

Forbes
INSIGHTS

The Unlikely New Frontier Of Enterprise Growth: Why Innovation Leaders Pull Ahead In Times Of Volatility

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A New Volatility Paradigm Is Emerging

It's the long-standing foe of enterprise success, a threat executives must "insulate from," "prepare for" or "mitigate." Volatility, it's true, can pose a multitude of corporate risks. But a landmark new study identifies a class of leaders turning that heightened risk into heightened reward.

The study's findings reveal that executives who embrace uncertainty are yielding impressive organizational results and a number of other benefits.

So, how are executives bending volatility in their favor? Why does their mindset influence business outcomes and what are their common priorities, goals and concerns?

Forbes in partnership with audit, tax, advisory and consulting firm Crowe LLP surveyed 1,001 industry leaders of companies with \$500 million or more in yearly revenues. The results show key differences between those who are successfully innovating amid volatility versus those who are still preparing for the next trend or crisis.

The disparity appears influenced by one metric in particular: the attitude of leadership towards volatility.

Executives selected one of three views most aligned with their outlook. That selection correlated to organizational performance across a number of success measures. They are categorized within this report as "Leaders," "Followers" and "Laggards."

As you will discover, executives in the Leaders category are the clear enterprise winners.



The Dynamics Of Risk Are Shifting

Recent years have shown it is nearly impossible to predict volatility—it can arise for almost any reason and come from all sides.

Its confluent nature is concerning executives about a wide range of scenarios including economic changes like inflation, supply chain disruptions and talent shortages. (Figure 1)

As a result, organizations are investing more heavily in technologies and processes to improve their forecasting, detection, analysis and decision making.

More than four in ten executives say disruptions and volatility in the market have weakened their organizations. In addition,

37% admit they have been too slow to respond to business volatility. Despite these acknowledgements, most say they view volatility as an opportunity.

It appears, however, that recognizing and capitalizing on that opportunity may be easier said than done. Interestingly, the Leaders cohort is more likely to point to more barriers impeding their organization's efforts to benefit from volatility. Laggards, on the other hand, are less likely to identify those barriers—perhaps even when they should. (Figure 2)



FIGURE 1.

Executives Identify Leading Sources Of Volatility

	Currently	By 2025	% Increase
Financial risk (revenue growth, profitability, access to capital)	35%	44%	9%
Within the industry (new competitors, competitors' actions)	34%	43%	9%
Customer and prospect base (evolving customer needs/preferences, hyper-personalization, customer centricity)	33%	42%	9%
Regulation and taxation (data security/privacy, ESG, global minimum tax/heightened transparency)	33%	42%	9%
Geopolitical change (tariffs, trade barriers, country risk, global interdependence)	34%	42%	8%
Talent (skilled workers, scarcity, DE&I, retention)	36%	43%	7%
Existing technology footprint and future roadmap within organization (new products/services, disruption, new business models)	34%	41%	7%
Environmental, social, and corporate governance (ESG) and decarbonization (net zero, circular economy, expanded reporting)	34%	39%	5%
Overall economic change (inflation, potential economic turndown)	40%	44%	4%
Supply chain (shortages, potentially reconfiguring/nearshoring; data sharing)	38%	41%	3%

*Percentages represent respondents who said their organization faces high volatility in each area by selecting 4 or 5 on a 5-point scale.

FIGURE 2.

Barriers To Benefiting From Volatility

	Leaders	Followers	Laggards
Pressure to perform in the short term	61%	48%	43%
Complexity (difficulty in prioritization; in choosing effective strategies/actions)	61%	40%	44%
Time constraints (competing objectives)	60%	47%	42%
Uncertainty about the future	58%	49%	50%
Difficulty defining and achieving a future technology roadmap	58%	40%	35%
Incomplete information (information silos/lack of essential data)	57%	44%	37%
Lack of appropriate staff with necessary skills	54%	45%	43%
Lack of an overall corporate vision	54%	43%	34%
Insufficient capital for transforming people/ processes/technologies	54%	42%	36%
Lack of senior management support — few or no champions	54%	40%	32%

*Percentages represent respondents who said each area is impeding their organization's efforts to benefit from volatility by selecting 4 or 5 on a 5-point scale.

Executive Attitudes Hinder Or Harness Growth

Executive Attitudes Hinder Or Harness Growth

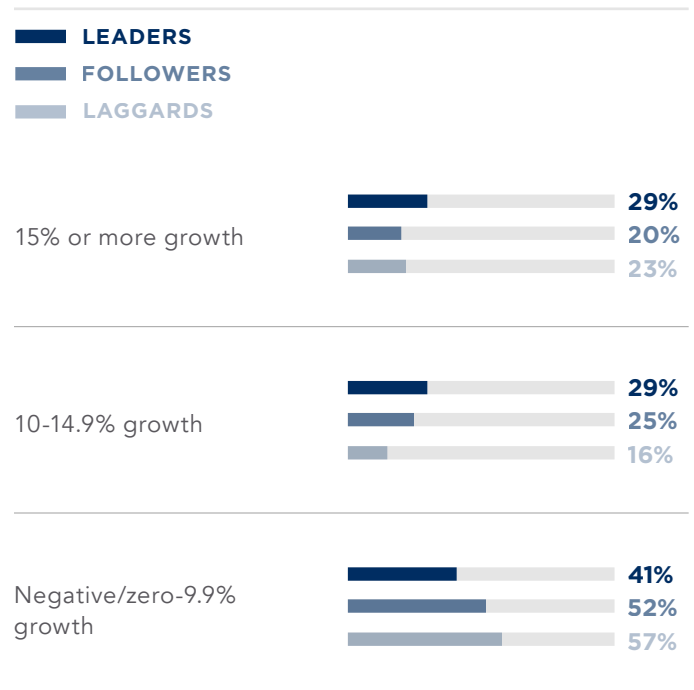
While more than two thirds (67%) of executives believe their organizations are well equipped to benefit from volatility, those in the Leaders category seem to be most effectively embracing its potential to drive higher rates of growth. The Leaders cohort is much more likely to be part of high-growth businesses, and the majority, 58%, report revenue growth exceeding 10% for the most recent fiscal year—compared to 45% of Followers and 40% of Laggards. (Figure 3)

In other words, executive outlook on uncertainty seems to be correlated to their organization's ability to generate revenue in uncertain times. Perhaps that's because those who view uncertainty as an opportunity are typically integrating volatility-adaptive innovation across their enterprise architecture to enable growth in all market conditions. (Figure 4, Figure 5) On the other hand, executives who view volatility with trepidation are less actively implementing volatility-driven innovation—which may make their organizations more dependent on leadership assessments of unpredictable factors, like the timing of peak interest rates or a recession, for example.

"If the last few years have taught us anything, it's that companies that proactively treat business resilience and sustainability as a strategic imperative are the ones that adapt to market dynamics the fastest," says Mark Baer, CEO of Crowe LLP. "In turn, they are best positioned to identify and deliver value based on new and emerging customer and talent demands." said Mark Baer, Crowe LLP CEO.

FIGURE 3.

Organization's Annual Revenue Growth Rate For Most Recent Fiscal Year



Prioritizing People And Process Drives New Value

First, The People

A majority of organizations, 62%, are expanding their technology footprints, investing more in research and development (R&D) that will enhance the resiliency of their products, services and operations.

Volatility-driven innovation is empowering new ways to engage and enhance workforces, with executives in the Leaders category once again leading the charge.

“The way of working and the expectations of the workforce have forever changed in recent years,” says Katie Hamada, chief people officer at Crowe LLP.

“Companies need to take a proactive view of how things have changed and be agile. We are now in a state of perpetual evolution as it relates to talent management, and there is no single best answer. Every company, every industry, every work environment and every employee have different dynamics and perspectives on what defines the ‘optimal talent experience.’”

While training and change management are being adopted across organizational leaders, 75% of those in the Leaders category are investing more in workforce training versus 50% of Laggards. That’s likely because Leaders recognize the importance of workforce training as a means to prepare, to modernize and to embrace volatility. (Figure 4)

The gap between Leaders and Laggards is wider when it comes to providing greater autonomy and decision making power to employees at all ranks. Three-quarters of Leaders report they address volatility by increasing empowerment of their workforces, compared to only 43% of Laggards. (Figure 4)

“Roles and business needs are so rapidly changing, people demand career mobility and reasonable levels of autonomy,” Hamada says. “Leading companies understand and embrace that, and they’re investing to ensure they provide their employees a path to growth and professional fulfillment. Failure to do so will simply result in those people going to

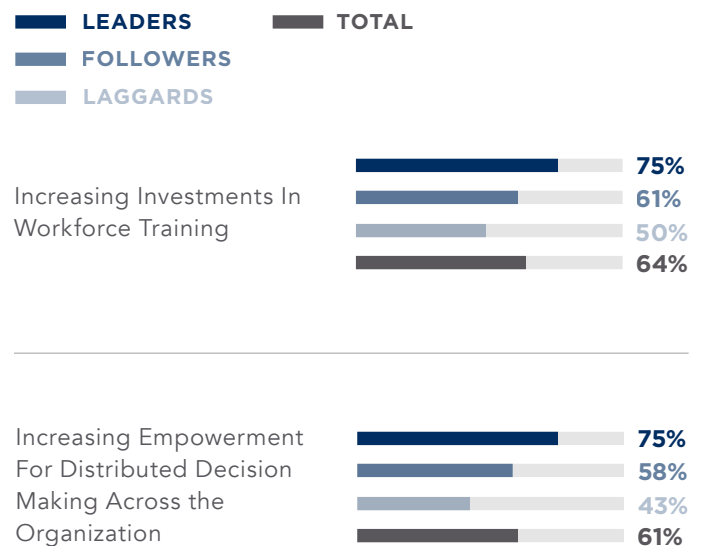
work elsewhere.”

Talent shortages are a leading volatility concern among executives. As a response to this challenge, as well as the need to develop competitive capabilities, volatility is leading to investments that can foster a positive culture of engagement with the ability to pivot as trends and events reshape the business landscape.

“There is no cookie cutter, one-size-fits-all philosophy to defining the talent experience,” Hamada adds. “Those who deploy a fluid, transparent and human-centric approach to employee engagement and talent solutions stand the best chance of adapting to the ever-changing needs of our people.”

FIGURE 4.

Leaders Invest More In Their Employees



*Percentages represent the respondents who said they are pursuing each action by selecting 4 or 5 on a 5-point scale.

Then, The Process

A majority of executives, 51%, say unprecedented volatility has forced their organization to reimagine its foundational business model. Yet, only 35% say their business is likely to undergo a significant business transformation in the next 12 months.

Those that are, unsurprisingly, are those in the Leaders category. Sixty percent of them say it is likely their organization will undergo a significant business transformation by 2025. Additionally, 71% of Leaders are revising their organizational structures to improve agility and resilience, versus 42% of Laggards. (Figure 5)

Reimagining business models may mean reorganizing and digitizing internal workflows, opening digital channels to customers, or shifting from manufacturing products to delivering services. Business transformation, meanwhile, involves the underlying mechanics that support a major business model shift—which may include evolving digital technology for operations and customer contact or changes in management philosophy, such as opening up hierarchical decision making to greater team efforts. All of these promote a more nimble, volatility-adaptive organization.

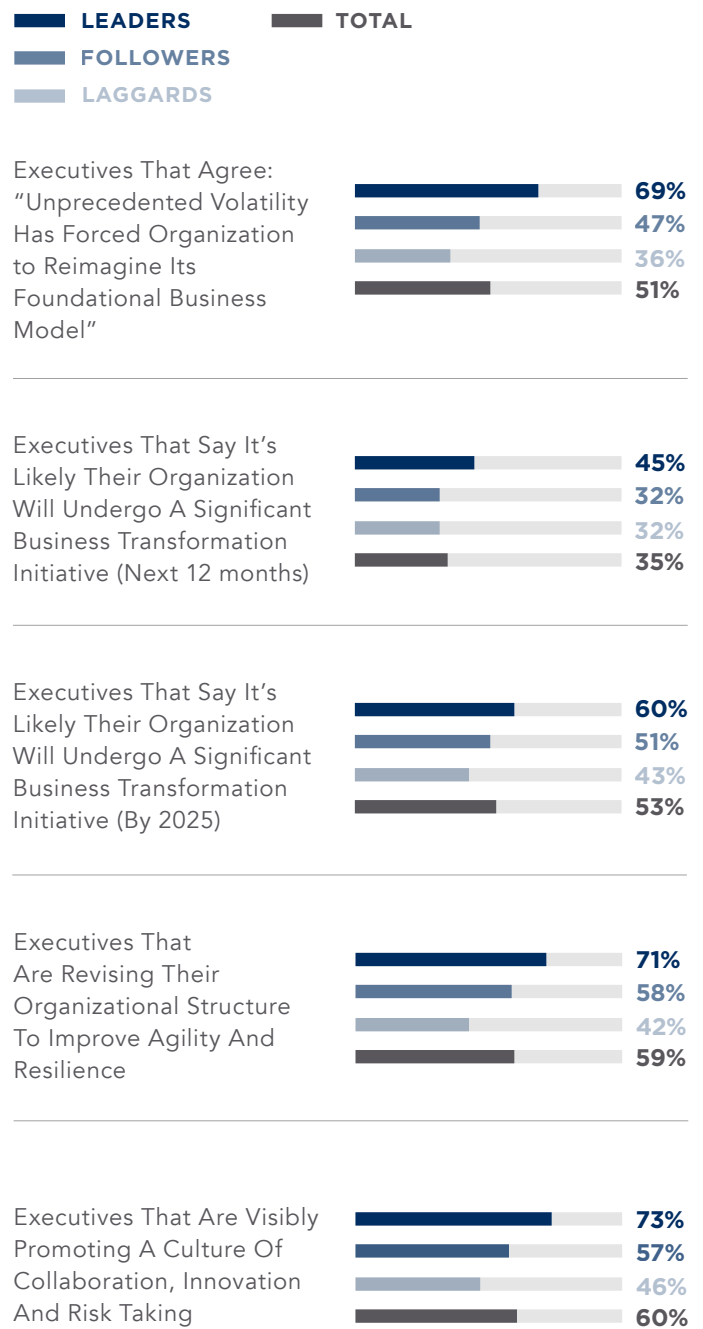
“Throughout the course of history, the business landscape is filled with examples of companies that adapted and transformed based on market dynamics,” says Baer. “Unfortunately, the reverse is also true. Those companies that failed to evolve are now either fighting for relevance or extinct. The need to balance current and future states is critical—companies should be in a perpetual mode of reinvention.”

An adaptable corporate culture is underpinning efforts to embrace volatility. A majority of respondents, 60%, say they are visibly promoting collaboration, innovation and risk taking—but the difference between Leaders and Laggards is stark. A majority of Leaders are actively promoting this process, while a majority of Laggards are not. (Figure 6)

“It’s not surprising to see executives are focused more on innovation, strategic risk taking and collaboration,” Baer notes of the survey results. “What is surprising is that many still seem to be taking those elements of corporate culture for granted. Setting the tone and consistent reinforcement are necessary to combat the potential for corporate complacency—after all, complacency is the biggest existential threat to a business.”

FIGURE 5.

Leaders Are Pioneering Processes That Embrace Volatility



*Percentages represent the respondents who selected 4 or 5 on a 5-point scale.

FIGURE 6.

Actions Taken By Executives To Improve Processes To Address Volatility

	Total	Leaders	Followers	Laggards
Creating closer collaboration with customers	66%	77%	64%	53%
Improving collaboration between supply chain and sales/marketing	64%	78%	60%	50%
Expanding strategic planning	63%	75%	62%	40%
Expanding supplier responsibilities	61%	75%	58%	50%
Focusing R&D on product/service/process improvement	60%	76%	56%	42%
Increasing data sharing and collaboration with suppliers, partners, advisors	59%	76%	55%	45%
Expanding outsourcing or co-sourcing	59%	69%	57%	43%

*Percentages represent the respondents who said they are pursuing each action by selecting 4 or 5 on a 5-point scale.



Uncertainty Is At The Forefront Of Tech Innovation

While a majority of organizations are expanding their technology footprints—Leaders are uniquely championing a volatility-driven technology modernization.

As a result, they are cultivating a new type of sustainable growth that's becoming immune to unpredictable conditions.

Three quarters of the Leaders cohort is heavily investing in technology while barely half of Laggards are doing the same. (Figure 7) That's because they realize that embracing volatility requires investing in technologies and processes to improve forecasting, detection, analysis and decision making.

Those include spending on information technology that connects an enterprise to assure greater situational awareness and practiced predictability. In addition, automation and artificial intelligence is enabling businesses to continue nearly unphased by disruptions that had once shocked supply chains or worker availability.

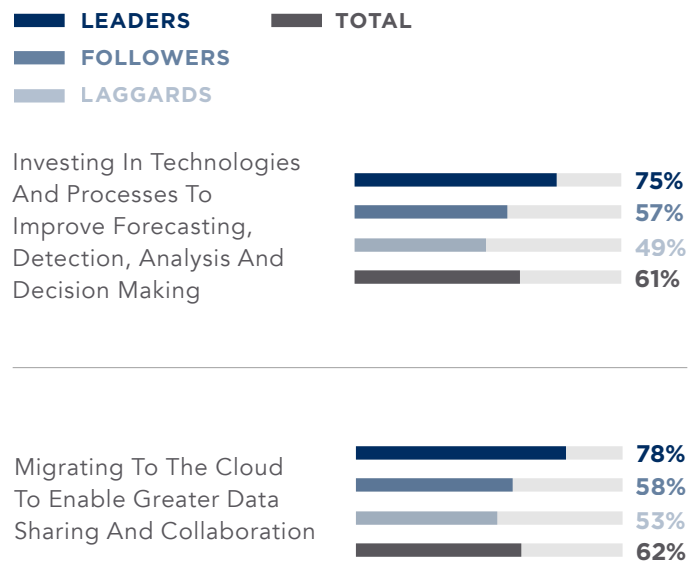
"Digital transformation and technology innovation is really quite subjective, depending on the technological maturity of your organization," says Brenda Torres, chief operating officer at Crowe LLP. "The leaders in this space are blazing new paths and pushing the limits of what technology can do to drive scale, enhance customer service and improve operational efficiency. Others, however, are only focused on making incremental advancements, which will only serve to put them further behind the competition."

A majority of executives, 62%, are also moving to the cloud to enable greater data sharing and collaboration. Many report cloud capabilities as key to scaling and effectively managing the increasingly large volumes of data required to overcome

volatile business events.

FIGURE 7.

Leaders Invest In Technology Innovation To Address Volatility



*Percentages represent the respondents who said they are pursuing each action by selecting 4 or 5 on a 5-point scale.

Underserved Markets Have New Opportunities To Advance

Businesses across a sector stand to aggregately grow from new uncertainty, but industry reaction to volatility varies significantly.

Businesses in private equity, technology, media and telecommunications appear most adaptive to uncertainty, as executives in these industries have the highest agreement that their organization has benefited from disruptions and volatility in the market.

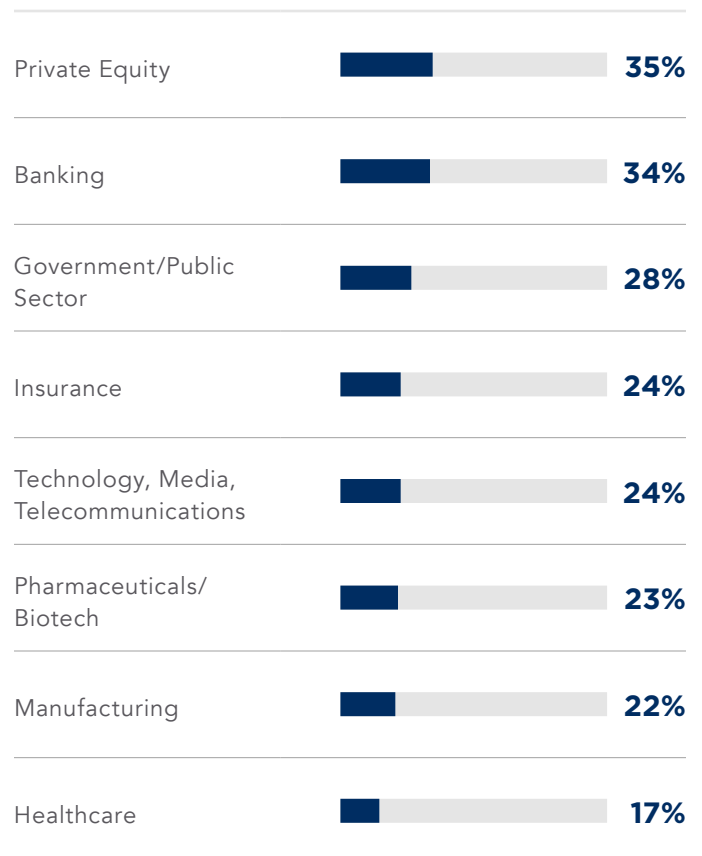
Trailing in this proactive welcome of uncertainty, on the other hand, are organizations in manufacturing and healthcare. Paradoxically, while executives in the banking sector report they lead the way with strategies to embrace volatility, they are not prepared—and may often be restricted by regulations that prevent them from pursuing transformative strategies.

Still, organizations in the financial services sector are most likely to be proactive when it comes to embracing volatility. These include banking and private equity, with more than one-third in each segment classified as Leaders. Healthcare, on the other hand, tends to be the industry Laggard. (Figure 8)

Banking, manufacturing, and technology, media and telecommunications organizations are most likely to undergo a business transformation, leading in volatility-embracing innovations that promote closer collaboration with customers and cross-organizational integration.

FIGURE 8.

Executives In Each Industry Categorized As ‘Leaders’



*Percentages represent the respondents in each industry that strongly agreed with the statement “Your organization generally views volatility as an opportunity” by selecting 5 on a 5-point scale.

The Evolving Enterprise Embraces Volatility

The long-practiced reactionary approach to volatility—that adopted by the Laggards category in this survey—leaves organizations vulnerable to a nearly impossible calculus of predicting market shocks and swings.

Leaders that weave volatility-driven innovation into the fabric of their enterprise—like the Leaders category—are unlocking sustainable growth in any market condition.

Innovation based on volatility-driven insights can create more growth than traditional advancements to enhance customer experience, employee engagement, operational efficiency, output or other individual metrics of business performance. That's because innovating to embrace volatility is a holistic value generator because it transforms people, process, technology and ultimately organizations as a whole into nimble giants of enterprise success.

“Every business cycle has peaks and valleys, along with unexpected turbulence. Winning organizations have a knack for charting a course that ensures consistent, sustainable performance in every aspect of business operations—from technology adoption and talent planning to risk management and operational efficiency.”

—Mark Baer, CEO, Crowe LLP

JOE MCKENDRICK

Report Author

Methodology

In partnership with Crowe LLP, Forbes surveyed 1,001 executives from organizations with at least \$500 million or more in annual revenues.

Respondents represent companies across a range of sectors. A majority of respondents, 71%, are C-suite executives, board members, or partners. Three quarters (75%) of respondents are primary decision makers.

