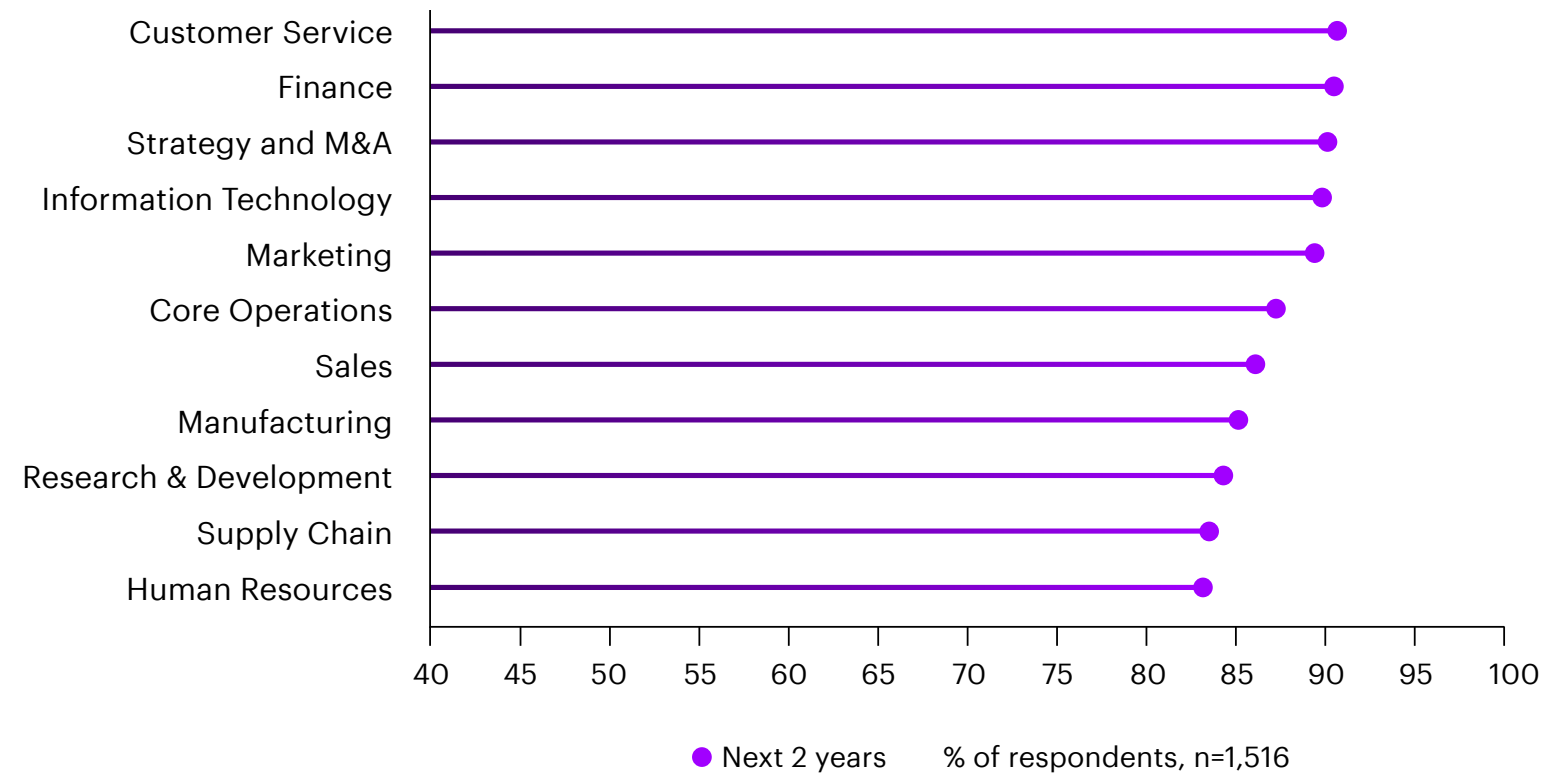
A moment made possible by technology

Technology is at the heart of this approach — a powerful enabler of reinvention that gets more powerful all the time. Investments in data and AI are not only growing fast (14% and 29% annual growth, respectively) but they are expected to continue to grow at speed, according to IDC forecasts.² These technologies create opportunities for organizations to reach new performance frontiers, boosting productivity by empowering people and reinventing processes. (Figure 1)

The number of technology players making acquisitions in areas like AI, data and solutions signals just how much untapped potential there is—and the urgency with which leaders are making up for lost time.

Embracing the potential of technology is not simply a CIO agenda. It should be core to the priorities of the Board of Directors, the CEO, and each function across the enterprise. It must directly inform the talent strategy of the future.

Figure 1: Within the next two years, a vast majority of companies expect to have fundamentally reinvented processes by applying new technologies and new ways of working across key functional areas.



Survey question: In which of the following functions are you fundamentally reinventing processes by applying new technologies and new ways of working?
Source: Accenture Total Enterprise Reinvention CxO Survey fielded in November 2022.

Unlocking capital by balancing now and next

Despite the potential to boost productivity, many leaders still compromise competitive advantage by over-rotating toward a defensive posture. With resource shortages, supply chain disruption and new agile competitors, companies now are forced to rethink and reprioritize the work that must get done with the limited resources available. How should they balance capital and human allocations?

Our analysis of companies with long-term profitable growth through uncertainty shows that they have structural financial discipline and invest in talent and differentiated capabilities such as supply chain, customer experience and their digital core. These companies are taking a more balanced approach to building financial discipline.³

Companies that are most resilient are those that pursue Total Enterprise Reinvention. The facts are clear. These companies report generating 10% higher incremental revenue growth, 13% higher cost reduction improvements and 17% higher balanced sheet improvements.⁴

Companies that embrace a deliberate reinvention strategy centered on a strong digital core—[Total Enterprise Reinvention](#)—are likely to release more value at a compressed rate.

By applying the power of technology to the potential of people and processes, companies can think differently — more boldly and holistically — reimagining the work to be done and reinventing the current cost profile.



Generative AI's inflection point

Productivity will never look the same

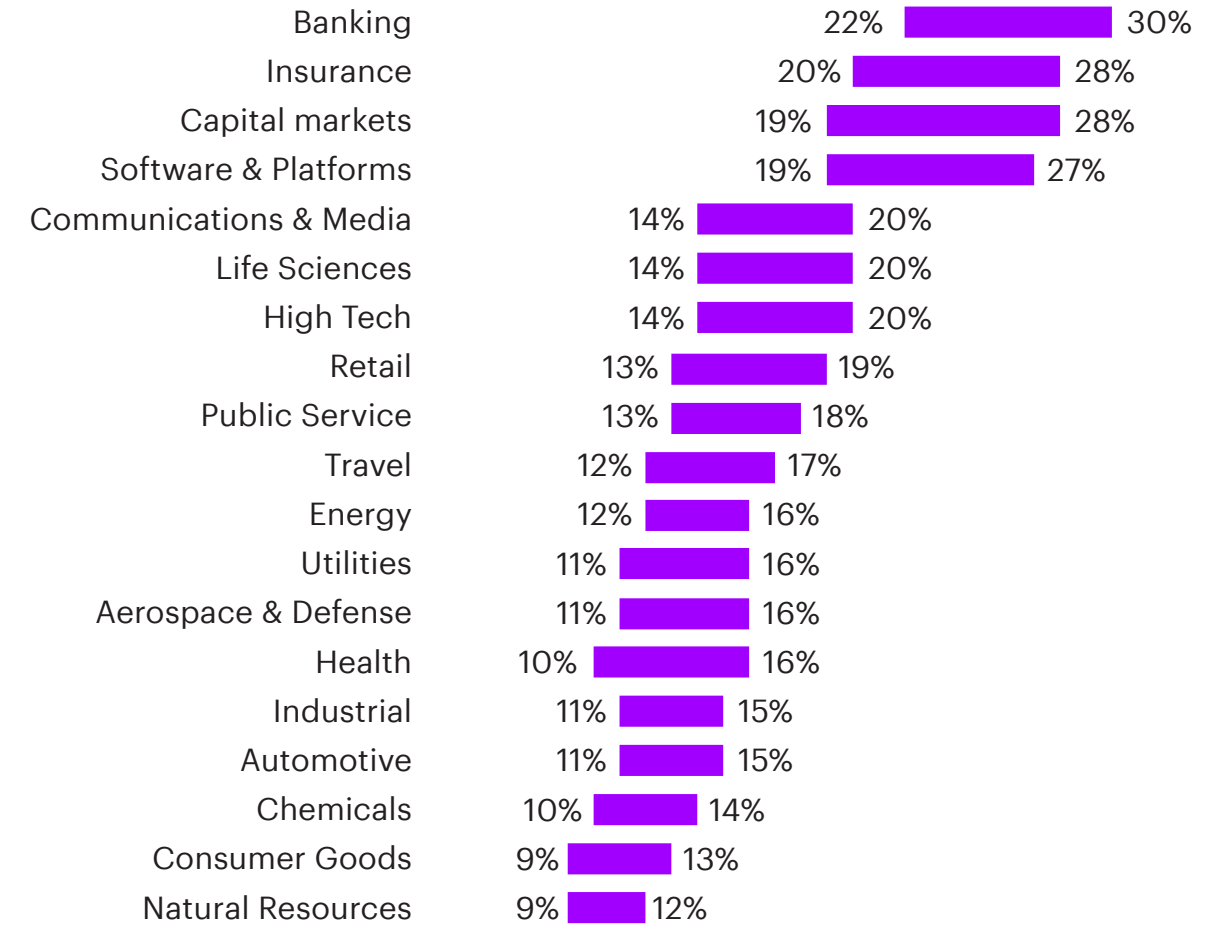
Leaders have bold expectations of generative AI. Most anticipate profound shifts in how human and financial capabilities are deployed across organizations and society more broadly. Generative AI is an engine for enabling human productivity. It's always learning, amplifying what people can achieve. It challenges established notions of **what** work needs to be done and **how** it gets done.

As transformational as this technology can be for productivity, it's not a cure-all. It's not the right solution for every use case. And it doesn't deliver results in isolation. Companies will still need the right strategic decisions, data structures, operating models and skilled workforce to make the most of generative AI. And a responsible AI framework that accounts for potential biases and security and privacy risks is also essential.

While the world has only begun to understand generative AI's [disruptive potential](#), use cases that make the most of human and machine collaboration are emerging quickly across industries. (Figures 2, 3)

Our current findings estimate that gen AI potential productivity gains are between \$1.3 to \$1.9 trillion or 5%–8% GDP in the US alone.⁵

Figure 2:
Generative AI potential productivity gains across industries in the US*



* Based on potential hours saved by occupation valued at annual occupation headcount in 2022 in the US. See "About the Research" for details.

Source: Accenture Research, based on analysis of Occupational Information Network (O*NET), US Dept. of Labor; US Bureau of Labor Statistics

Figure 3:
Generative AI's productivity potential for three industries in the US with selected examples of impact areas and use cases

Retail	Financial Services*	Industrial
Flexing fast to meet consumers' changing demands	Streamlining in the front and back office	Improving engineering and manufacturing
Productivity potential**: \$141B – \$211B	Productivity potential**: \$103B – \$158B	Productivity potential**: \$134B – \$185B
<ul style="list-style-type: none"> • Product catalog and enhanced search (Includes Intelligent Product Analyzer) • Multimodal conversational commerce • Consumer Insights Platform (Includes Retail Media) 	<ul style="list-style-type: none"> • Banking: Gen AI powered code conversion for banking modernization • Insurance: Underwriting co-pilot - P&C and Group • Capital Markets: Investment research augmentation and trade signal identification 	<ul style="list-style-type: none"> • Multi-modal knowledge retrieval and content generation to improve future designs and proposals. • Conversation-based knowledge retrieval to augment and boost service technicians in the field • Generative scenarios for optimal factory layout and production engineering

* Includes Banking, Insurance and Capital Markets industries.

** Based on potential hours saved by occupation valued at annual occupation headcount and wage of 2022 in the US. Refer to "About the Research" for details.

Think differently to act differently

Moving past the challenges of today and focusing on driving productivity begins with three mindset shifts.



01

From cost
to cost *and*
productivity



02

From reacting
to reimagining



03

From optimizing
to cultivating



01 From cost to cost and productivity

Executives can elevate the operational and strategic work that drives competitiveness with a productivity-led perspective. This requires resetting the cost base to spend less time focused on transactional work and more time focused on work that creates value for customers, employees, society and other stakeholders.

In an interview with Forbes, John Plansky, executive vice president of State Street Financial Services Company, pinpointed why productivity is the compass, “We have 40,000 knowledge workers who look up answers to questions about why something broke and how to fix it. How much of their time could be saved in that activity if they had the right large language model? Boosting productivity is the name of the game.”⁶

What’s essential to boosting productivity is dynamically reallocating financial and human capital aligned with enterprise strategic priorities. And it’s critical that companies also think longer-term, investing in human capital skills throughout the organization to build future capabilities.

When companies target productivity in a deliberate and strategic way like this, they can deliver 360° value, which is financial and non-financial outcomes. 360° value emphasizes experiences and capabilities being created. It places a focus on people and skills. It rewards companies that invest in data and technology to gain a competitive advantage. And it measures environmental, social and governance outcomes.

Seeing the glass half full

A leading glass container manufacturer launched a cost and productivity reinvention initiative that paid off beyond the significant cost savings. The company reimaged work and set a new performance frontier across people, processes and technology. The manufacturer advanced its sustainability goals by shifting to renewable energy and consumption optimization. And it enhanced its Industry 4.0 maturity and built an integrated analytics engine that enables it to reinvent the business on an ongoing basis. A critical part of the program’s success was building a culture of learning with a new learning academy and active learning sessions across the company.



02 From reacting to reimagining

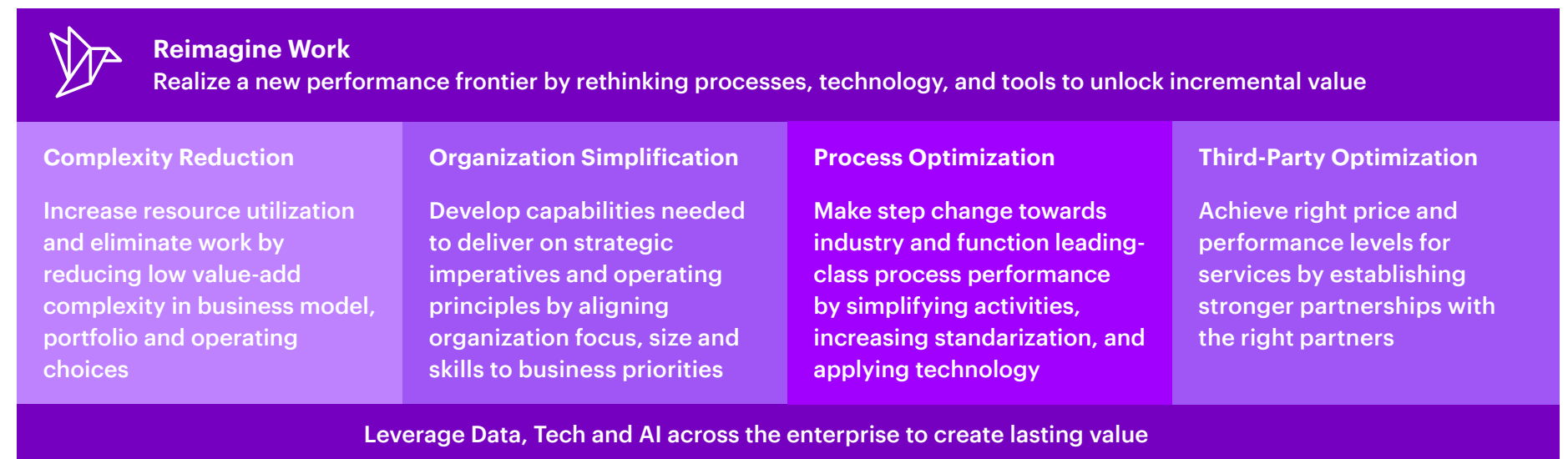
Completely reimagining work is now more of a reality than it's ever been.

Five years ago, our colleagues Paul Daugherty and Jim Wilson wrote about an AI paradigm shift, about AI radically changing all the rules of how companies operate.⁷ It's clear with the rise of generative AI that the AI-powered era of productivity has begun.

In this new era, organizations need a strong digital core to work efficiently and effectively. Executives have more opportunities, authority and permission to reimagine work, focusing on what must be done, not what has always been done. They can take a hard look from “right to left”,

working backward from desired outputs to necessary inputs, and re-engineering from there. Value targeting identifies opportunities to unlock value, with levers serving as a framework for analysis of cost and complexity drivers. By focusing on value levers, which are mostly overlooked during quick-fix cost transformation efforts, companies can fundamentally shift the mix of work. (Figure 4)

Figure 4:
Creating a step change in productivity



Take **complexity reduction** to start. The more complexity there is, the more work there is. Yet most companies aren't truly examining the "value tradeoffs" of complexity in their organization. Complexity exists in many places — from the number of markets, product lines and internal silos to the number of handoffs and deviations from standard practices. In some cases, this creates strategic advantage and drives growth; but often, it dilutes focus, capital and profit. Identifying and breaking down the hot spots of business model and internal complexity creates the foundation for productivity reinvention.

Process excellence uncovers points of friction, identifies process deviations, reduces handoffs and automates tasks to unlock productivity. Process mining technologies offer a forensic view of processes as they truly are, helping increase speed, reduce risk and strengthen outcomes. Recent research on reinvention operations identified that 75% of leading companies adopt process mining as well as internal and external benchmarking across all business processes to drive best-in-class performance.⁸ Even small changes can have big results. And employees will start to feel, see and believe in the changes, activating a new mindset and motivating them to help unleash productivity buried in the margins today.

Reinventing processes with advanced automation, strong master data and generative AI can dramatically improve the flow of insights across the organization. In our experience, companies that don't transform key processes often leave 30% or more in untapped value on the table.

Reinventing the rules

The pandemic changed the landscape for a consumer-packaged goods manufacturer. The company had workforce shortages in its plants and distribution centers, concerns about attracting new talent and operational inconsistencies that cost time and money. New leadership focused on embracing manufacturing as a core competency, prioritizing consistent operations across plants. To this end, the company developed a playbook to codify "what good looks like," focusing on areas like changeover time reduction, improving utilization, streamlining shift handoffs and installing performance metrics to enable real-time decisions from shop floor to top floor. The manufacturer is now looking to embed automation and process excellence into each production line to boost productivity even further by evaluating all stops, handoffs and durations from production order creation to shipment to customers.



Reimagining work to boost productivity also requires **organizational simplification**. This isn't redrawing the lines and boxes on the org chart. It's getting to the essence of what the organization should look like to meet its strategic priorities and deliver its defining capabilities. What's key is determining the structure, size and skills needed to deliver on the changes made to reduce complexity and optimize processes.

It's also critical to push the boundaries of **third-party management**. Let go of old-school thinking that considers partners as purely vendors and relationships based on cost. Instead, consider how work is done and delivered as one team to deliver more value. Break down silos and adopt a continuous improvement mindset to drive 360° value and productivity across third-party spend. In addition to cost, companies can bring new value in areas like risk, resilience, sustainability, inclusion and diversity, and revenue innovation.

Planning to break the mold

As part of a multi-year cost transformation effort, a global retailer is looking to break the model of how people do work across the company to double down on productivity improvements. Leaders are exploring a shift to global business services across human resources, finance, operations, marketing and legal. A center of excellence for data and analytics would be a clear strategic asset. The company would get true visibility of cross-market data to unlock efficiency and effectiveness and inform strategic customer experience and operations decisions.

This change would be a massive improvement in employees' day-to-day job responsibilities. People in the early years of their careers wouldn't have to do mundane tasks like manually gathering data, trying to reconcile numbers that don't reconcile, and producing reports with limited information they hope is correct. Instead, these employees could focus on generating meaningful insights, using global, cross-functional insights provided by the center of excellence. This enables employees to help grow the company and provides a more exciting career path.





03 From optimizing to cultivating

People drive productivity, and executives who want to reinvent their organizations for productivity should ground their approach in cultivating their people. In fact recent research confirms how critical people are to the equation: Companies that unlock the growth combination of data, tech and people generate 2.8x greater productivity premium than those that only implement data and tech solutions but fail to put people at the center.⁹ That means identifying and nurturing employees to be productive today and in the reimagined organization. This approach aligns capital more intensely to strategic priorities over the long term, balancing the focus on hitting quarterly commitments with achieving objectives over a 12-to-18-month horizon. Companies that get very good here look to 18-to-36-month horizons.

This isn't about solving an optimization problem. It's getting intentional about creating an environment where people have the ability, opportunity and motivation to succeed. From senior executives to middle managers, all leaders need to understand and model desired behaviors to create momentum around reshaping the culture. Without the clearly stated intent from leaders, people may create their own version of the organization's intentions that reflects their personal fears.

Given the tremendous pace of change today, developing the skills of the workforce is non-negotiable. In fact, 95% of CxO say that they expect to increase skilling investments over the next year, up by 22%,¹⁰ but they must be strategic about it. Instead of simply looking at today's skills gaps, executives should be looking to a 3-to-5-year horizon, building new skills based on where the business is going, not where it's been. This can be challenging given that human brains tend to operate using the path of least resistance and energy. People need dedicated time and psychological space to focus on and develop new skills. Creating learning cultures is key to fostering this environment. In a learning culture, not knowing something isn't perceived as a sign of weakness, and people's skill sets are refreshed every 3 to 5 years to keep pace with evolving strategies and customer needs.

Creating strong bonds

Chemical company Solvay wanted to preserve its deeply ingrained sense of entrepreneurialism and fuel sustainability and profitability. The idea was to create healthy co-ownership of costs and growth investments for a shared sense of responsibility with its people. Solvay gave all employees the tools they needed to contribute to the transformation, including making financial information universally available.

To hardwire new ways of working into the culture, the company held virtual collaboration workshops, training sessions and leadership coaching programs. Along the way, the company digitally monitored progress to track success and target future interventions. What's more, the company turned to spend-to-emissions analytics to identify value chain impacts such as emission reductions, reduced water consumption and biodiversity impacts. Solvay could measure how savings affect the environment and make responsible decisions. These new ways of working allow Solvay to work more efficiently and sustainably while unleashing growth.¹¹



Realizing potential – and purpose

Cost and productivity reinvention is ultimately about helping companies deliver on their purpose. It's the consumer goods company that wants to nourish the world. Or the healthcare company that exists to eradicate disease. Or the financial services company

driven to create peace of mind. Whatever their purpose, companies can get closer to realizing it by investing in their differentiation, simplifying how they work and devoting more time to the people they serve. Executives can start with these priority actions:

01 Set the ambition

Cost and productivity reinvention starts with a shared understanding of the desired outcomes. There should be clarity, consensus and specificity around the problem the initiative is designed to solve. That's key to design and execute the right approach and measure success. Ask yourself:

- What primary outcomes are we trying to achieve? (e.g., fueling growth, investing in resilience, strengthening the technology core, improving profitability)
- How much capital must be unlocked?
- How should the capital we release be reinvested?

02 Envision the future

It's critical to make decisions with an understanding of the future technology landscape — in how data is evolving, platforms are being adopted and AI is being applied. This future vision is key to build on what's possible next instead of optimizing what exists now. Ask yourself:

- What areas of the enterprise should we be most intentional about focusing on?
- What technology, organizational and process enablers do we have to create new value?
- What needs to happen first?

03 Align to execute

Cost and productivity reinvention requires that multiple stakeholders come together across business and functional areas and all levels of the organization. Successful execution depends on decision-making, technology, talent and process issues that cross organizational boundaries. Ask yourself:

- How do we achieve and sustain the alignment of executives?
- How do we leverage the power of middle management as a force of change?
- What principles will guide our choices, and what non-negotiables do we need to protect?

Volatility can make executives feel like they've lost control. But they can get it back with cost and productivity reinvention. Instead of having to make tough tradeoffs that cut into their companies' competitiveness, executives can allocate financial and human capital to balance cost and growth.

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About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent and innovation led company with 732,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities.

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Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise.

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About the Research

To assess generative AI's impact on productivity, we carried out a methodical, bottom-up analysis of 19,265 tasks across 900 job families in 19 industries. The data was sourced from O*NET and the United States Bureau of Labor Statistics (BLS). We focused on use cases that: 1) can potentially transform processes, 2) are possible with current technology, and 3) can be managed securely with suitable controls.

Our method, which integrated human analysis with the computational power of GPT-4 (Generative Pre trained Transformer 4), classified tasks' exposure to Generative AI based on the four criteria: language based, human-to human interaction, task is non-routine and/or non-well-defined, and human involvement enforced by law, ethics or social conventions. Academic literature was leveraged to create the estimates of potential hours saved by occupation and potential productivity gains were valued at annual occupation headcount and wage of 2022 in the US. Occupation estimates were aggregated at the industry level weighted by employment numbers.