

Accelerating Europe's path to reinvention

**Bold change for growth
in Europe**



Meet the authors



Jean-Marc Ollagnier
CEO – Europe

Jean-Marc is the Chief Executive Officer of Accenture for Europe, with management oversight over all industries and services in the region, which accounted for \$20.26 billion of Accenture’s revenues in fiscal 2022. He is also a member of Accenture’s Global Management Committee. Prior to achieving his current position in March 2020, Jean-Marc was group chief executive of Accenture’s Resources group from 2011, serving the energy, utilities, chemicals, forestry products, metals and mining industries.

Between 2006 and 2011, Jean-Marc was Managing Director for Accenture’s Resources group in Europe, Africa, the Middle East and Latin America. Prior to this role, he was Country Managing Director of Accenture in France and the Benelux countries, and has held leadership roles in France and globally within Accenture’s Financial Services operating group.



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He also serves on Accenture’s Global Leadership Committee and Europe’s Management Committee. Michael has been with Accenture for more than 22 years. In that time, he has held many significant regional and global leadership roles in Health & Life Sciences, in Strategy & Management Consulting, the Products Industries and Accenture Digital.



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Svenja Falk is Managing Director, Accenture Research and leads its Europe operations. Svenja also heads Accenture’s Berlin office.

She leads the working group on “Digital Business Models” in the Plattform Industrie 4.0. She is deputy chairperson of the German Council for Digital Sovereignty. Svenja has built differentiated knowledge in areas such as the future of work, future of value creation and digital business models and has extensive experience in multistakeholder management, co-publishing and working with the World Economic Forum, B20, the European Commission, UNIDO, and the Chancellors Innovation Council.

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One road to reinvention

Despite growing concerns about Europe's competitiveness, most **European business leaders are optimistic in 2023**. When confronted with volatility these past few years, they rose to the challenge with rapid transformation that made them more resilient.

But now is not the time to relent. In the short term, they face acute geopolitical and economic pressures. In the long term, they must close the gap between themselves and peers in North America and Asia Pacific who are raising the bar in technology-driven growth. While they've made transformational strides thus far, it's clear there's more to be done, particularly regarding technology. In fact, the majority of European business leaders agree: Accelerated reinvention is the way.

They must therefore transform further and faster yet, **adopting what we call "Total Enterprise Reinvention."**

This requires continuous, strategic, **dynamic** reinvention of the business as a whole: **ambitious** in reach, **digital** at the core and **boundaryless** across the enterprise, hinging on new technologies and **human-inspired** ingenuity to set a **new performance frontier**.

Learn how to address today's challenges facing Europe and prepare for **bold reinvention ahead**.

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01

A full view of the challenges

Sources of pressure across Europe

Executives face unprecedented challenges

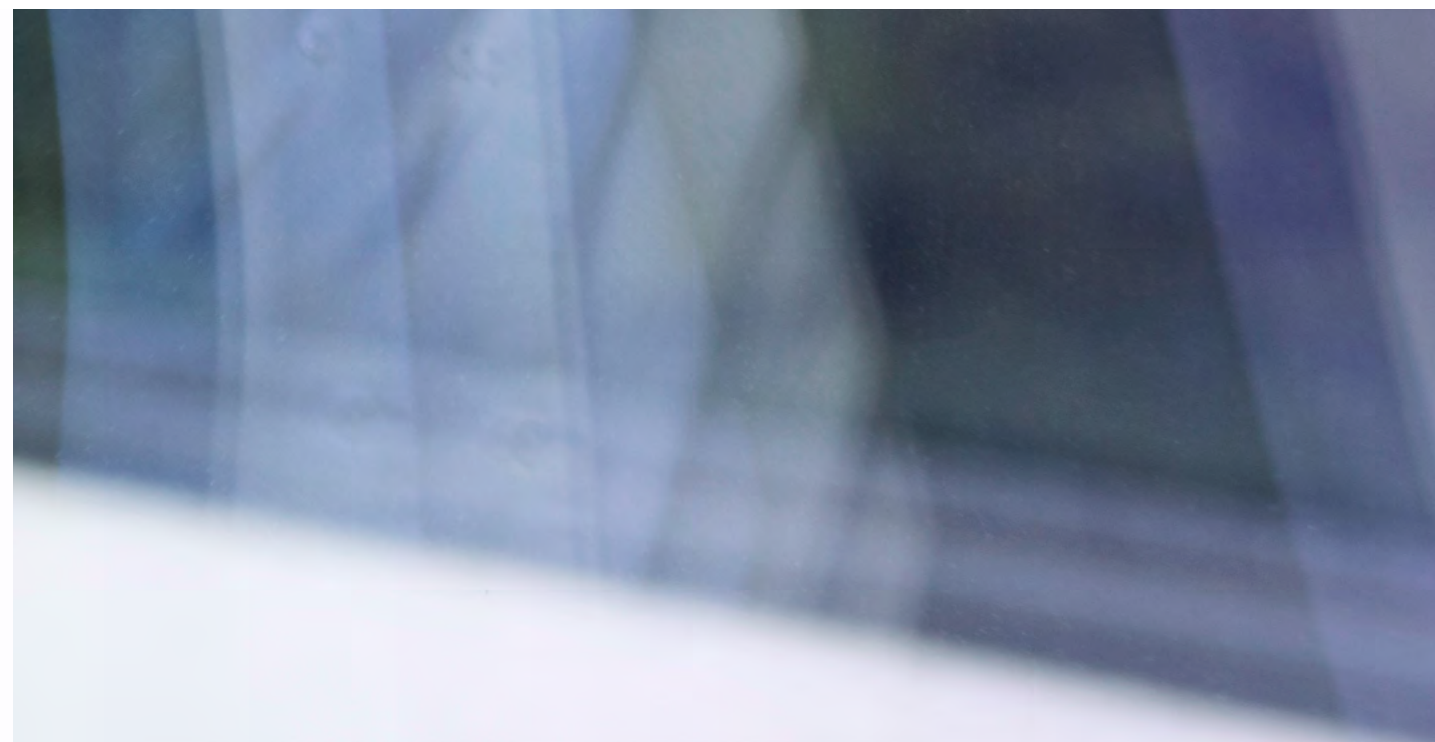
Our latest survey of 2,000 of the largest companies in Europe, United States (US) and China shows that European executives overwhelmingly agree they're facing the most testing environment yet.ⁱ The enduring challenges associated with the war in Ukraine, such as an energy crisis and rising inflation, are most pronounced in Europe. Furthermore, significant government investments to foster innovation and growth, such as the [US Inflation Reduction Act of 2022](#) and investments in green manufacturing in [South Korea](#) and [Japan](#), are challenging the competitive position of Europe.

High dependency on energy imports:

Nearly one-fifth (19%) of European business leaders cited rising energy costs as the top challenge to margins. The impact is widely spread, with chemicals being the sector under the highest direct and indirect pressure from energy costs in Europe as per our analysis.ⁱⁱ More than one in four chemicals and one in six automotive businesses in Germany have been forced to cut production.ⁱⁱⁱ After the European Union (EU) adopted regulation in August 2022, EU member states agreed to reduce gas demand by 15% through April 2023.^{iv}

Climate risk:

While climate hazards and extreme weather are increasing in frequency and severity across Europe,^v trends suggest 91% of European companies will miss meeting their net-zero targets.^{vi} The impact of climate change in Europe could be significant: According to the World Bank, without adaptation, more than 400,000 jobs are expected to be lost annually by 2050, with the overall cost of climate-related extreme weather reaching €170 billion by the end of the century.^{vii} But it's also an opportunity as the energy transition will create new industries, new sources of growth and millions of jobs: According to the World Economic Forum, the transition to clean energy is expected to generate 10.3 million net new jobs globally by 2030.^{viii}





Regional talent gap:

The EU's quarterly job vacancy rate of all available jobs in Q3 2022 is 2.9%, only slightly down from 3% in Q2 2022 (the highest rate since 2013).^{ix} The average time it takes to fill an open position in the manufacturing sector in Germany is 151 days.^x

Political fragmentation:

76% of European executives anticipate an increase in regional divergences and fragmentation of the world economy in the next 12 months.^{xi} The United Kingdom's 2020 departure from the EU has put a strain on the idea of an integrated Europe.

Supply chain and manufacturing disruption:

High energy prices, supply chain challenges and a weaker economic outlook could lead some European companies to consider relocating operations. Some could be attracted by stronger demand or subsidies, such as those offered by the US Inflation Reduction Act. While reshoring may be advantageous for large companies reliant on costly energy imports and those with strong networks overseas, the expense might outweigh the benefits. Nevertheless, the issue reflects ongoing challenges for manufacturers.

Changing consumer behavior:

60% of consumers say their priorities keep changing due to everything going on in the world.^{xii} Access to new technologies is changing the relationship between companies and consumers.^{xiii} In a survey of 1,700 global C-suite leaders over the course of two survey runs in 2022, we found more than 95% of both B2B and B2C executives believe their customers are changing faster than their businesses.^{xiv}

European growth is comparatively low

European companies are growing revenue slower than those in North America and Asia Pacific. Forecasts for 2023 and 2024 continue this trend, with Europe seeing just 1.8% growth compared to 3.1% for North America and 3.8% for Asia Pacific.

As measured by earnings before interest and taxes (EBIT) from 2017 to 2021, European companies saw a 9.6% five-year average margin—placing them ahead of Asia Pacific’s 7.8% but well behind North America at 12.1%. Forecasts show Europe increasing to 12.9% vs. 15.2% for North America.

Growth and profitability

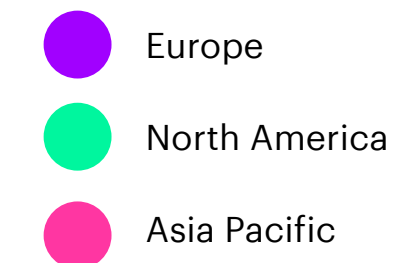
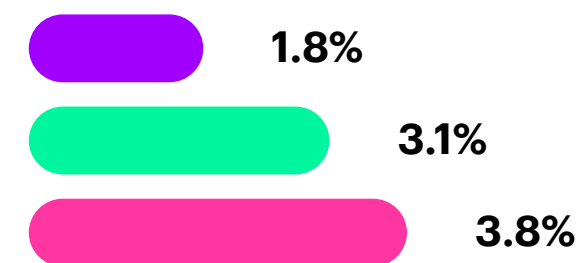
Revenue Growth CAGR and Average EBIT Margin (historical and forecasted)

Revenue Growth (CAGR)

Historical – 5 years ending 2021



Forecast – 2 years ending 2024e

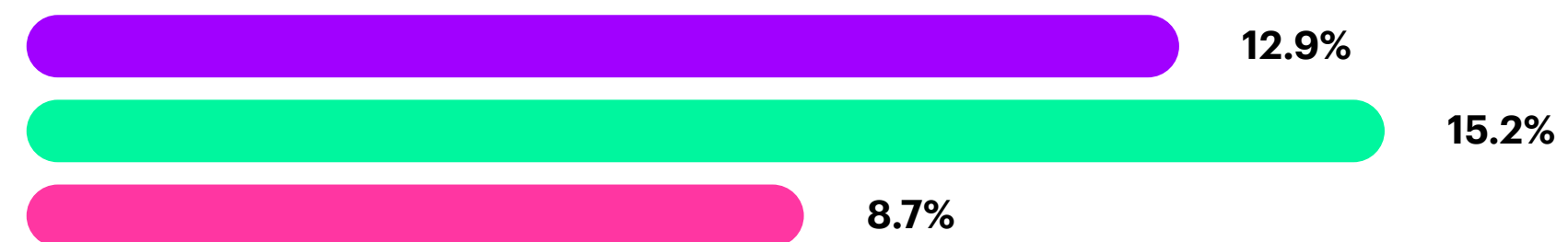


Average EBIT Margin

Historical – 5 years ending 2021



Forecast – 2 years ending 2024e



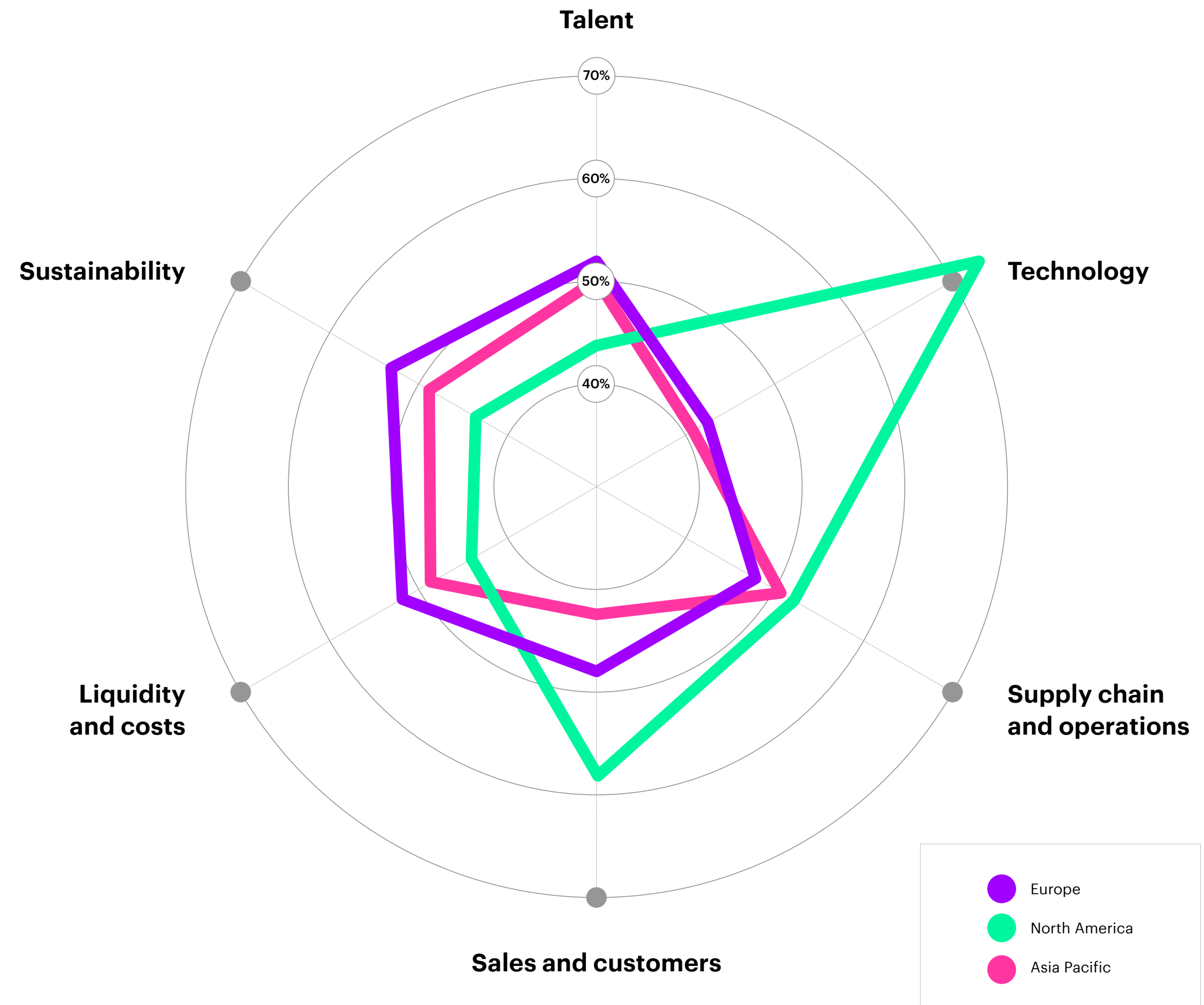
Source: S&P Capital IQ, Accenture Research; Consensus forecast as on 31st Oct 2022.* Average EBIT Margin excludes financial services companies. Sample Size: 2,114 companies of which Europe: 1,019, North America: 571 and APAC: 524. Data aggregated in USD based on historical exchange rate at the end of period.

Exploring European strengths and weaknesses

Performing a financial analysis of 2,854 companies with more than \$1 billion in annual revenue across Europe, Asia Pacific and North America, we found a high proportion of companies in Europe achieving financial resilience despite recent disruption. Among this sample, 25% demonstrated high revenue growth and high profitability over a sustained three to five year period and are expected to continue this trajectory for another two years. While this is a higher share than the 20% of the Asia Pacific sample achieving the same financial results, it falls some way behind North America's 39%.

To better understand where European companies stand, we compared their performance with peers in North America and Asia Pacific across six areas: talent, technology, supply chain and operations, sales and customers, liquidity and costs, and sustainability.

Score comparison across regions in the six dimensions, Q2 2022
Percentile position of average company by region of headquarters



Source: Accenture Research analysis based on a sample of 2,854 companies. Composite scores have been created with data from Arabesque, IDC, Oxford Economics, FactSet, S&P cap IQ S&P ESG, Crunchbase and Dow Jones Factiva.

Strengths:

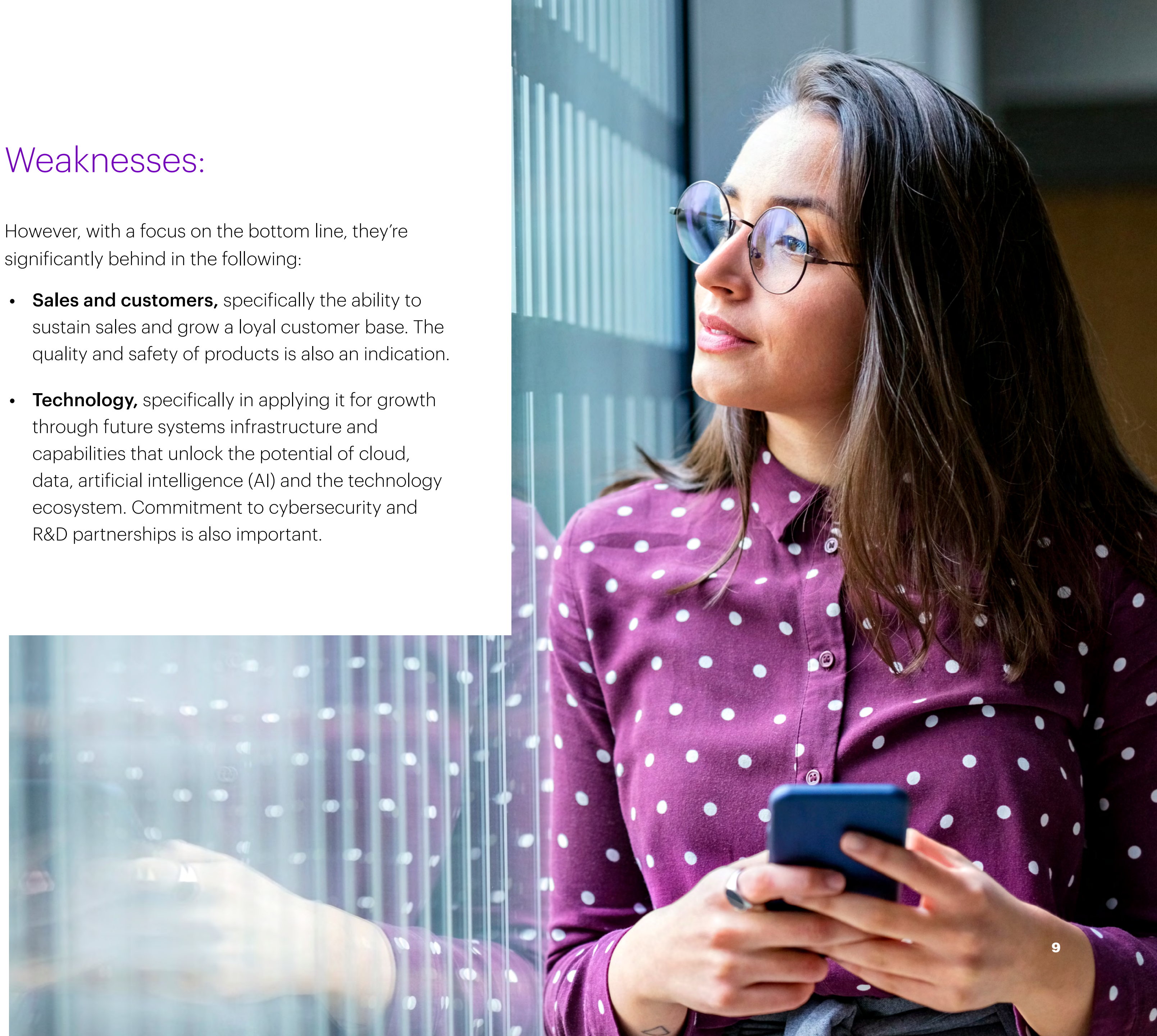
Overall, European businesses perform better in the following areas:

- **Sustainability**, as measured by the ability to embed sustainability practices across the organization. These include not only environmental stewardship but also societal impact and governance.
- **Talent**, as in how the organization delivers on employees' needs to unlock their full potential. That could include stronger performance in compensation, employee turnover, training and development, or health and safety.
- **Liquidity and costs**, measured by the organization's ability to transform cost structures and generate liquidity to invest for the future, with stronger performance on cash flow and debt as a share of revenue, for example.

Weaknesses:

However, with a focus on the bottom line, they're significantly behind in the following:

- **Sales and customers**, specifically the ability to sustain sales and grow a loyal customer base. The quality and safety of products is also an indication.
- **Technology**, specifically in applying it for growth through future systems infrastructure and capabilities that unlock the potential of cloud, data, artificial intelligence (AI) and the technology ecosystem. Commitment to cybersecurity and R&D partnerships is also important.

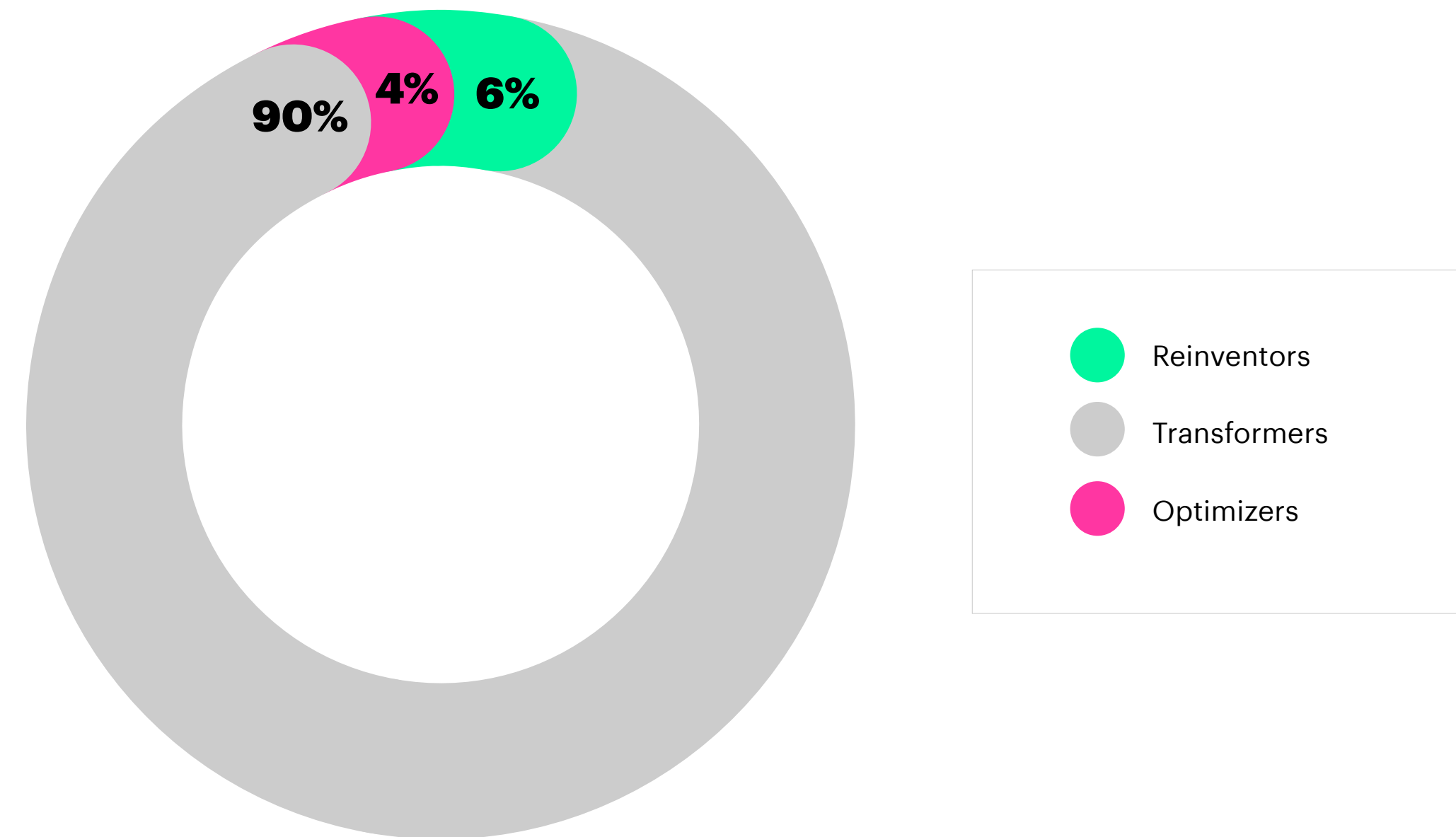


The role of technology in reinvention

Three types of companies emerged in our research:

- **Reinventors:** These companies are moving to adopt a strategy of Total Enterprise Reinvention and represent just 6% of European companies surveyed, compared to 8% of those in North America and 9% in Asia Pacific.
- **Transformers:** Companies that embrace technology as a core part of transformation but only transform parts of the enterprise, often as distinct and siloed projects. They represent 90% of European companies, compared to 84% of those in North America and 86% in Asia Pacific.
- **Optimizers:** Companies that have optimized part of their operations but have not used technology as a core part of their transformations. They represent the remaining 4% of European companies, compared to 8% of those in North America and 4% in Asia Pacific.

Europe's companies are transformers



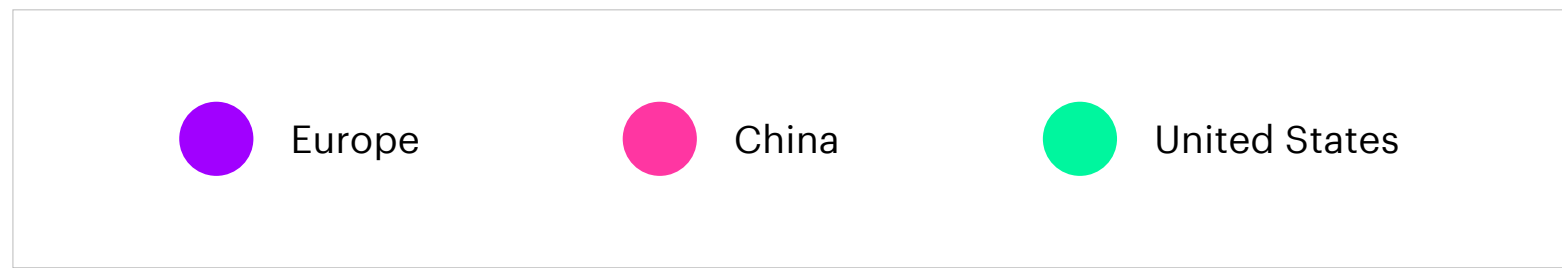
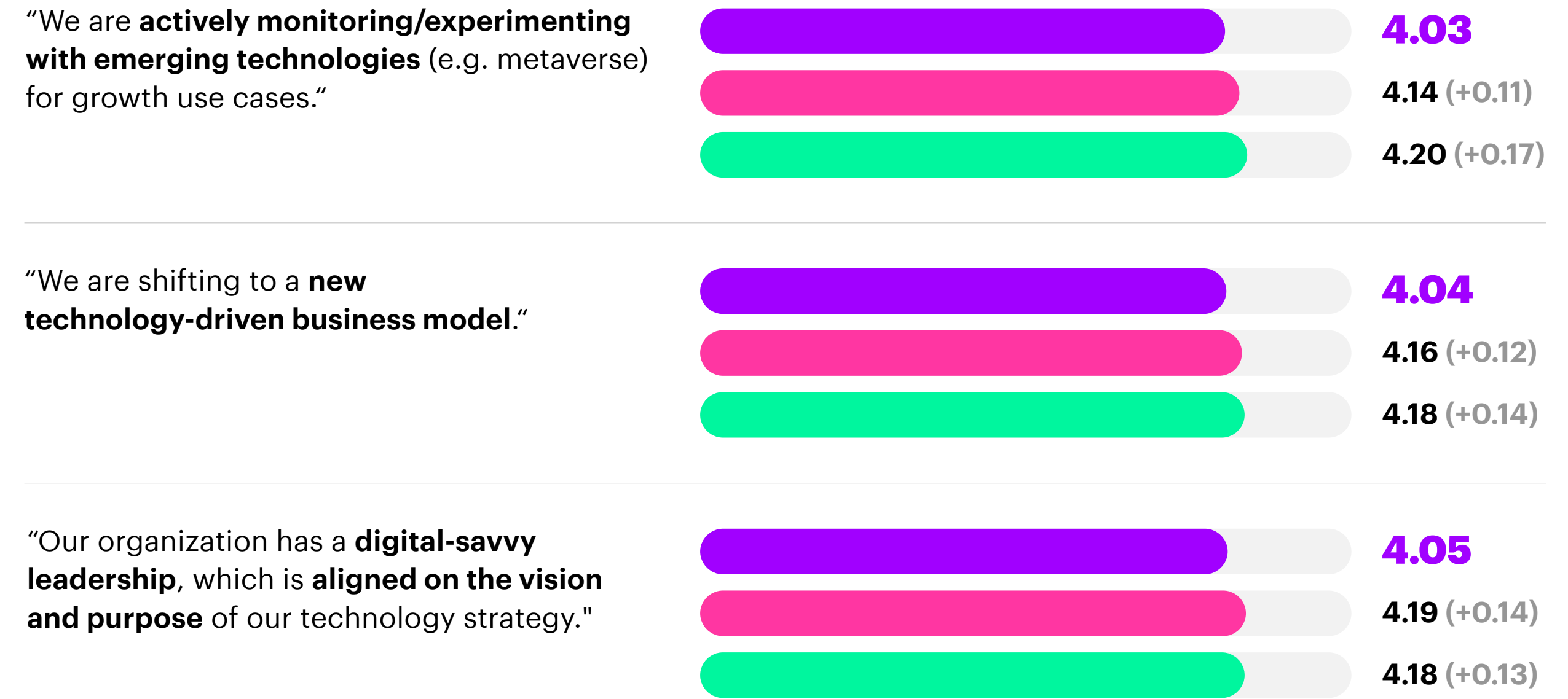
Source: Accenture Total Enterprise Reinvention CxO Survey, fielded in November 2022. Europe sample n=402. Groups were identified based on their responses to five questions related to the components of a Total Enterprise Reinvention strategy. Total Enterprise Reinventors met all the criteria. Transformers met some criteria. Optimizers met no criteria. Figures in some of the regional data may not total to 100% due to number rounding.

Unpacking the technology deficit

As a whole, European companies are behind in using technology for top-line value creation. Less than half stand above the global average for technology penetration and mastery, two measures of technological maturity based on self-assessments in our Business Strengths survey.

This deficit is hindering their transformation efforts: European executives are less likely to assess their current available technology as a significant enabler in the execution of their transformation program (16% vs. 21% globally; 22% North America and 25% Asia Pacific).^{xv}

Accenture Business Strengths Survey, 2022
[scale 1-5; mean value]



Source: Accenture, Business Strengths Survey, 2022 (Oct-Nov). Europe respondents total n=1450. Denmark, Finland, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK. China respondents n= 250, US n=300.



Accelerating investment

When we compared corporate performance on technology at an industry level, we found that European manufacturing industries—especially aerospace and defense, mobility and life sciences—have made significant investments in technology over the past two years, more so than even their North American peers. The energy, travel and utilities industries have made the least progress.

While our aforementioned score comparison chart highlights how far European companies are behind North American peers in technology overall, European executives have hit the gas on implementation over the past two years, particularly across the following areas:

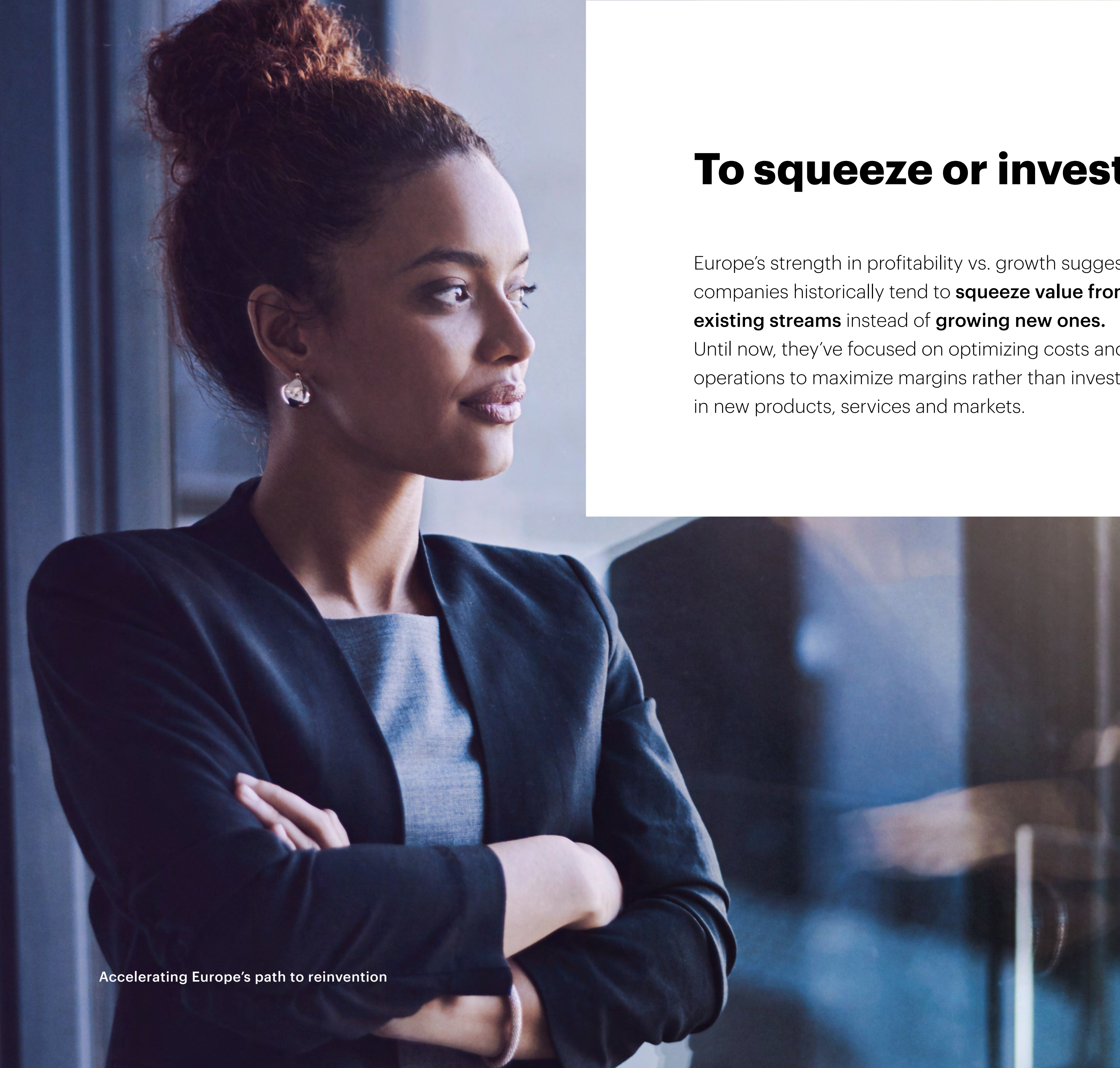
- **Cloud services:**
81% have increased implementation vs. 71% globally and 65% in North America.
- **AI and automation:**
75% vs. 66% globally and 62% in North America.
- **Security:**
76% vs. 69% globally and 63% in North America.^{xvi}

This is where European companies stand today: behind in technology-driven growth but making strides to close the gap.

A person in profile, looking out at a city skyline at sunset. The person is wearing a light-colored t-shirt. The background is a blurred cityscape with tall buildings under a warm, orange and yellow sky. The overall mood is contemplative and forward-looking.

02 The solution: embracing Total Enterprise Reinvention

Europe's shift toward accelerated change



To squeeze or invest?

Europe's strength in profitability vs. growth suggests companies historically tend to **squeeze value from existing streams** instead of **growing new ones**. Until now, they've focused on optimizing costs and operations to maximize margins rather than investing in new products, services and markets.

16.9%

On average, European executives report that just 16.9% of their total global revenues are invested in transformation initiatives. These include research and development (R&D), joint ventures and partnerships, and new technologies. This compares to 18.8% for Chinese companies and 20% for US companies.^{xvii}

\$388 billion

Corporate financial data shows a 110-basis point (bps) gap in R&D spending as a percentage of revenue between North American and European companies in 2021. Had they matched the North American pace, European companies would have invested \$388 billion more over the past five years.^{xviii}

In today's world, this approach is a problem—and executives know it.

European businesses commit to Total Enterprise Reinvention

Investment in technology-driven transformation is the path to stronger growth, but European companies are trailing behind.

The need to shift from efficiency to sustainable growth and innovative business models is urgent. And 402 executives we surveyed agree: A range of external forces—particularly the pace of innovation, shifting consumer preferences and climate change—have accelerated the need for reinvention.

We refer to it as Total Enterprise Reinvention. It requires businesses to adopt a deliberate, end-to-end strategy—one that combines new technologies and ways of working for a new performance frontier. It's a departure from the sequential, time-bound, benchmark-based approach of the past. It's an entirely different act requiring continuous reinvention of the entire enterprise: how it grows, how it operates, how it engages its ecosystem and how it creates [360° value](#) for all stakeholders. And European CEOs are answering the call.





In fact, European executives feel an even stronger need for Total Enterprise Reinvention than their global peers.

Holistic

A greater share of European businesses **(80%)** tout the reinvention of cross-functional capabilities (such as demand forecasting across sales, supply chain and manufacturing) as the central focus of their reinvention strategy and transformation programs, compared to 68% globally, 64% in North America and 63% in Asia Pacific.

Radical

55% say they intend for their reinvention strategy and transformation programs to set a new level of performance for their industries, compared to 45% globally, 40% in North America and 46% in Asia Pacific.

Undaunted

When asked if there were to be a recession in their main markets in 2023, **87%** said they'd speed up reinvention programs, compared to 75% globally, 73% in North America and 64% in Asia Pacific.^{xix}

CEO-led

CEOs are acting as the key sponsor of 60% of reinvention strategies and transformation programs in Europe—that's 6.5 percentage points more than the global average across industries.^{xx}

They know they need to become Reinventors, and they're confident they can

Encouraged by interventions to quell the energy crisis, European executives show more optimism than their peers. Only 65% saw 2022 as the most challenging operational environment yet, compared to 74% in the US and 81% in China. They also largely believe in their organizational effectiveness:

77% believe in their ability to accelerate growth in an economic downturn.

89% believe they would achieve growth goals in 2022.

81% believe they're well-positioned to capture future growth, having overcome the pandemic.^{xxi}

Sources of optimism

01

Signs of economic growth

According to Oxford Economics estimates, Eurozone real GDP grew by 3.3% in 2022,^{xxii} well above the summer forecast of 2.7%.^{xxiii} While most of Europe is expected to fall into recession, recent economic data, easing headline inflation and reduced risk of winter energy rationing point to a brighter outlook in 2023.^{xxiv}

02

Rising consumer confidence

While economic sentiment in the EU remains low, it increased in December 2022 for the second month in a row since February of that year (+1.5 pts to 94.2). Consumers continue to make big purchases, and businesses anticipate increased demand.^{xxv}

03

High talent demand

The EU November 2022 unemployment rate of 6.0% is an all-time low for the period 2008-2022, driven by high demand for talent.^{xxvi} The Employment Expectations Indicator (EEI) for the EU is also tracking stable, well above the long-term average.^{xxvii}

03

The path forward

Preparing for Total Enterprise Reinvention

Evolving from Transformers to Reinventors

Total Enterprise Reinvention is a deliberate strategy to reinvent the enterprise and establish a new performance frontier.

While European businesses have built extraordinary resilience in recent years, they must now become Reinventors to address the unique structural challenges they face. For them, the journey to reinvention begins by focusing on their strengths in the energy transition and talent while resolving their deficits in technology and customer needs.



01.

Build your digital core quickly to enable business model reinvention

Drive continuous, compressed and scaled transformation:

- **Establish a digital foundation** using cloud, data and AI to scale new processes, innovations and solutions across the enterprise. This is not a one-time project but rather an ongoing effort to build a platform for reinvention through transformation programs that fund themselves through the value they create. A digital core is built on a modern, cloud-based infrastructure and security layer that is automated, agile and secure by design.
- **Amplify the power of digital through compressed transformation** and use the digital core to scale new innovations that reinvent

business and operating models. Apply new technologies—from AI to the metaverse—to drive efficiencies and foster sustainable growth with new products and services.

- **Elevate cybersecurity to the CEO level**, not only to share accountability but to ensure it's embedded in the growth strategy. In addition to taking a data-driven approach to risk management, work proactively with your industry's ecosystem and policymakers to strengthen cybersecurity frameworks.

02.

Speed your energy transition

Aim for green growth and a net-zero economy:

- **Work across your ecosystem to center the European economy around net-zero and circular principles** for global competitiveness.

Advocate for strong industry and governmental cooperation, policies and incentives to level the global playing field and fast-track execution while being mindful of people and the planet.

- **Prioritize your transition to clean energy**, accelerating cross-industry decarbonization partnerships, industry net-zero roadmaps, and the adoption of options such as green hydrogen, Carbon Capture and Storage (CCS), Small Modular Reactor (SMR) technology and wind and solar power. Energy efficiency—the act of using less energy—plays an important role in reducing emissions and costs.
- **Invest in “carbon intelligence” and ESG reporting** and hold leadership accountable for progress. This includes “deep electrification”—the act of further electrifying manufacturing, cities and buildings as well as eMobility and reinforcing intelligent grids. Industries such as utilities and automotive play a key role in decarbonizing the production of power and heat.

03. Align to new customer needs

Implement a life-centric strategy to drive innovation and growth:

- **See customers within the context of their full lives.** Use a combination of human and machine intelligence to understand customers and their motivations in a holistic and dynamic way. Remain relevant by broadening your canvas of value creation to societal, environment, economic and other needs.
- **Solve for shifting customer scenarios.** Abandon one-size-fits-all offerings for more personalized products and services. To do this, go beyond industry borders with extended partnerships, and rethink your talent, technology and processes to meet customer needs.

- **Simplify marketing operations to drive innovation and efficiency.** Create simple and unified experiences for customers across channels by integrating customer-facing functions across a single data and experience platform. Use data insights and automation to redesign marketing organizations to break silos, unleash creativity and improve innovation.

04. Take your strengths in talent to the next level

Make talent strategy core to your business strategy:

- **Place people at the center of reinvention.** Because all reinvention is people-led, establish your CHRO as the catalyst for change. Ensure strong connections and collaboration across the entire C-suite and bring all people along

on your reinvention journey, creating new ways of working. Empower them by breaking down organizational, process and data siloes.

- **Access and create talent in innovative ways.** As work environments evolve and new markets emerge, organizations will have to create blended teams with new skill sets that can flex and scale beyond company borders. Use internal and external data to obtain a deep, granular understanding of current and next-generation skill needs. Use technology such as AI to unearth hidden talent and revamp hiring and recruiting practices. Play an active role in your ecosystem to identify, access and develop skills pipelines.
- **Infuse a culture of inclusion across the organization.** Invest in employee well-being and engagement to ensure you are leaving your people “Net Better Off.” Foster a hybrid working environment and culture in which people from all levels can contribute to their full potential, supported by a strong sense of belonging and purpose.



A pivotal moment for a stronger Europe

When it comes to resilience, Europe's businesses set the example.

They've met unprecedented disruption with rapid change, becoming more resilient and capable of navigating uncertainty. But they continue to face headwinds unique to their region that could put them at a disadvantage. What defines them today? They see turbulent times as an opportunity for radical transformation.

In recent years, European businesses and policy makers have united around a common purpose to improve competitiveness, address global challenges and reach a new performance frontier. Now is the time to accelerate together, reshaping not only their organizations but also their industries and communities. And to build on their strengths in the energy transition and commit to technology-driven growth with a deliberate and continuous strategy of Total Enterprise Reinvention.

Learn more about Total Enterprise Reinvention [in our accompanying report.](#)

About the research

Analysis of European business strengths

We leveraged outside-in data to construct a set of indexes (0-100) around six company-level dimensions that proved to have a significant impact on profitable growth. The analysis covered 2,854 companies globally. These dimensions include companies' cost and liquidity structure, performance around sustainability, talent, supply chain and operations, sales and customers and technology adoption. The dataset enabled us to track how companies are building strengths holistically across their different functional capabilities to withstand pressure derived from disruption.

- **Liquidity and costs:** ability to transform cost structures and generate liquidity to invest for the future.
- **Sales and customers:** ability to sustain and grow sales and a loyal customer base.
- **Talent:** ability to deliver on employees' needs and unlock their full potential.
- **Supply chain and operations:** ability to manage economic and geopolitical risks associated with global suppliers.
- **Sustainability:** ability to embed sustainability practices across the organization.
- **Technology:** technology systems maturity encompassing the adoption and scale of technology use in the organization, including data, AI, cloud and cybersecurity capabilities.

Corporate financial performance

From the list of 2,854 companies, we had 2,114 companies for which consensus forecasts (based on analyst consensus estimates) were available. Using this consistent sample, we calculated the regional comparison for Revenue Growth and EBIT Margin for the past five years (2017–2021) and forecasted two years (2023e–2024e).

All financial data is sourced from S&P Capital IQ and the forecasts for all companies are based on consensus analyst estimates (sourced from S&P Capital IQ) as of October 31, 2022.

Accenture Business Strengths Survey, 2022

Accenture Research commissioned McGuire Research to survey CXOs across Europe, the United States and

China. Our respondents were asked a set of questions regarding the current market situation as well as their performance in the following dimensions: profitable growth, supply chain, sustainability, customers, talent and technology.

Data collection method: web-based surveys conducted between October 24 – November 30, 2022.

All respondents meet the following criteria:

- C-Suite executive of company headquartered in Europe (Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom), China or the United States.
- Work for a company in any of following industries: Automotive, Capital Markets, Communications Media & Entertainment, Consumer Goods & Services, Healthcare, Industrial Goods & Equipment, Insurance, Life Sciences, Retail, Retail Banking, Software & Platforms, and Utilities.

- Work for B2B or B2C company.
- Work for company with annual revenues of \$1 billion and above.

Sample sizes:

- **Europe** – N=1,450 (Margin of error of +/- 3.1% at the midpoint of the 95% confidence interval).
- **US** – N=300 (Margin of error of +/- 4.3% at the midpoint of the 95% confidence interval).
- **China** – N=250 (Margin of error of +/- 3.2% at the midpoint of the 95% confidence interval).

Accenture Total Enterprise Reinvention CxO Survey, 2022.

Accenture Research conducted a survey of 1,516 C-suite executives (of which n=402 were in Europe) in November 2022. Respondents were asked about their organization's approach to business transformation and reinvention strategy, as well as about their specific programs and success factors.

We conducted the survey in ten countries: Australia, Canada, China, France, Germany, India, Italy, Japan, United Kingdom and the United States.

Respondents represented 19 industries: Aerospace & Defense; Airline, Travel & Transport; Automotive; Retail Banking; Capital Markets; Chemicals; Communications, Media & Entertainment; Consumer Goods & Services; Energy; Healthcare; High

Technology; Industrial Goods & Equipment; Insurance; Natural Resources; Pharmaceuticals, Bio Tech & Life Sciences; Public Services; Retail; Software & Platforms; and Utilities.

Based on the survey responses, we identified three groups of companies:

- Reinventors: 6% of the Europe sample; 8% of the North America sample; and 9% of the Asia Pacific sample.
- Transformers: 90% of the Europe sample; 84% of the North America sample; and 86% of the Asia Pacific sample.
- Optimizers: 4% of the European sample; 8% of the North America sample; and 4% of the Asia Pacific sample.

Acknowledgements

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ⁱⁱⁱ Deutscher Industrie- und Handelskammertag, "[Economy in the wake of the energy crisis DIHK Economic Survey Fall 2022](#)," November 2022.

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^{xiii} Accenture, "[Life Trends 2023: Control and Power](#)," December 2022.

^{xiv} Accenture, "[Life centricity playbook](#)," November 2022.

^{xv} Accenture, Total Enterprise Reinvention CxO Survey, fielded in November 2022.

^{xvi} Accenture, Total Enterprise Reinvention CxO Survey, fielded in November 2022.

^{xvii} Accenture, Business Strengths Survey, 2022.

^{xviii} Accenture Research analysis based on S&P Capital IQ. Excludes financial services companies. The cumulative figure is based on the sample of companies covered in the analysis and is arrived at by applying the North American rate of investment in R&D to European companies to arrive at the approximate shortfall. Sample Size: 1,843 of which Europe: 909, North America: 486 and Asia Pacific: 448.

^{xix} Accenture, Total Enterprise Reinvention CxO Survey, fielded in November 2022.

^{xx} Accenture, Total Enterprise Reinvention CxO Survey, fielded in November 2022.

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