AlixPartners

Disruption Index

Get ready for the productivity push

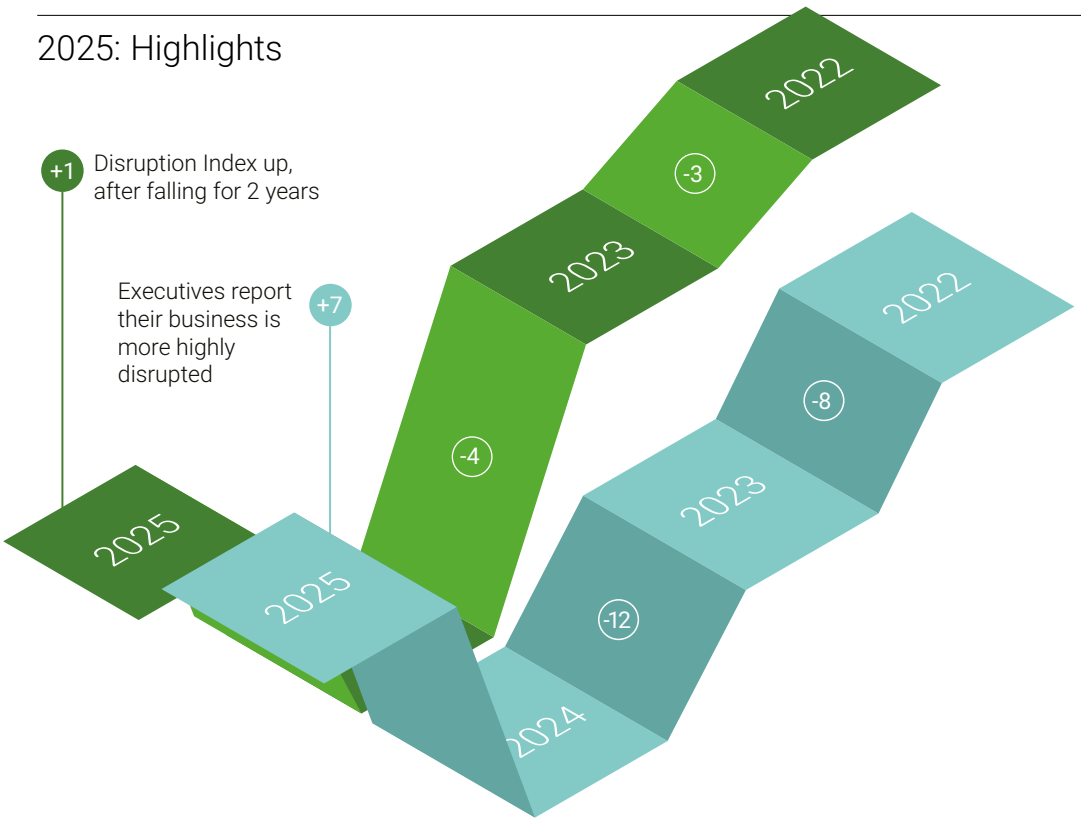
When it really matters.[sm]

2025

Contents

Our findings in brief

2025: Highlights



Largest index increases year over year

Industries

- +4 Automotive
- +5 Media & Entertainment
- +6 Consumer Products

Regions

- +7 DACH
- +6 France

Politics really do matter

65% of CEOs

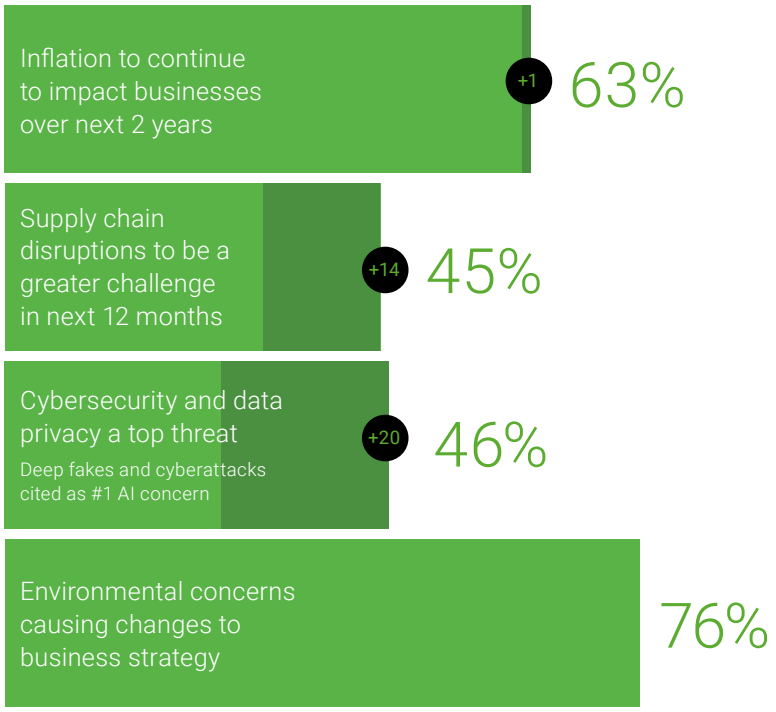
Manufacturing and supplier footprints being adjusted as a result of U.S.-China tensions

74%

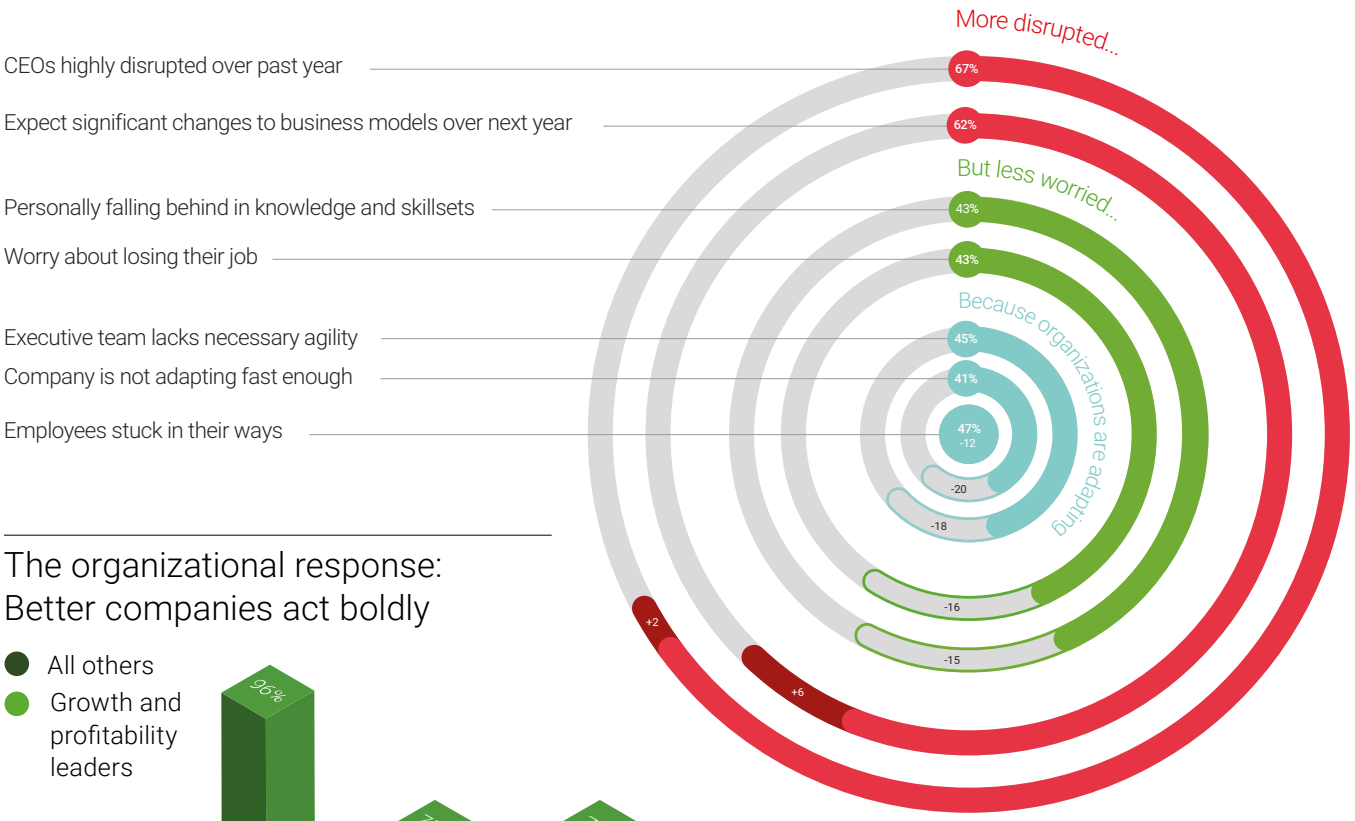
New tariffs expected to cause business strategy adjustments

The majority of companies are adapting their supply chains and pricing strategies, and preparing for potential disruptions in material costs and supplier reliability.

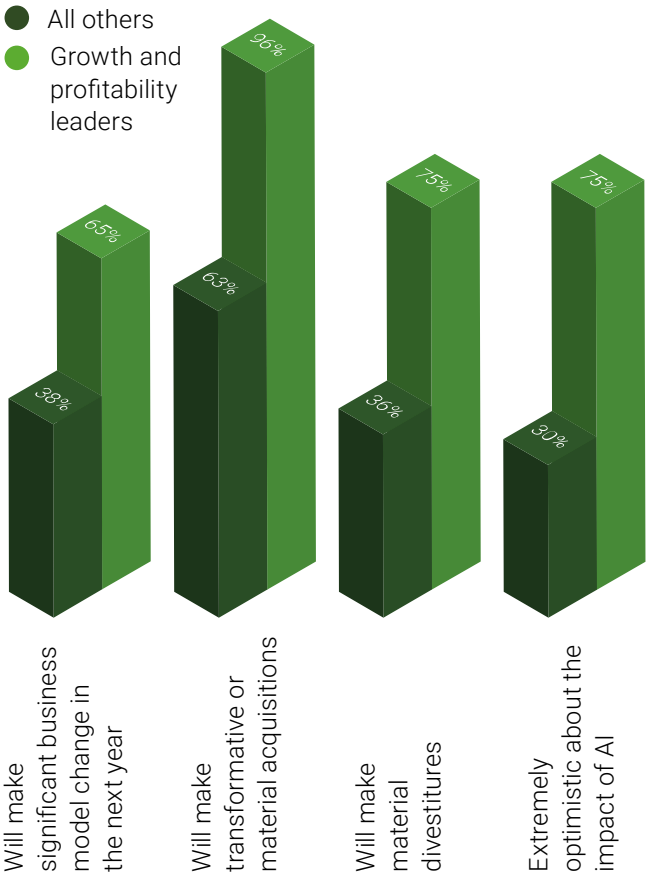
Volatility and uncertainty higher



CEOs less anxious amid increasing disruption



The organizational response: Better companies act boldly



AI, automation & robotics are biggest opportunities

- 80% of executives at least somewhat optimistic about the impact of AI on their business
- 61% primarily focused on using AI to drive revenue growth (with 39% primarily focused on cost reduction)
- 35% concerned about an overreliance on AI reducing critical thinking and problem-solving skills among employees
- CEOs see automation of physical processes as a huge opportunity, with 72% of CEOs envisioning the deployment of humanoid robots at scale within the next 5 years

Productivity pressure is on—and companies are investing

+10%
Productivity is the #1 workforce issue

+14%
Increasing priority to invest in digital tools for automation

+14%
Upskilling as a top workforce issue

+8%
Executives saying hiring technical workers is getting harder

You say you want a revolution?

From our Executive Chairman

Simon Freakley

Uncertainty and volatility are rising, increasing strains on business leaders and operating models. After subsiding from the heights of the pandemic, supply chain pressures are increasing. Workforce constraints are tightening. The threats from cyber attacks and deepfakes are growing, as are regulatory and geopolitical risks.

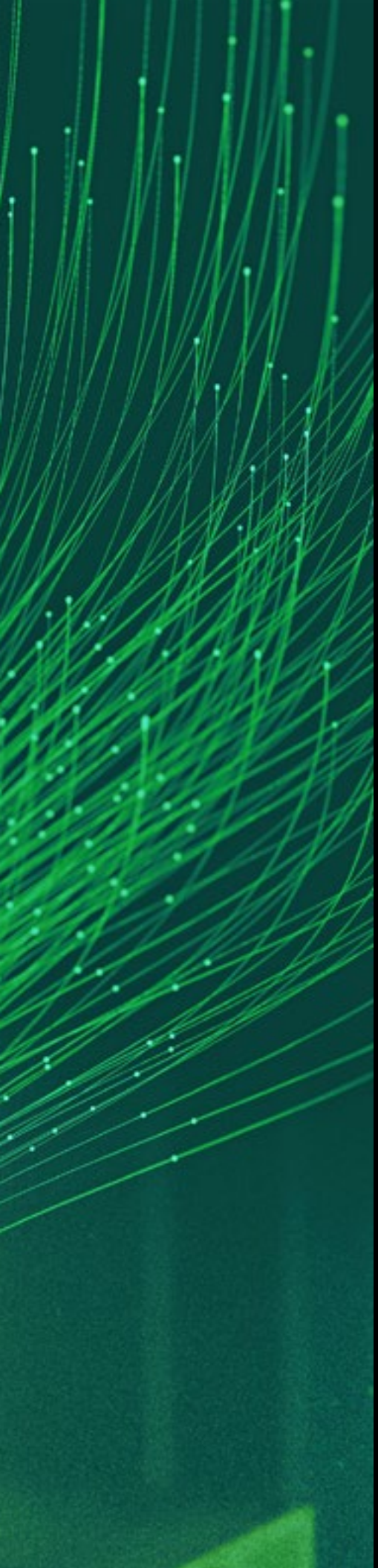
But at the same time, an unprecedented revolution in new technologies—from clean and abundant energy, to paradigm-shifting advances in healthcare, to AI, automation, and robotics—is accelerating productivity and reshaping how we live, work, and create value for our customers and our shareholders.

Almost 90% of CEOs tell us that productivity among their company's employees is increasing. They are overwhelmingly optimistic about the impact of AI on their organization, and, by a factor of two to one, they are applying these technologies primarily to grow revenues, rather than cut costs.

Undoubtedly, this helps explain that while disruption is up, so is confidence. A growing number of companies are becoming more proactive, agile, and resilient in the face of an external environment that is in constant flux.

Now in its sixth year, the AlixPartners Disruption Index explores what the best-performing and fastest-growing companies and their leaders are doing differently as they anticipate, shape, and respond to disruption. Over time, we have seen a consistent pattern from these companies: They prioritize execution and speed to results.

The opportunities from this revolution are vast. Tomorrow's winners will be those who push hardest today.



Summary findings

We live in a world disrupted by escalating risks and uncertainties. A fracturing world order and rising geopolitical conflict are inflicting a devastating human toll and undermining the collective gains from decades of globalization. Populations across much of the world are aging rapidly, with profound implications for how we live and work. Cybercrime, disinformation, polarization, and diminished trust in institutions are the new reality of our hyper-connected existence. At the same time, new technologies promise to create opportunities for people and companies through faster productivity and economic growth, abundant and cheap energy, and longer and higher quality lives through advances in healthcare.

Normal is over. Disruption is the new economic driver.

While most businesses experience this reality through the shock of immediate events in the longer-term, disruptive forces are fundamentally remaking how we live and work, and, with that, how and where businesses create value for their customers, employees, and shareholders. And, as we explore in more detail later, many of these forces—from the innovation and adoption of AI, to shrinking workforces, to more sustainable and abundant energy, to globalization trends—have reached critical points of inflection and acceleration that require businesses' immediate attention.

As we witnessed the pace of change and its impact on our clients accelerating, AlixPartners began studying these phenomena over six years ago. With our latest AlixPartners Disruption Index, we delve into the biggest challenges that over 3,200 senior executives from around the world and across 10 different industries report facing, and examine what the best-performing companies are doing differently to mitigate the risks and position themselves for the opportunities that this environment presents.

Executives report increases in disruption over the past 12 months and higher risks on the horizon, a reversal of the trend for the previous two years. Fifty-seven percent of respondents this year report that their company was highly disrupted over the past year, up 7 percentage points year over year. The Disruption Index, which is a measure of both the magnitude and the complexity of the challenges businesses are facing, was up 1 point this year to 73. The automotive, media and entertainment, and telecom industries reported the highest disruption this year, and both Germany and Switzerland reported large jumps year over year.

The AlixPartners Disruption Index

Disruption Index Score (% highly disrupted during past year)

Total	76 (62%)	72 (50%)	73 (57%)

Disruption by region

	2023	2024	2025
US	72 (47%)	71 (49%)	71 (50%)
Canada	70 (51%)	69 (41%)	71 (50%)
UK	73 (57%)	70 (46%)	73 (50%)
Germany	75 (55%)	68 (39%)	74 (61%)
France	74 (51%)	65 (37%)	71 (45%)
Italy	73 (56%)	71 (42%)	69 (48%)
Switzerland	69 (48%)	67 (37%)	76 (62%)
Japan	76 (65%)	70 (35%)	67 (39%)
China	86 (91%)	83 (79%)	81 (82%)
Saudi Arabia		72 (68%)	72 (61%)
UAE		72 (68%)	73 (53%)

Disruption by industry

	2023	2024	2025
Aerospace	77 (64%)	72 (56%)	73 (56%)
Automotive	75 (58%)	72 (45%)	77 (70%)
Consumer products	82 (71%)	70 (43%)	74 (57%)
Energy	84 (78%)	74 (51%)	74 (60%)
Financial services	73 (57%)	68 (45%)	69 (51%)
Healthcare	75 (57%)	75 (57%)	70 (43%)
Media	77 (57%)	70 (41%)	76 (62%)
Retail	76 (64%)	74 (54%)	72 (52%)
Technology	73 (52%)	75 (61%)	73 (55%)
Telecom	70 (58%)	73 (50%)	75 (64%)

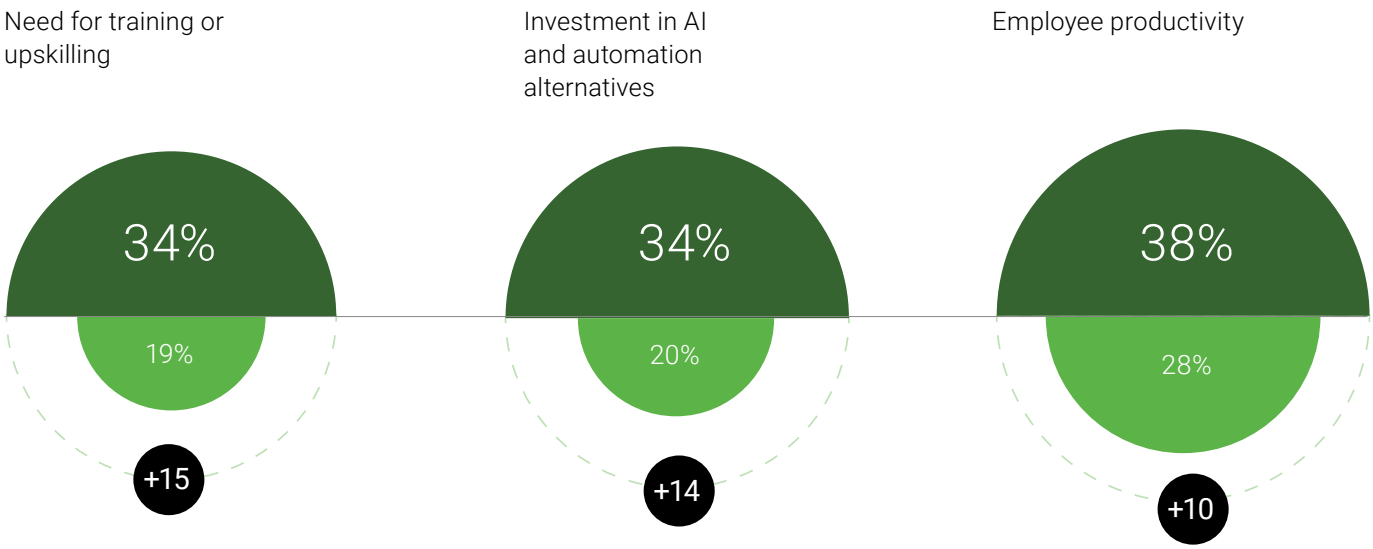
Executives cite increasing supply chain concerns, workforce pressures, geopolitical conflict, and the pace of technological change as factors driving disruption higher this year. Forty-five percent of respondents expect that supply chain disruption will be more of a challenge in the next 12 months, up 14 points from last year. Forty-six percent say they are shifting their manufacturing and supply footprint because of geopolitical tensions. Almost three-quarters say that their company will need to adjust its pricing strategy to respond to supply and demand volatility in the year ahead.

Expect supply chain issues to be more of a challenge 12 months from now

21% of executives expect that it will become more difficult to hire qualified workers

While about half of executives say that it will become easier to hire qualified workers over the next 12 months, the number reporting that it will become more difficult jumped 7 points from last year to 21%. Aerospace and defense executives were the most likely to report that hiring will become more difficult (at 27%). The top workforce concern was employee productivity, followed closely by investment in AI/ automation and the need for training.

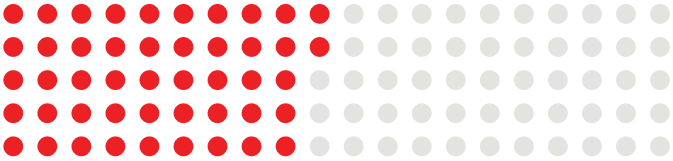
Top internal workforce issues over past 12 months



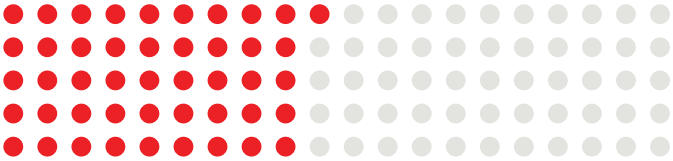
Largest threats

Showing percentage selected

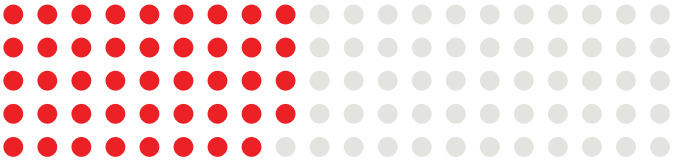
47% Regulation and taxation



46% Data privacy and cybersecurity-related issues



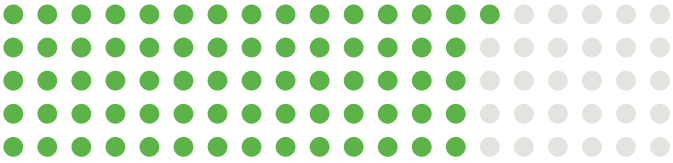
44% Interest rates



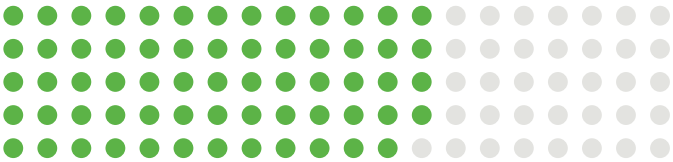
Largest opportunities

Showing percentage selected

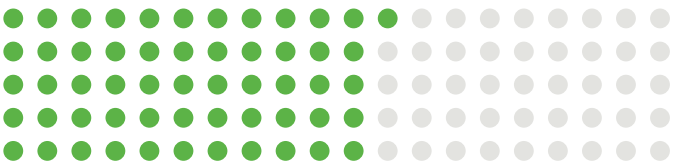
71% Pervasive connective technology infrastructure



64% AI and machine learning



56% Technological advances in materials



Business leaders increasingly agree their company has the necessary resources to invest in new technology (92%, up 9 points year over year). However, 60% feel their company has too many competing priorities for its digital investments, and 37% say their company can't keep up with the pace of technological change. Technology remains at the heart of both the opportunities (AI, connective infrastructure, and advanced materials) and threats (cybersecurity) most cited by executives. The threat imposed by data privacy and cybersecurity, in particular, jumped 20 points over last year.

92%

Agree their company has the necessary resources to invest in new technology

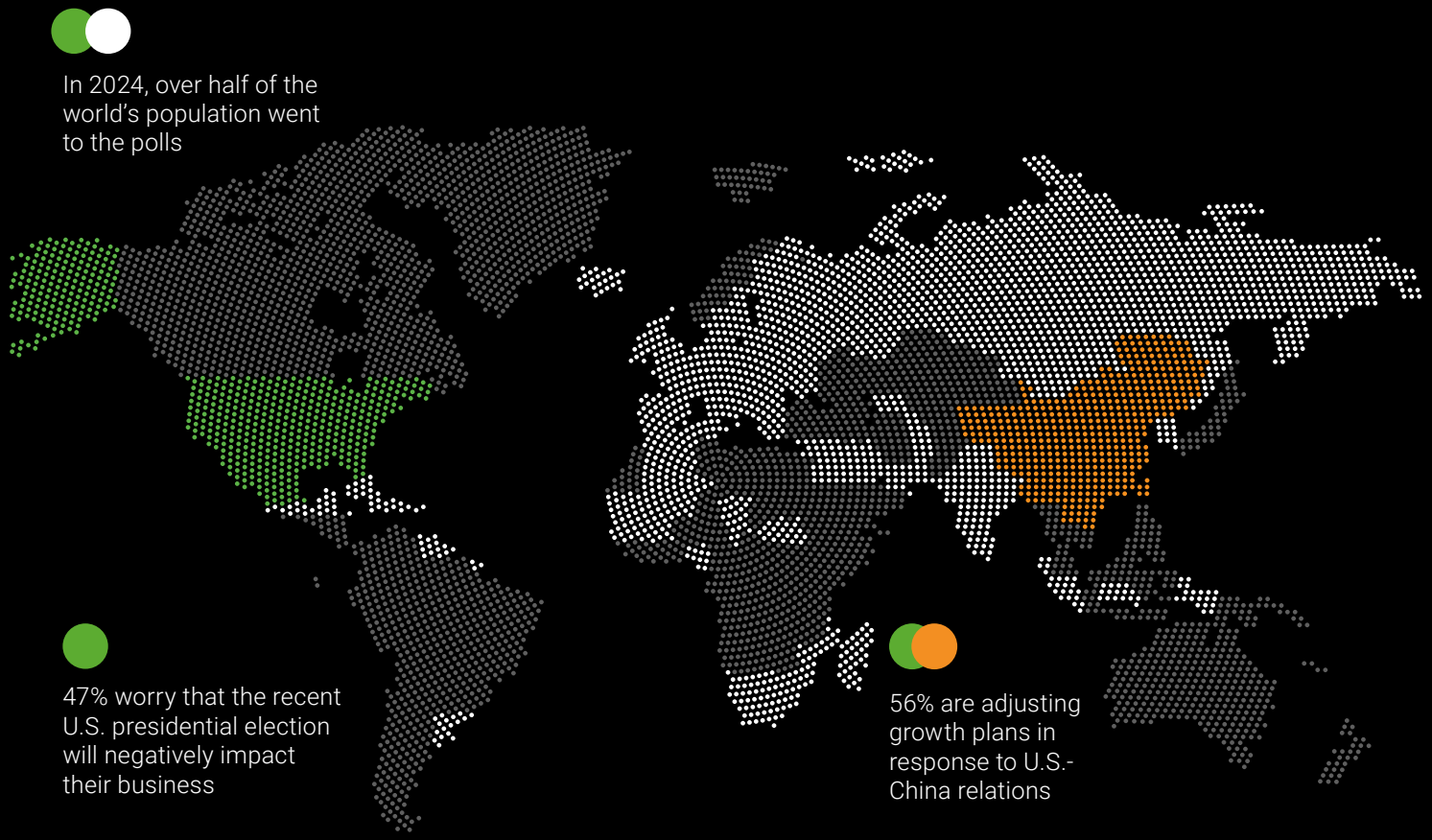
60%

feel their company has too many competing priorities for its digital investments

39%

say their company can't keep up with the pace of technological change

In a year in which over half of the world's population went to the polls, it is perhaps not a surprise that politics, regulation, and foreign affairs also featured prominently in executives' lists of concerns



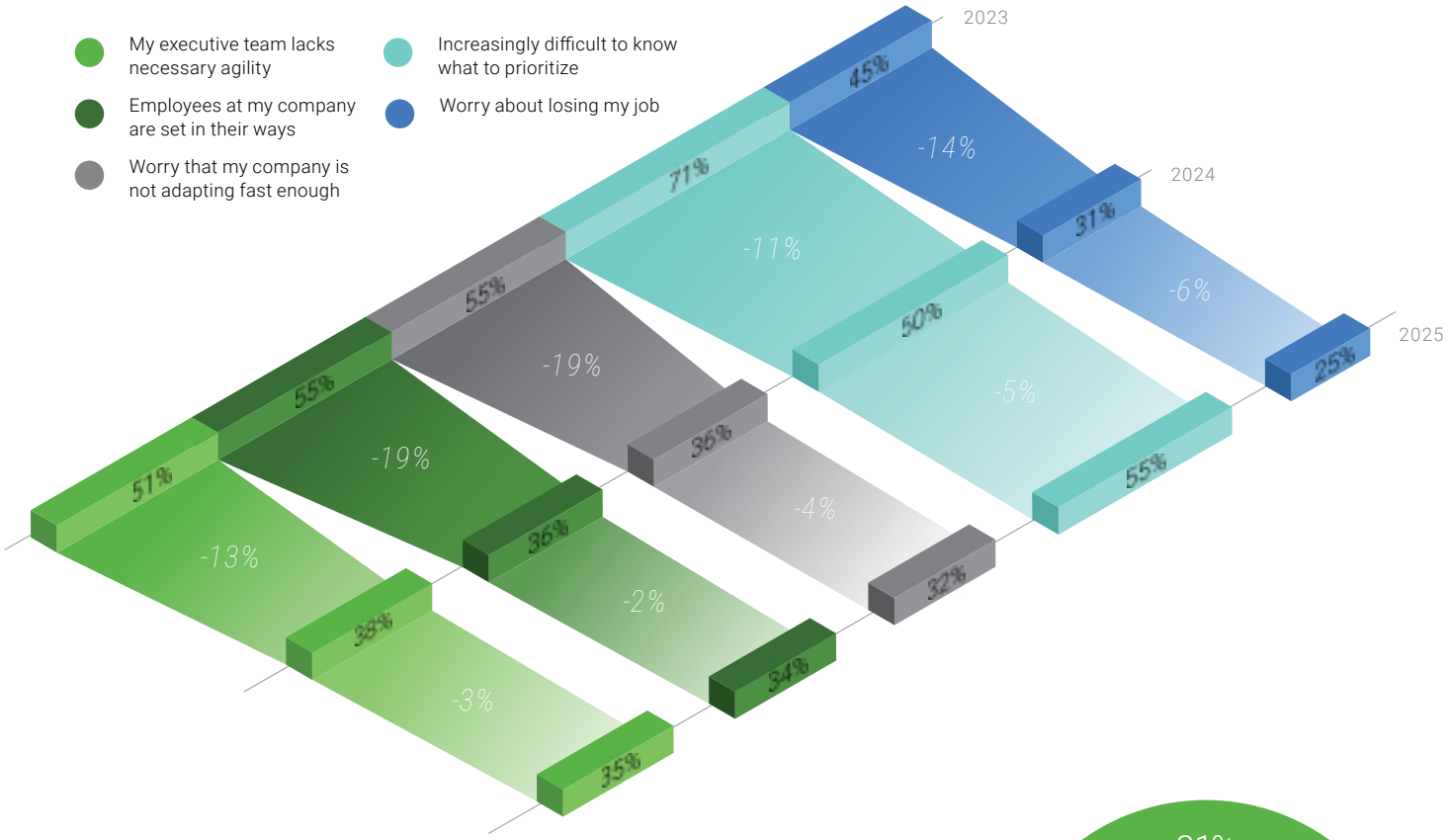
Over half of companies (56%) are adjusting their growth plans in response to U.S.-China relations, and just under half (47%) worry that the recent U.S. presidential election will negatively impact their business. Three in four (74%) say that new tariffs are causing them to adjust their strategy.

What is less worrisome for most executives is the prospect of a recession. Over 80% say they expect their company's revenues to show positive growth over the next 12 months, with 76% predicting positive growth for their national economy, and 68% positive growth for the global economy. Last year, 58% of global respondents expected a short-term impact on their business from an economic downturn, a number which fell to 38% this year. French and German executives were the most likely to expect flat to negative growth in their countries' economies this year, at 36% and 29%, respectively.

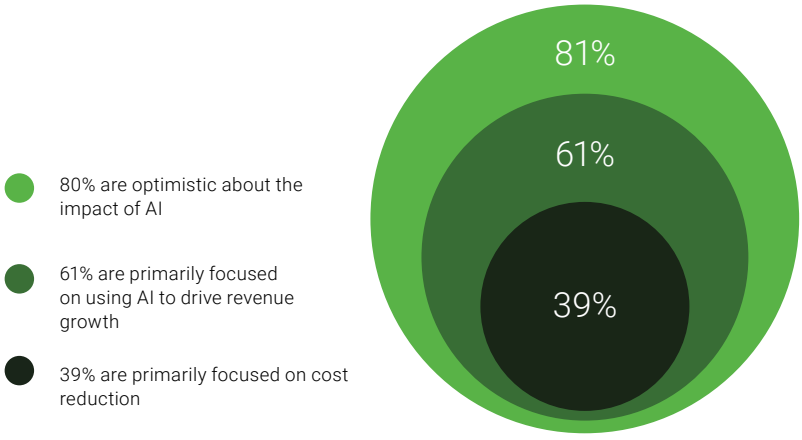
Overall, 14% of executives say that they expect their company to pursue layoffs this year, which is up 1 point from last year (within the statistical margin of error) but down 4 points from 2023. At the same time, 43% say they expect to hire more full-time workers, a jump from 34% a year ago.

Disruption is up, but so is confidence

Executives may be reporting higher levels of overall disruption, but they are more optimistic about facing its challenges. Following years of pandemic, supply chain instability, worker shortages, inflation, and geopolitical conflict, businesses are more confident in their ability to manage disruption. Since 2023, we have seen dramatic drops in the number of executives saying that their executive team lacks agility, that their employees are stuck in their ways, or that their company is not adapting fast enough. Perhaps not surprisingly, this has led to equally large drop in executives' anxiety over losing their own jobs.

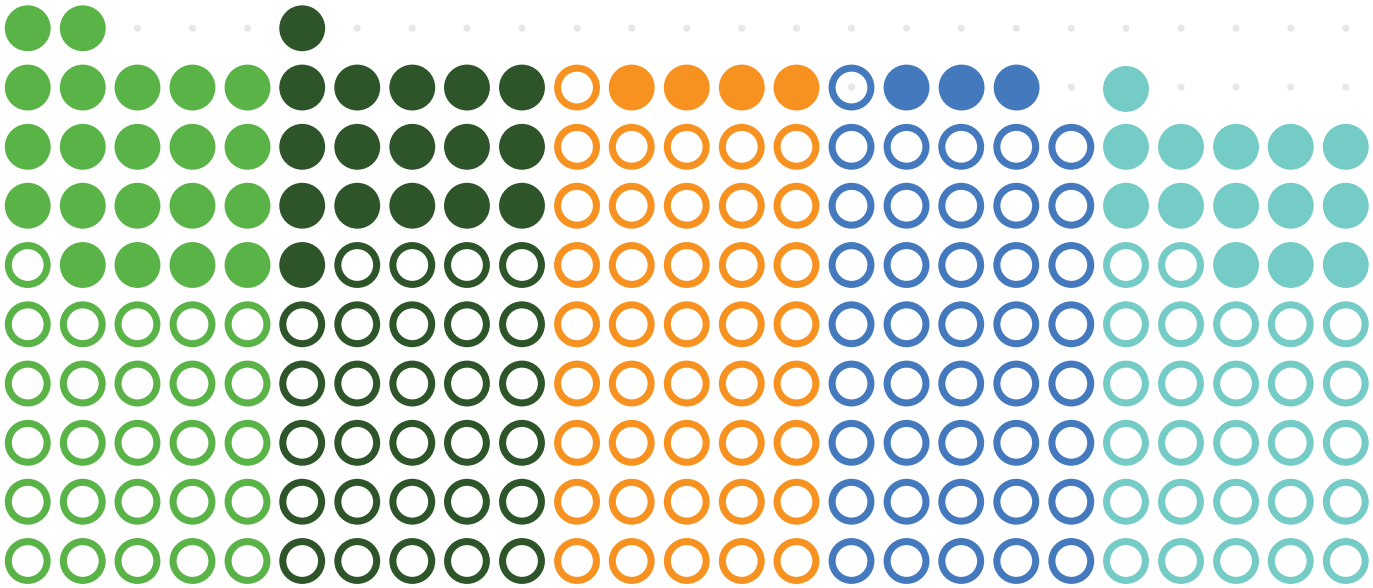


One other source of optimism from our survey: artificial intelligence. Overall, 80% of executives are optimistic about the impact of AI on their business, and 61% are primarily focused on using AI to drive revenue growth (with 39% primarily focused on cost reduction). We will go into more detail in the next section, but clearly most executives paint a bright picture of the impact of these technologies on their organization.



Politics Matter

Regulation and taxation	Data privacy and cybersecurity	Inflation / consumer prices	Interest rates	Geopolitical conflict
47% +21	46% +20	45% +4	44% +3	41% +14



Following a year in which nearly half the world's population went to the polls, and in which incumbent parties and politicians in many countries (including France, India, Japan, the UK, and the US) faced reversals, executives are concerned about the impact of politics on their business. These political risks are among those that are beyond executives' control, and yet increasingly driving the boardroom agenda.

In this year's survey, regulation and taxation are executives' biggest concerns, with 47% of executives citing them as a threat. Data privacy and cybersecurity follow, as do interest rates, inflation, and geopolitical conflict. In all instances, concerns are materially higher than last year.

Almost half (49%) of executives expect antitrust activity to limit their company's ability to pursue its strategic goals over the next 12 months, and 59% say that new regulations will negatively impact their growth strategy. These concerns varied across countries but were generally consistently high.

Of course, one of the most consequential elections last year was in the United States. Prior to the election, about half (47%) of executives said they expected the U.S. elections to negatively impact their business, led by those in Canada, China, Germany, Switzerland, and the U.S. Interestingly, the same number (47%) of executives were also concerned about the impact of other national elections in 2024. Automotive, aerospace and defense, and technology executives expressed the highest concerns.

45% expect supply chain issues to be worse 12 months from now, up 14 points from last year

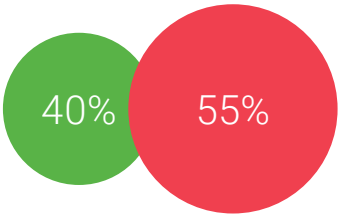
International geopolitical issues are also increasingly causing a shift in strategy, with U.S.-China relations and higher tariffs being the biggest issues. Three-quarters (74%) of executives say that new tariffs are causing them to adjust their strategy, and over half (56%) say both that they are adjusting their growth plans in response to concerns over U.S.-China relations, and because of foreign ownership regulations. Executives in the U.S., China, Saudi Arabia, and France tended to have the greatest concerns.

The world is getting less flat

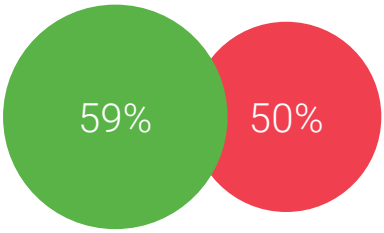
	We are shifting our manufacturing and supplier footprint in response to concerns over geopolitical tensions between the U.S. and China	We are adjusting our growth plans in response to concerns over U.S.-China relations	New tariffs are causing us to adjust our strategy	Foreign ownership regulations are causing us to change our business strategy or restricting our future plans
Total	46%	56%	74%	56%
US	44%	60%	75%	61%
Canada	44%	57%	76%	61%
UK	43%	50%	70%	51%
Germany	42%	49%	70%	52%
France	53%	64%	73%	58%
Italy	37%	49%	70%	47%
Switzerland	45%	59%	73%	63%
Japan	21%	34%	77%	35%
China	61%	66%	76%	65%
Saudi Arabia	55%	59%	78%	58%
UAE	46%	55%	68%	43%

Election outcomes impact strategy and outlook

Need to increase business model change accelerates (+15%)



Concerns over regulation fall (-9%)



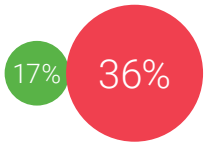
Pre-election

Post-election

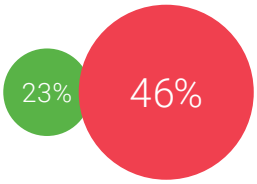
Note: Based on a survey of 500 executives with similar geographic and demographic profile to the main survey, which was conducted November 12 – December 2, 2024.

Anxiety jumps

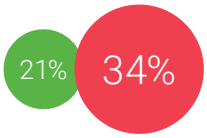
Overall (+19%)



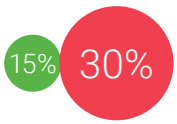
United States (23%)



China (+13%)

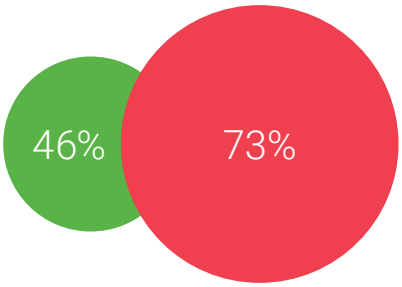


Europe (+15%)

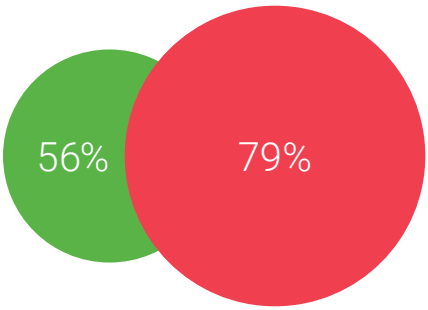


Rising concerns over U.S.-China relations will cause:

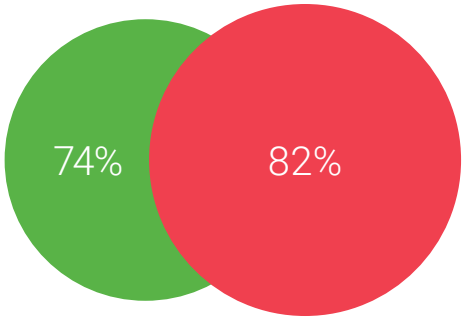
Adjustments to manufacturing and supplier footprint (+27%)



Changes to growth strategy (+23%)

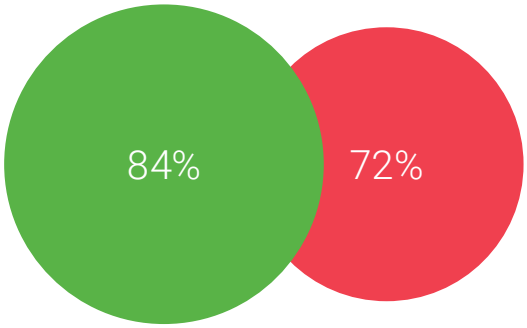


New tariffs affecting strategy (+8%)

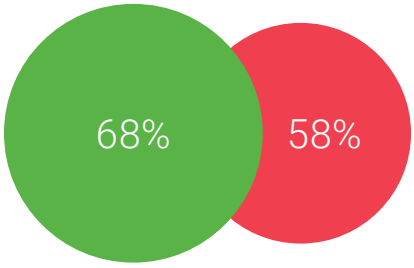


Growth expectations slump

Expect positive revenue growth at their company (-8%)



Expect positive global economic growth (-10%)



DACH: Business leaders taking matters into their own hands

by Andreas Rueter and Beatrix Morath
AlixPartners DACH Countries Co-Leaders

Germany has long been the industrial center and growth driver of Europe. However, for a number of years but particularly since the pandemic, economic growth has proven anemic, dragging the entire DACH region and indeed the rest of Europe. Germany's GDP is today 5% smaller than its pre-pandemic growth trend suggested.

Higher energy costs following Russia's invasion of Ukraine are part of the reason, though much of that has worked its way through the system. Lagging worker productivity and a shrinking workforce are other contributing factors.

One of the biggest challenges, though, is the German economy's dependence on exports, particularly to China. The auto industry is Germany's largest and is feeling these pressures acutely. German automakers long enjoyed enviable market share among Chinese consumers but are now facing increasing competition from domestic Chinese competitors, an environment of rising tariffs, and the demands around vehicle electrification.

For its part, Switzerland packs more weight than the relative size of its GDP would suggest, headquartering some of the world's leading companies in pharmaceuticals, luxury goods, finance, and engineering, among others. However, its economy remains highly correlated with that of Germany, which is a major destination for Swiss goods and services, and Swiss companies share some of the same challenges, particularly regarding their workforces.

Executives in the region are increasingly coming to the realization that they cannot rely upon external factors—including the government—to solve these problems and have a growing sense of urgency to affect change within their organizations.

These sentiments came through clearly in this year's Disruption Index survey. As in previous years, we surveyed 200 executives each in both Germany and Switzerland. Globally, these two countries saw the highest spikes in disruption, year over year.

Switzerland reported the highest disruption in Europe, with a Disruption Index score of 76, closely followed by Germany at 74, which were up 9 and 6 points, respectively, over 2024. Both also had a high number of executives acknowledging being highly disrupted over the past year: 62% in Switzerland and 61% in Germany, which compares to a global average of 57%.

These higher rates of disruption are clearly spurring a much greater willingness to take bold steps to respond to it. This year, 43% of German executives and 42% of Swiss executives said they expect significant change to their business model over the next year, both of which are above the global average of 40%. But even more significantly, these numbers are up 26% and 62%, respectively, over 2024. Companies in the region are being faced with the urgent need to transform their operating and workforce models, their relationships with customers, and their technological investments.

Concerns around workforce availability and skills are widespread. Low unemployment rates increase the workforce challenges across the region. Switzerland, at 30%, is particularly anxious about finding qualified managerial talent. Also, perhaps surprisingly given how well Switzerland has managed past waves of disruption, Swiss companies are the most concerned about their executives' ability to handle disruptions, with 44% expressing doubts – higher than the 35% global average. Germany follows with 37%, while the other European countries had scores in the high 20s.

How are companies in the region responding?

Germany leads in anticipation of potential downsizing due to disruption, with 40% of companies preparing for the possibility. Switzerland is a close No. 2 follows at 38%. The other European countries report concerns in the 20% range, below the 34% global average.

In general, Swiss managers tend to react early and take challenges seriously. This helps explain their increasing concerns, but also why they are moving faster in response. Switzerland's companies are more proactive than in other European countries about ensuring workforce adaptability, implementing programs to develop future leaders through mentorship, cross-functional assignments, and formal leadership training.

Germany and Switzerland lead in the adoption and use of digital tools. Looking at the impact of internal workforce issues, German and Swiss execs reported that investments in AI and automation had the biggest impact on the growth of their companies over the past 12 months.

Within Europe, Swiss companies are the most inclined to pursue mergers and acquisitions as a growth strategy over the next 3-5 years, with 17% considering it, compared to an 11% overall average. The relative strength of Swiss balance sheets helps them take such bold steps in the face of disruption.

The organizational response

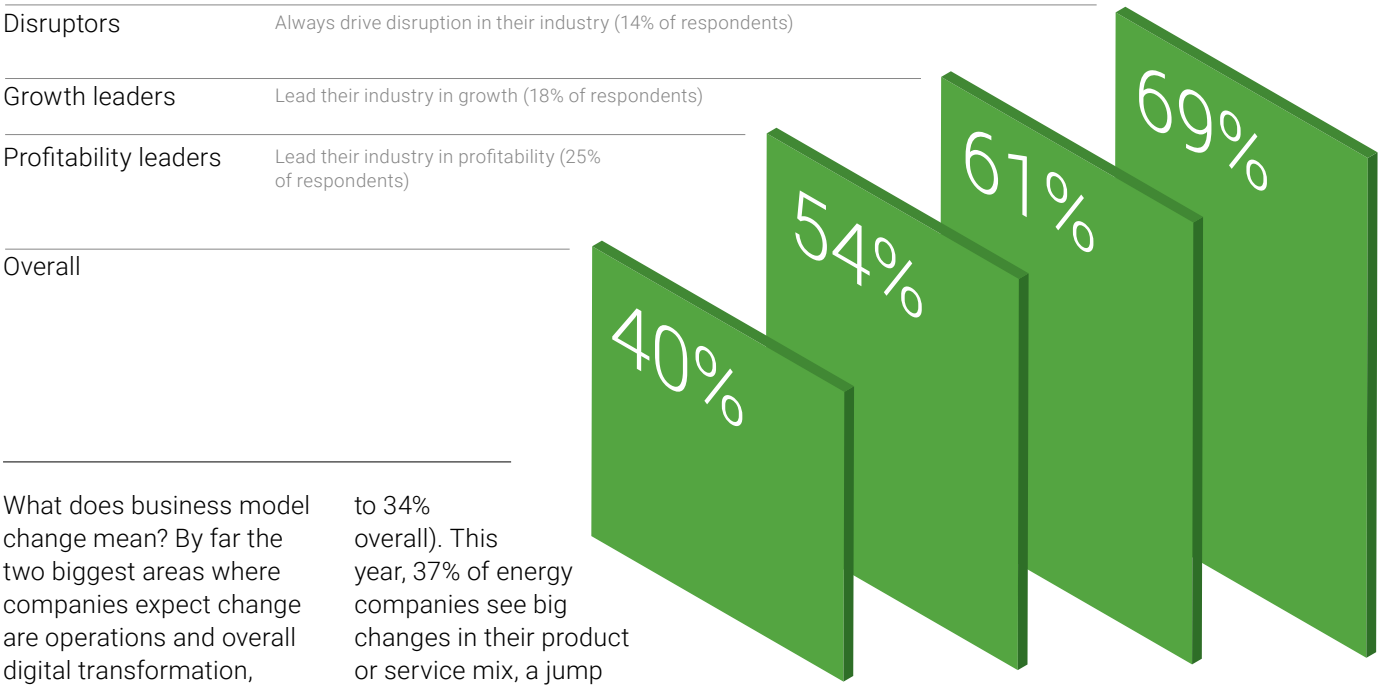
In a business environment riddled with disruption, leadership teams must make choices. They must decide whether a disruptive force is an opportunity or a threat. They must decide whether they should lead the disruptive charge in their industry, follow it, or take another path altogether. They must evaluate disruption's impact on the assumptions on which their strategy rests—the value of their assets, the relevance of their core activities; their competitive position and differentiation; the skills of their workforce.

Business model change

Forty percent of executives expect that their company's business model will undergo significant change in the coming year. That's up slightly from last year (when it was 37%). The number is up dramatically in the United States (from 29% to 43%) and Germany (from 34% to 43%), while it is down slightly in China and Japan. It is revealing that business model change is coming to the industries most immediately affected by climate change and the energy transition. This year, 45% of energy companies foresee significant business model change, up from 28% last year; that is a 60% jump. In the automotive industry, 40% say they expect to see significant business model change, vs. 32% a year ago—a 25% increase. (By contrast, executives in retail and healthcare are less likely to say they will make significant business model changes.)

The more proactively a company addresses disruption, the more likely it is to undertake major changes in its business model—and the better its performance is likely to be. Companies that drive disruption or lead their industry in growth or profitability are dramatically more likely to say they will undertake major business model change in the year ahead.

Percentage reporting significant business model change in the next year:



What does business model change mean? By far the two biggest areas where companies expect change are operations and overall digital transformation, each cited by 45% of respondents. These are—not coincidentally—areas in which artificial intelligence is gaining wide application. The focus of change varies by industry. Fifty-eight percent of tech companies expect to experience significant digital transformation. Forty-five percent of retailers foresee dramatic change in their supply chains (compared to 34% overall). This year, 37% of energy companies see big changes in their product or service mix, a jump of 12 points from a year ago. Consumer products companies are 33% more likely to plan significant change in the geographic distribution of their sales than others are; but in aerospace and defense, the number expecting major change in the geography of sales has fallen by half, from 31% of 16%, perhaps because global tensions have restricted international markets for defense products. Thirty-eight percent of companies say they expect significant change in the customers and segments to which they sell. That is up from 33% last year and is driven by three industries: telecommunications (49%), media, (46%), and consumer products (46%).

58%

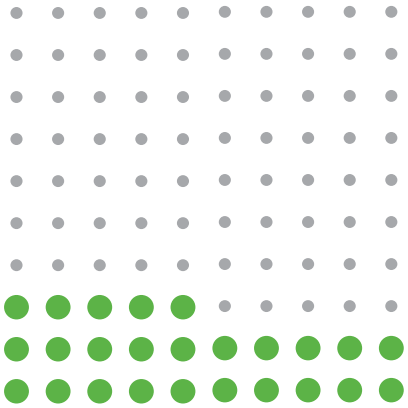
of tech companies will experience significant digital transformation

45%

of retailers foresee dramatic change in their supply chains

Not surprisingly, the fastest-growing companies are more likely than others to plan major changes in their sales and operational footprint; but these growth leaders also expect to make significant changes to their capital structure; 31% say they will do just that—presumably to fund their expansion efforts—compared to 21% of slower growers.

Disruption readiness

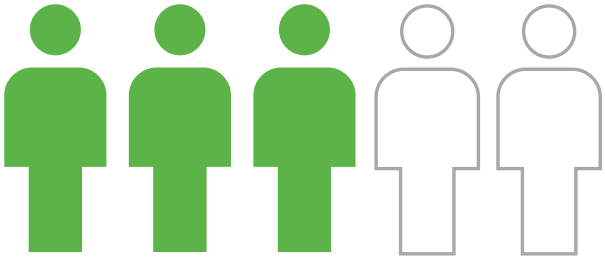


23%

of companies report a low level of disruption

3/5

of executives say they are highly disrupted



Only 23% of companies report a low level of disruption, and nearly three out of five executives (57%) say they are highly disrupted. Among CEOs, that number rises to 67%—two out of three.

Against this background, knowing that major shocks—some predictable, some not—will happen to their business, about a third of executives believe their company is not adapting quickly enough to disruption, their executive teams are not agile enough, and their employees are too set in their ways. Those percentages are fairly consistent from year to year, as is the belief expressed by 47% that the pace of change is making employees' skills quickly obsolete.

Growth leaders are considerably more likely to want more agility and adaptability from their people, as are executives at private equity-owned companies. CEOs show far more impatience with how disruption-ready their companies are: 41% say their companies are too slow to adapt, 45% say the executives who work for them are not agile enough, 47% say employees are too set in their ways, and 58% say employees' skills are rapidly becoming obsolete.

41%

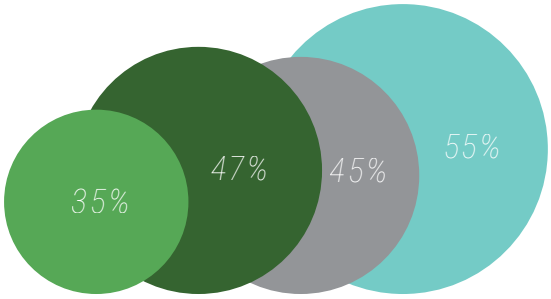
say their companies are too slow to adapt

58%

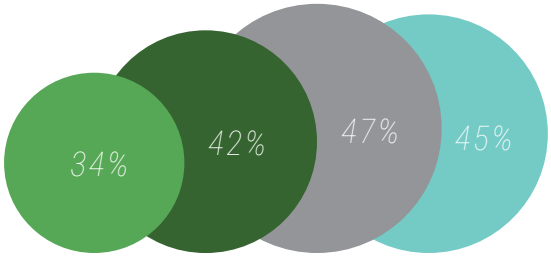
say employees' skills are rapidly becoming obsolete

Three elements of disruption readiness

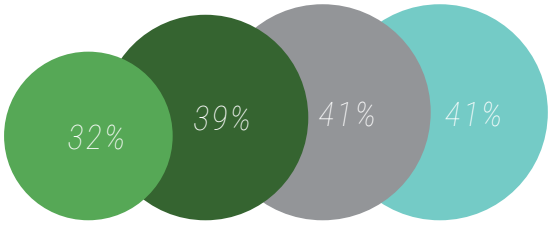
Our executive team is not agile enough



Our employees are too set in their ways



Our company is not adapting fast enough



All respondents
Growth leaders
CEOs
Companies that always drive disruption

Company size provides one explanation for these differences. Executives of mid-sized companies (with annual revenues between $500 million and $1 billion) are much more likely to believe their leaders, employees, and companies are not change-ready; for example, in this group, 39% say their executive team lacks the agility needed to cope with disruption, compared to 30% for smaller companies, and 34% for those with revenues greater than $1 billion. The smaller companies of course, have less bureaucracy and perhaps a more entrepreneurial bent. The largest companies are more likely to have extensive training and change-management capabilities, and are better able to test the waters of change with pilot projects and other experiments.

But the best explanation for these differences is not how change-ready an organization is, but how much change is demanded of it. Those who most demand the most change—disruptors, fast-growers, and the CEO—are asking more of their teams and people, and are most frustrated when they encounter organizational inertia.

> **87%**
>
> of CEOs believe that their boards of directors have the composition and knowledge needed to combat disruptive forces

But even in these cases, most companies say that between half and two-thirds of their leaders and people are ready and able to change. And nine out of ten executives—including 87% of CEOs—believe that their boards of directors have the composition and knowledge needed to combat disruptive forces, and that they are supportive of changes to company business models. The problem with change, they say, is inside the house.

We see that phenomenon clearly in the automotive industry.

Among industries, automotive is the only one that has above-average numbers for all three areas of organizational inertia, with 41% saying their company is not adapting fast enough, 38% saying employees are too set in their ways, and 50% saying the executive team lacks the agility it needs. But auto industry executives also say they need change more than others. The industry has the highest Disruption Index score—76.7 vs 73.3 for all industries—and 70% of automotive executives say their company faces a high level of disruption, 13 points higher than the full sample. Among nations, Germany, Switzerland, and China also show an unusually high level of disruption, combined with a high number of complaints about organizations being too resistant to change.

All industries
73 Disruption Index Score

Automotive industry
77 Disruption Index Score

The private equity pressure cooker

By reputation, private equity ownership raises the demands for performance and change, and the intensity of work life. That reputation is well-earned. This year for the first time we are able to compare companies with and without private equity ownership. Some of the differences are startling.

Situational disruption:
Three disruption toolkits

Smart executive teams have always matched their company's strategy to the zeitgeist. It makes no sense for someone in a consolidating or declining industry—coal, for example—to respond to disruption the same way someone in healthcare or financial services would; nor can a bank suddenly turn itself into a fintech. Generally, as former Harvard Business School Dean Nitin Nohria has shown in a large historical study, companies find themselves in one of three kinds of moments:

01

a Schumpeterian ferment of creative destruction featuring new technologies, new industries, new entrants, and a corresponding flaming out of old stars;

02

a fecund era of growth and maturity, as companies expand in scale and scope along the lines laid out by Alfred Chandler; or

03

a period of straitened times when growth is hard to come by and margin improvement moves to the forefront of management's mind.

The response to disruption differs quite a bit from company to company—as it should—depending on where the zeitgeist finds them: **disruptors**, whose circumstances encourage a Schumpeterian response; **growers**, who live in a Chandlerian world of scale and scope; and **profit-seekers**, focusing on getting the most out of their existing business.

How do they respond?

01 Disruptors

The companies that usually or always drive disruption in their industry place heavy emphasis on finding capital to put to work. Compared to disruption laggards, they are 92% more likely to seek new equity, and 38% more likely to want to reduce their business's capital intensity; by contrast, they deemphasize risk management (by 23% compared to disruption laggards), cost management (by 35%), and lean operations (by 43%).

02 Growth leaders

Companies that say they set the pace in their industry when it comes to growth pursue M&A and partnerships 92% more often than slower growth companies; they too seek more equity (92% more than slower growers), and, unsurprisingly, are 33% more likely to expand into new markets or geographies. Growth leaders are less likely to respond to disruption with risk assessment (by 49%, vs slower growth companies), by emphasizing lean operations (36% less), and by cost management (35% less).

03 Profit growth

Companies with the highest profit growth (which might not be in declining industries) face disruption by paying a lot of attention to commercial and salesforce effectiveness (42% more than companies with lower profit growth), share of wallet strategies (33%), and portfolio optimization (21%). But they are 21% less focused on organizational flexibility, 14% less interested in accelerated innovation, and 13% less likely to prioritize customer insights, experience, and service.

Practical moves in a disrupted world

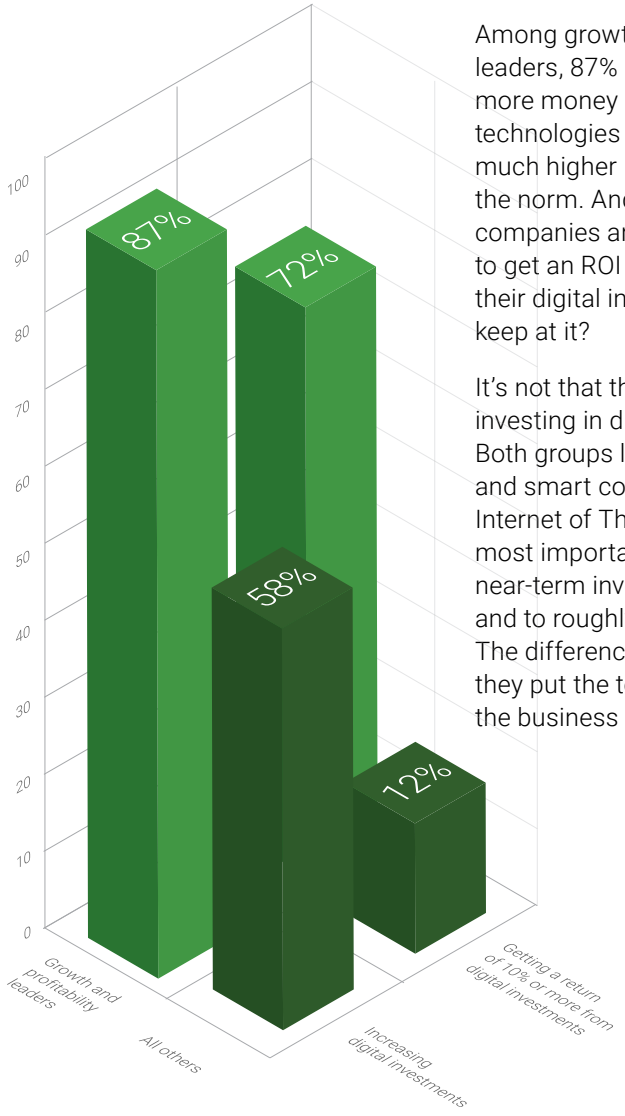
A company's history, strategy, and management culture might cause it to respond to disruption with a primarily transformative, expansive, or defensive mindset. But an examination of data from the Disruption Index survey also reveals five practical, no-regrets moves that set the best-performing companies apart from the others, regardless of their mindset.

To learn more, we looked at the companies that performed at the highest level of both growth and profitability. The top 7% of the sample, 229 companies, told us that said they set the pace in their industry in revenue growth and saw profits increase 10% or more last year.

Here's what they did:

01

Focus digital investments on business outcomes

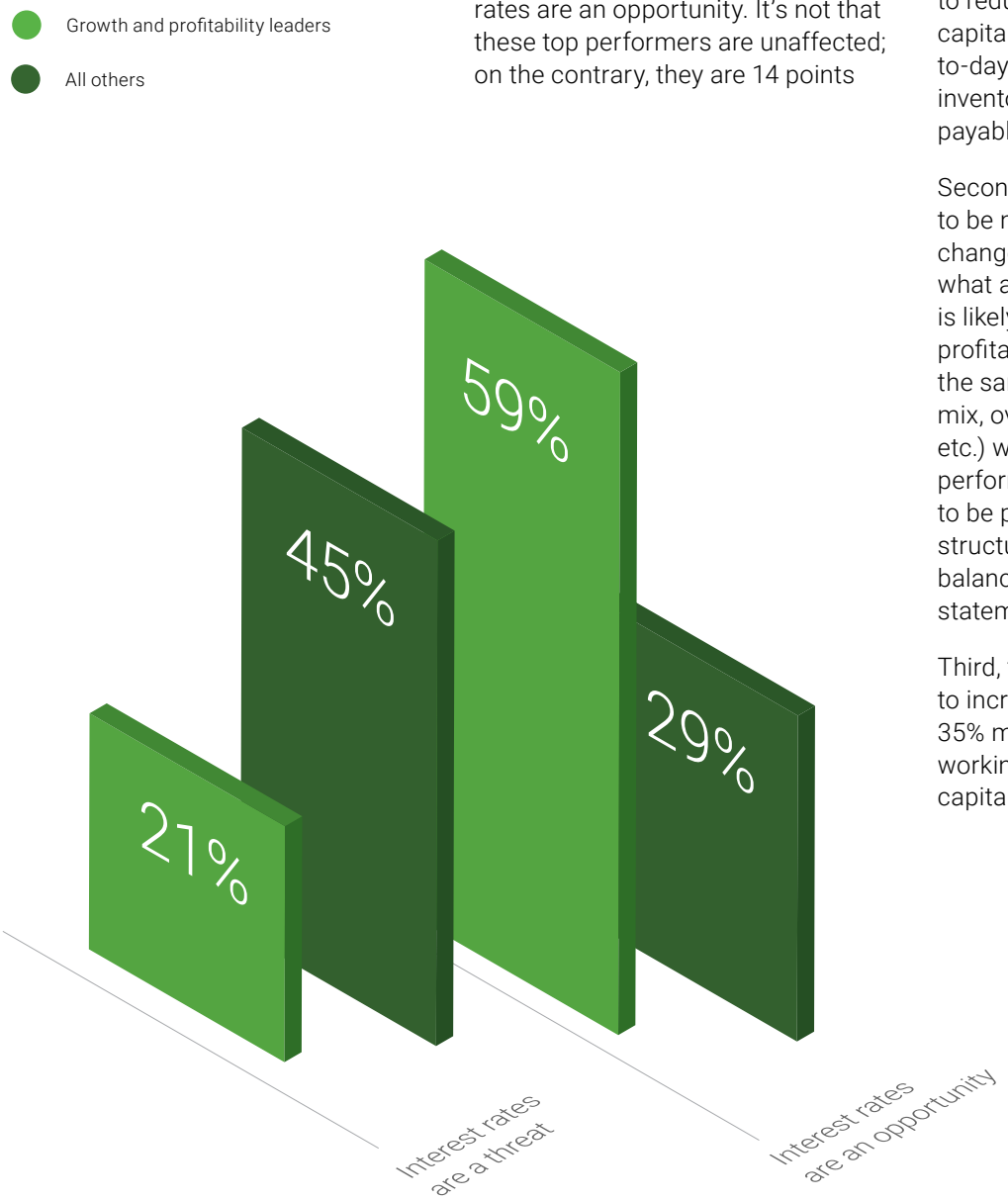


Among growth and profitability leaders, 87% are investing more money in digital tools and technologies this year than last—a much higher percentage than the norm. And no wonder: These companies are six times more likely to get an ROI of 10% or more from their digital investments—so why not keep at it?

It's not that these star performers are investing in different technologies. Both groups list cybersecurity, AI, and smart connected devices (the Internet of Things) as the three most important technologies for near-term investment, in that order and to roughly the same degree. The difference is in the use to which they put the tools. Asked about the business outcomes they seek, growth and profitability leaders cite productivity first, followed by sales and marketing and supply chain management—three areas where it is possible to attain and measure results that flow directly onto the income statement. By contrast, the 93% of companies that are not in the top level of growth or profitability, prioritize technology investments in R&D effectiveness, customer service and experience, and data-driven decision-making—valuable activities, but each one step removed from direct revenue or expense lines.

Advanced companies also show more discipline when it comes to managing the digital basics, such as their legacy technology stacks and the quality of their data, which are prerequisites for efficient top- and bottom-line value creation from technology investment. We documented this in the AlixPartners Digital Disruption Survey, which showed that companies with legacy systems under control were nearly twice as likely to experience significant revenue growth as companies whose systems had limited functionality or required constant workarounds.

Reduce the impact of the cost of capital



Though interest rates have eased in the last year, they remain substantially higher than they were for almost a decade. The cost of capital, of which interest rates are the clearest indicator, burdens many companies with debt payments, and inhibits others by raising the cost of expansion, transformation, or other investments. But not the growth and profitability leaders, a strong majority of whom say that today's interest rates are an opportunity. It's not that these top performers are unaffected; on the contrary, they are 14 points more likely to say they have been affected by interest rates than their less successful peers.

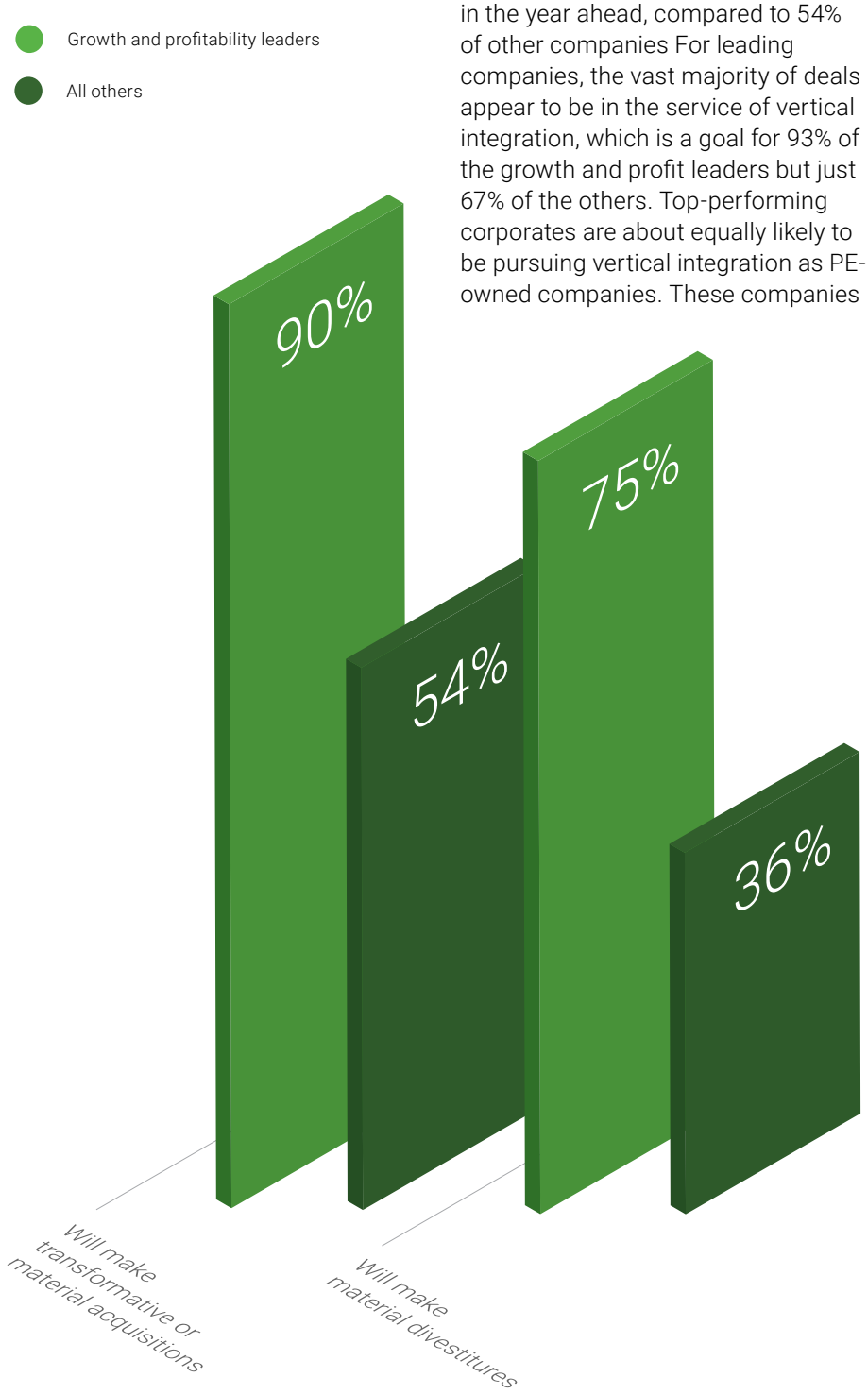
Instead, they have positioned themselves to take advantage of pressure to get out from under the burden of interest rates—to make the cost of capital work for them.

How? First, they have moved more aggressively than others (21% more) to reduce the amount of working capital they need to run their day-to-day operations, by reducing inventories and better managing payables and receivables.

Second, they are much more likely to be making business model changes (65% to 38%). When asked what about their business model is likely to change, the growth and profitability leaders cite pretty much the same things (product and service mix, overall digital transformation, etc.) with one exception: The top performing group is 21% more likely to be planning to change its capital structure—that is, to be making balance sheet as well as income-statement transformation.

Third, they are more likely to plan to increase equity and, overall, are 35% more likely to say that they are working to make their company less capital-intensive as it moves forward.

Aggressively and continuously evaluate and manage your business portfolio



Top performers are much more active in the deal market. Among growth and profitability leaders, 90% expect to make transformative and/or material mergers or acquisitions in the year ahead, compared to 54% of other companies For leading companies, the vast majority of deals appear to be in the service of vertical integration, which is a goal for 93% of the growth and profit leaders but just 67% of the others. Top-performing corporates are about equally likely to be pursuing vertical integration as PE-owned companies. These companies are also more active on the sell side: Growth and profitability leaders are more than twice as likely (75% to 36%) to plan material divestitures and to expect to reduce the number of products or services they sell over the coming year (55% to 34%).

Together, the buy and sell strategy resembles that of checkers players determined to increase the value of their pieces by making them kings: sacrificing less-than-material businesses while doubling down on their winners. Some of the buying, integrating, and selling might also be in response to global trade issues: Four out of five say they are adjusting their growth strategy in response to tensions in the U.S.-China relationship, and three out of four say they are making changes in their operational and supply footprint for the same reason.

Whether it is because they have more practice making deals, or make smarter deals in the first place, growth and profitability leaders are happier with the result. A remarkable 90% have consistently achieved their expected ROI on deals made in the last five years.

04

Create flexibility and diversity in your workforce

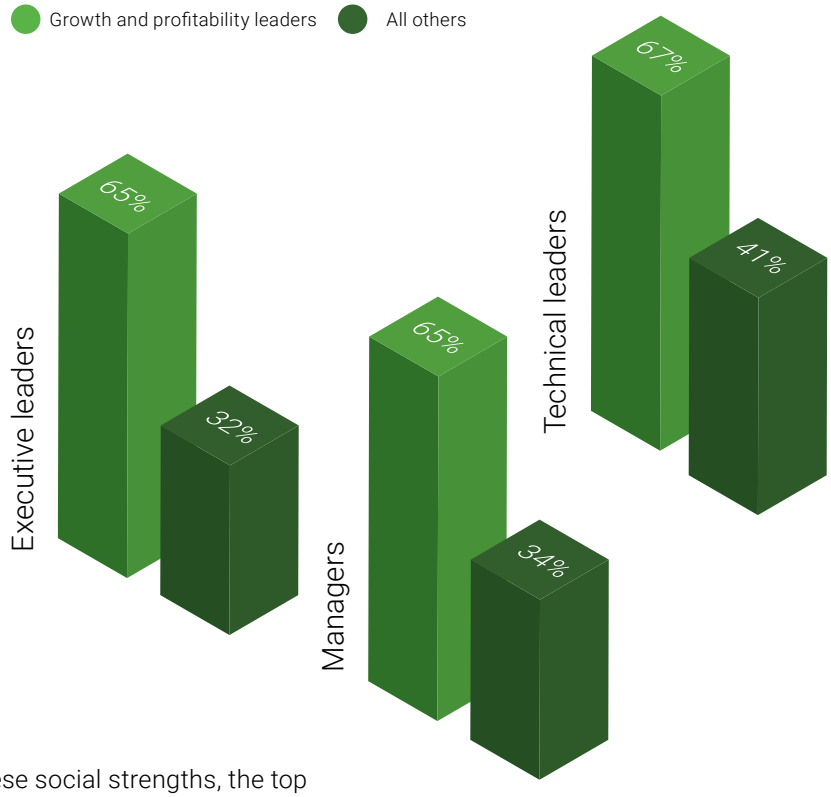
Some disruptions are unpredictable and fast-moving—think of the pandemic, or the nearly instantaneous rise of GenAI—while others, like the energy transition, and demographic change, unfold slowly and inexorably; but all of them profoundly change familiar ways of working. Perhaps because they change more and faster, companies that lead in growth and profitability ask more of their people than other companies do. They are half again more likely (by 17 to 18 percentage points) to say their companies are not fast enough, their executives are not agile enough, and their employees are too stuck in their ways.

That is because a disruption-ready company needs organizational flexibility—the capacity to change—just as much as it needs financial and operational flexibility. And growth and profitability leaders do more to make that happen.

Leading companies win the war for talent

These companies are more likely to implement succession planning, conduct leadership development programs, enable rotational programs, worry about employee burnout, and organize networking and professional development events—all activities that increase workforce flexibility. They also search more widely for talent; they are 21% more likely to engage in talent scouting and recruitment efforts, including diverse talent. While a majority of companies say diversity, equity, and inclusion efforts have a positive impact on their company, the growth and profitability leaders are especially enthusiastic about their value: 44% say the impact is strongly positive, which only 18% of the others say.

Over the next year, leading companies will find it easier to hire



To these social strengths, the top performers add technical actions, being stronger advocates of automation, artificial intelligence, and robotics. Indeed, 76% envision rolling out humanoid robots at scale in the next year, compared to 50% of the others.

Environmental Social Governance

It's been a tough year for ESG—the acronym for environmental, social, and governance initiatives. In North America it has become caught up in political wrangling; there and elsewhere, the vagueness of ESG frameworks has drawn detractors, who include AlixPartners CEO Simon Freakley and professor Robert G. Eccles, founding chairman of the Sustainability Accounting Standards Board. A dislike of clumsy or easy-to-game scorecards should not distract executives from the hard-nosed business value of smart steps to address relevant environmental and social issues.

Two out of three companies report that they changed their business strategy or have taken material actions in response to societal issues (including diversity, social equity, income inequality, labor and working conditions, gender balance, and human rights), and three out of four say the impact has been positive—in 19% of cases, significantly positive. Diversity and inclusion are a competitive advantage, according to 86% of executives—and 94% of executives whose companies lead their industries in both growth and profitability.

Similarly, 76% have taken material actions or changed strategy because of environmental issues or policies (including net zero, sustainability, and environmental standards), with, again, overwhelmingly positive impact.

2/3

companies report that they changed their business strategy

3/4

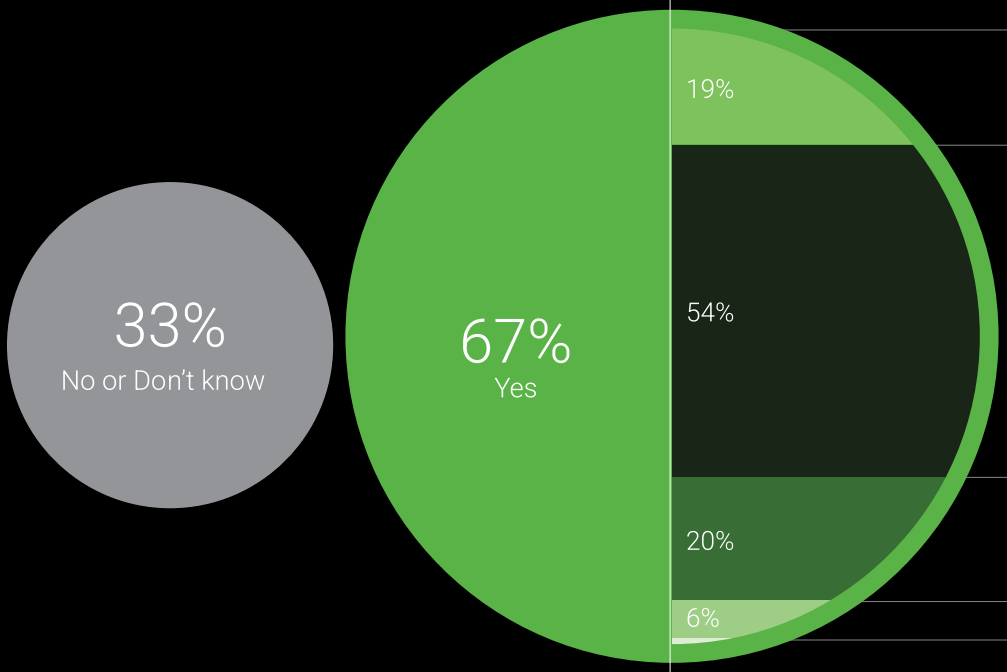
say the impact has been positive

76%

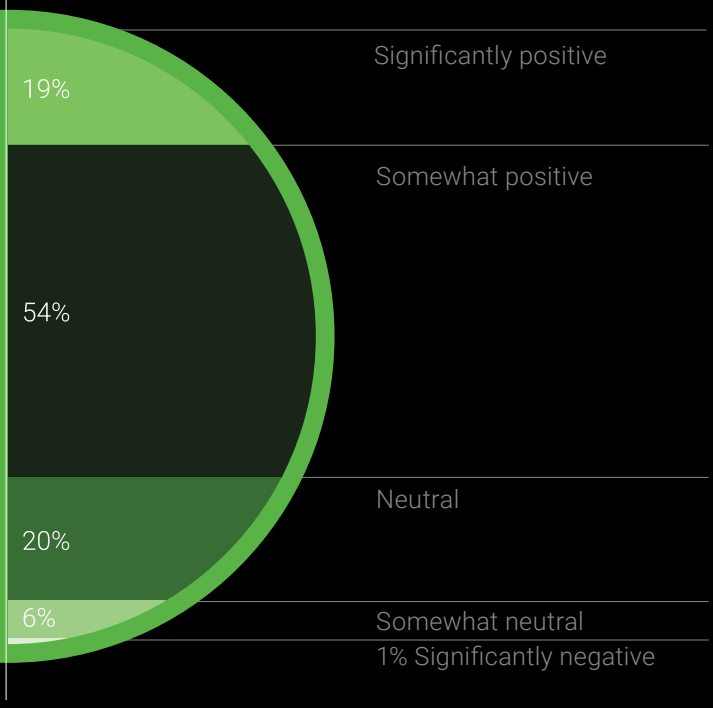
have taken material actions or changed strategy because of environmental issues or policies

Social

Changed strategy or taken material action due to societal concerns

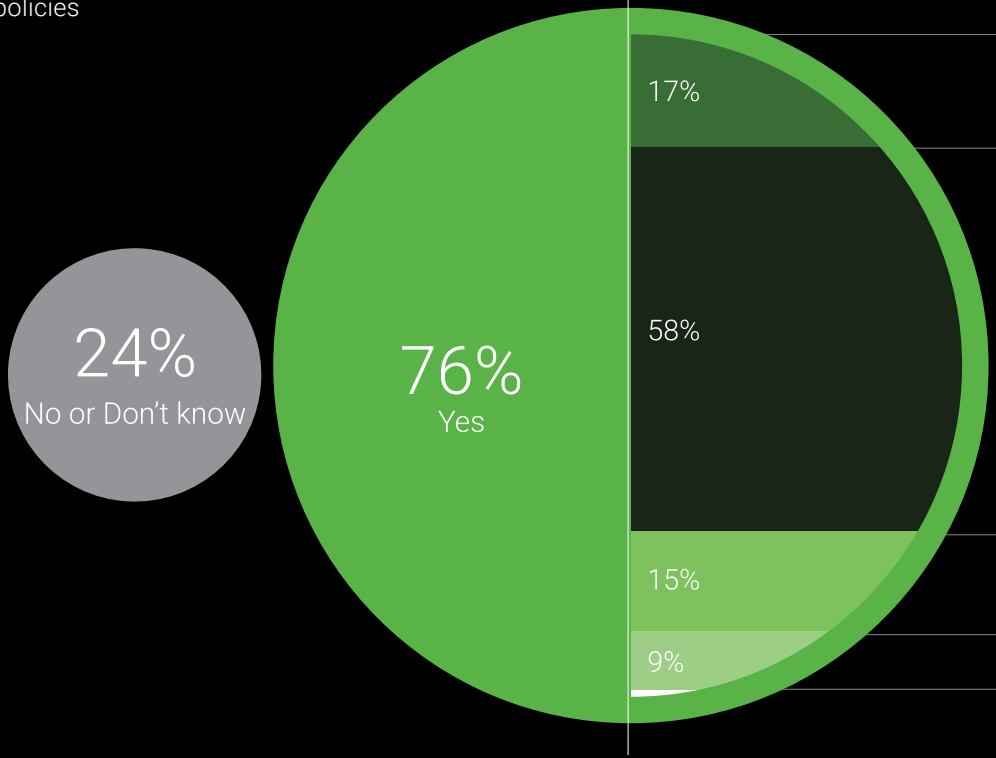


Effect on financial performance

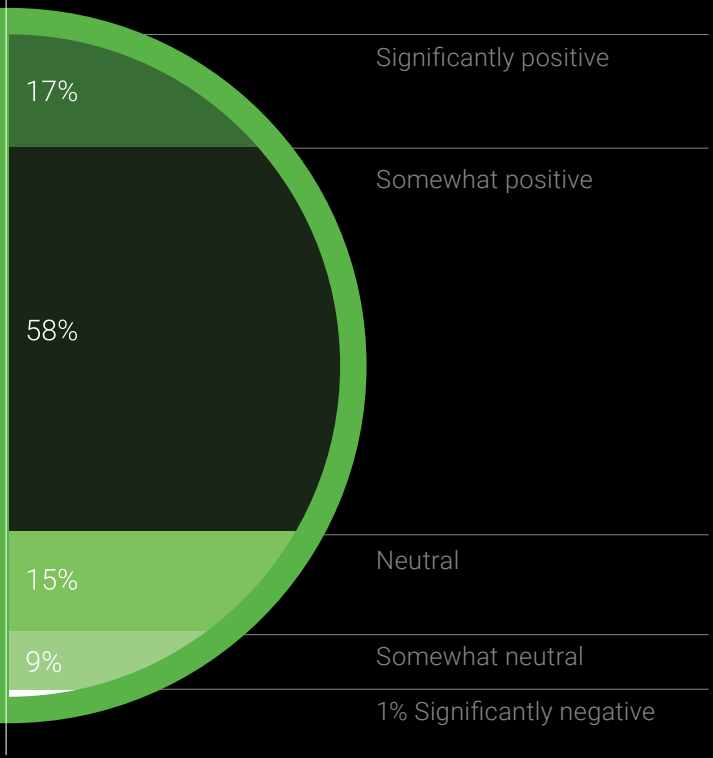


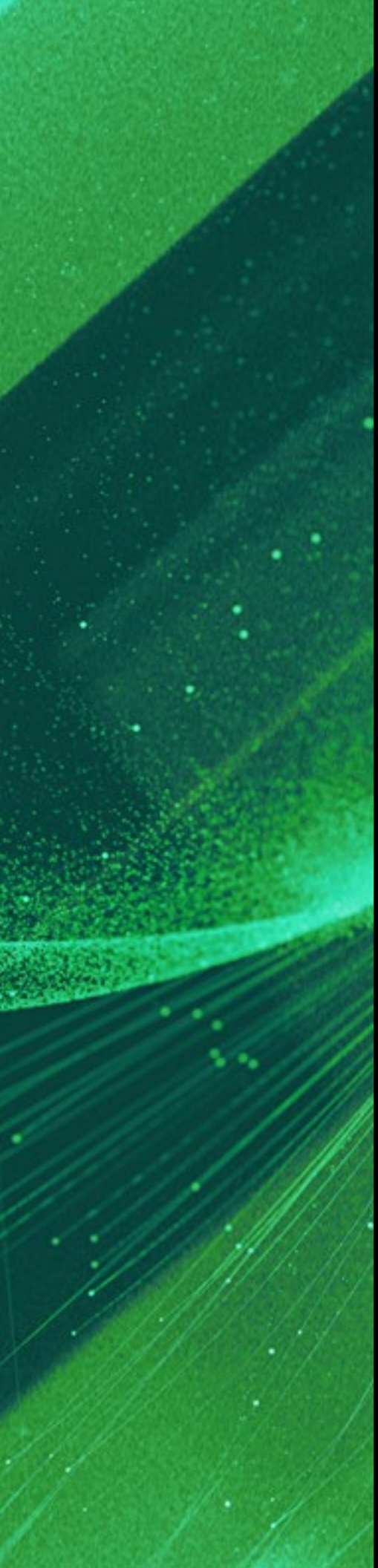
Environmental

Changed strategy or taken material action due to environmental issues or policies



Effect on financial performance





The personal response

Leading amid disruption means rolling with unexpected punches, seizing sudden opportunities, and preparing for a future where firmly-grounded plans are less useful than well-crafted options.

This asks different things of leaders—different mindsets and different skills. Command-and-control leadership becomes less useful when fewer things are under your control. Leaders need to be scanning a broad horizon, listening to many points of view, and entertaining many possibilities. At the same time, however, fast and decisive action becomes more important when events—and technologies and customers and competitors—are also moving quickly. The opportunities presented by disruption make this a great time to seize the day—and a terrible time to miss the bus.

There is growing evidence that executives are becoming more adept at leading in a disrupted environment. Two years ago, when the shocks from COVID-19 were still fresh, and a majority expected their businesses would be hit by a recession, 70% of CEOs told us they were worried about keeping their jobs. Last year, 59% said the same. This year, even though the Disruption Index has risen, the number has fallen to 43%.

What it takes to thrive

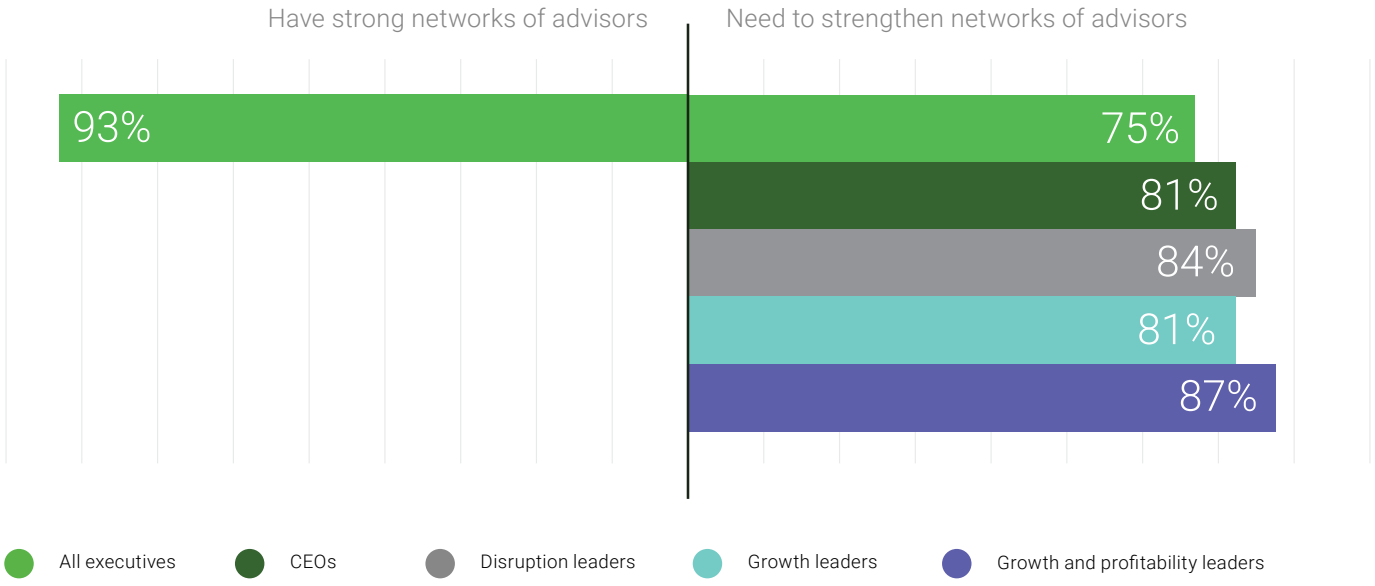
The vast majority of leaders—89%—say their natural leadership style thrives in a disrupted environment. That could be hubris; or it could be they rose to become leaders precisely because they thrive in disruption. Underlying that natural style are some specific, learnable leadership abilities.

Successful leaders are at once visionary, versatile, and decisive. From a long list of leadership strengths they are most likely to claim three for themselves: 1) strategic thinking (knowing their direction, goals, and capabilities); 2) agility in responding to changing conditions (adjusting to opportunities or threats their strategy didn't envision; and 3) timely decision-making (acting on the best information they have, imperfect or not). It's not that other skills (such as the ability to communicate, motivate, mentor, execute, prioritize, etc.) don't matter; they do. But those skills are in service to the three key strengths of setting direction, adapting, and getting on with it.

Another trait stands out among executives who fare vest on this hard-to-read business landscape: the determination to keep learning. Overall, 24% of executives say they are personally "falling behind the curve" in their knowledge and skills. Among CEOs, however, that figure leaps to 43%; the percentage is the same for executives at companies that drive disruption; among growth leaders, it's 32%.

Successful leaders have growing networks of support. Although almost all executives (93%) believe that they have strong networks of personal and professional advisors, most (75%) say they need more, and the most successful are hungrier still.

Top-performing executives are more likely to want to expand their support networks



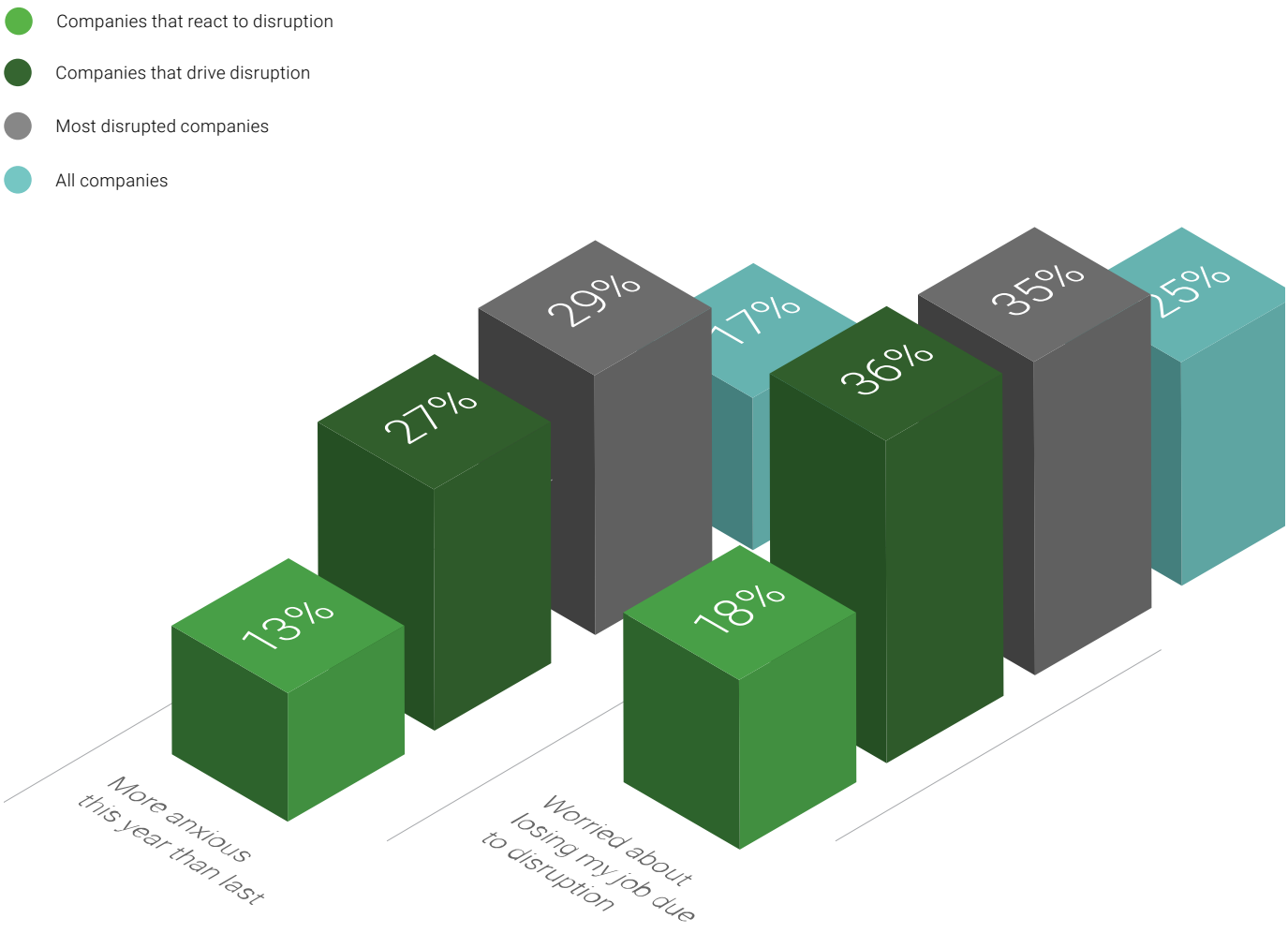
Anxiety

One indication of greater comfort with disruption—or an increased ability to cope with it—is the fact that all executives (not just CEOs) are considerably less likely to say they worry about losing their jobs this year than they were last year. Their anxiety level, meanwhile, is unchanged: 17% report being more anxious this year than last, which is the same as it was a year ago; 14% say they are less anxious (vs. 11% last year, an insignificant difference).

The more companies experience and engage with disruption, the more anxious and worried their leaders are. Executives at companies experiencing the highest levels of disruption are much more likely to report job insecurity and increasing anxiety. Taking charge of disruption—that is, being at a company that drives disruption in its industry—doesn't help allay those fears. Reacting to disruption is easier (in the short run).

Success is not a tonic. Compared to their peers, growth and profitability leaders are more anxious (28%) and more likely to worry about losing their jobs (34%). As Satchel Paige said: "Don't look back. Something might be gaining on you."

Disruption puts leaders in the hot seat



An anxiety roller coaster

Anxiety by industry: more anxious this year than last

Technology
23%

Financial services
22%

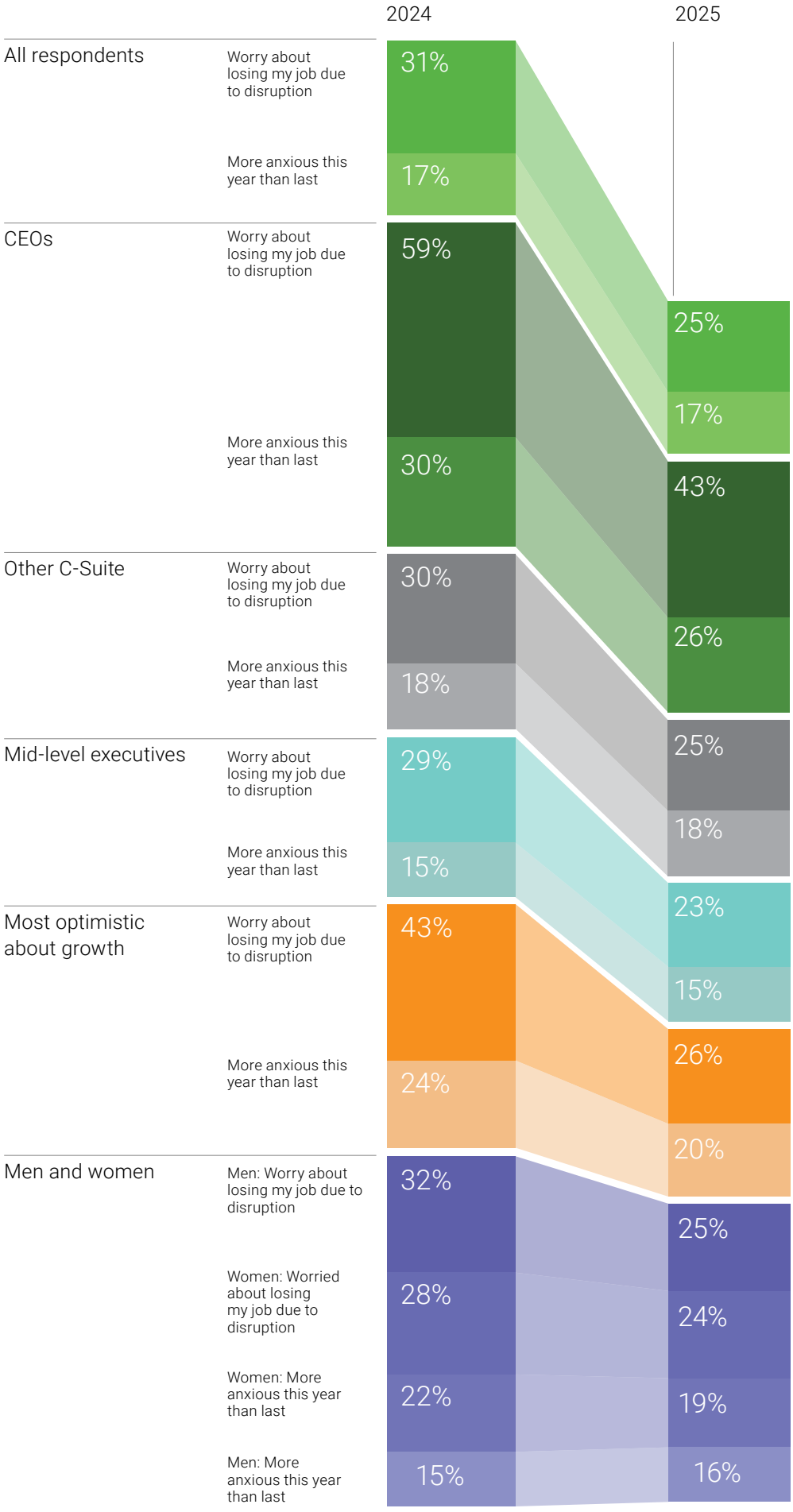
Automotive
21%

Anxiety by country: more anxious this year than last

United States
23%

China
21%

United Arab Emirates
21%



Best leaders focus on what they can control—but struggle to choose among the many options they see

As we have noted in the previous section, leaders who demand more of themselves expect more of their colleagues, too, being much more likely to say their companies, executive team, and culture are not adaptable enough. One interesting fact: Leaders of the most progressive companies are much less likely to feel threatened by forces outside their control, such as cybersecurity and macroeconomic forces.

Are they just cockeyed optimists? Evidently not—since these executives work for companies that outperform their rivals. But since changes in the business climate affect every company, perhaps these leaders feel they will end up in a better competitive position no matter what, and should instead focus on the issues they can control.

But that will work only if they set the right priorities and pursue them. Perhaps because the future they see has many more possibilities than the future envisioned by less successful companies, executives at top-performing companies say that it is becoming increasingly difficult to know which disruptive forces to prioritize—65% to 53% among growth leaders, for instance. But they are also twice as likely to consider prioritization among their personal strengths.

Major disruptive forces are outside management's control and often perceived as threats

The CEO's view

CEOs have a unique perspective within an organization. They are more anxious about their company's response to disruption and also their own ability to meet its challenges. But they sense that their company and its employees are becoming more prepared over time.

Top opportunities

1 Automation of physical processes, robotics

2 AI and machine learning

2 Connected devices and infrastructure

2 Advanced materials (composites, alloys, nanomaterials)

Tied

Top threats

1 Inflation

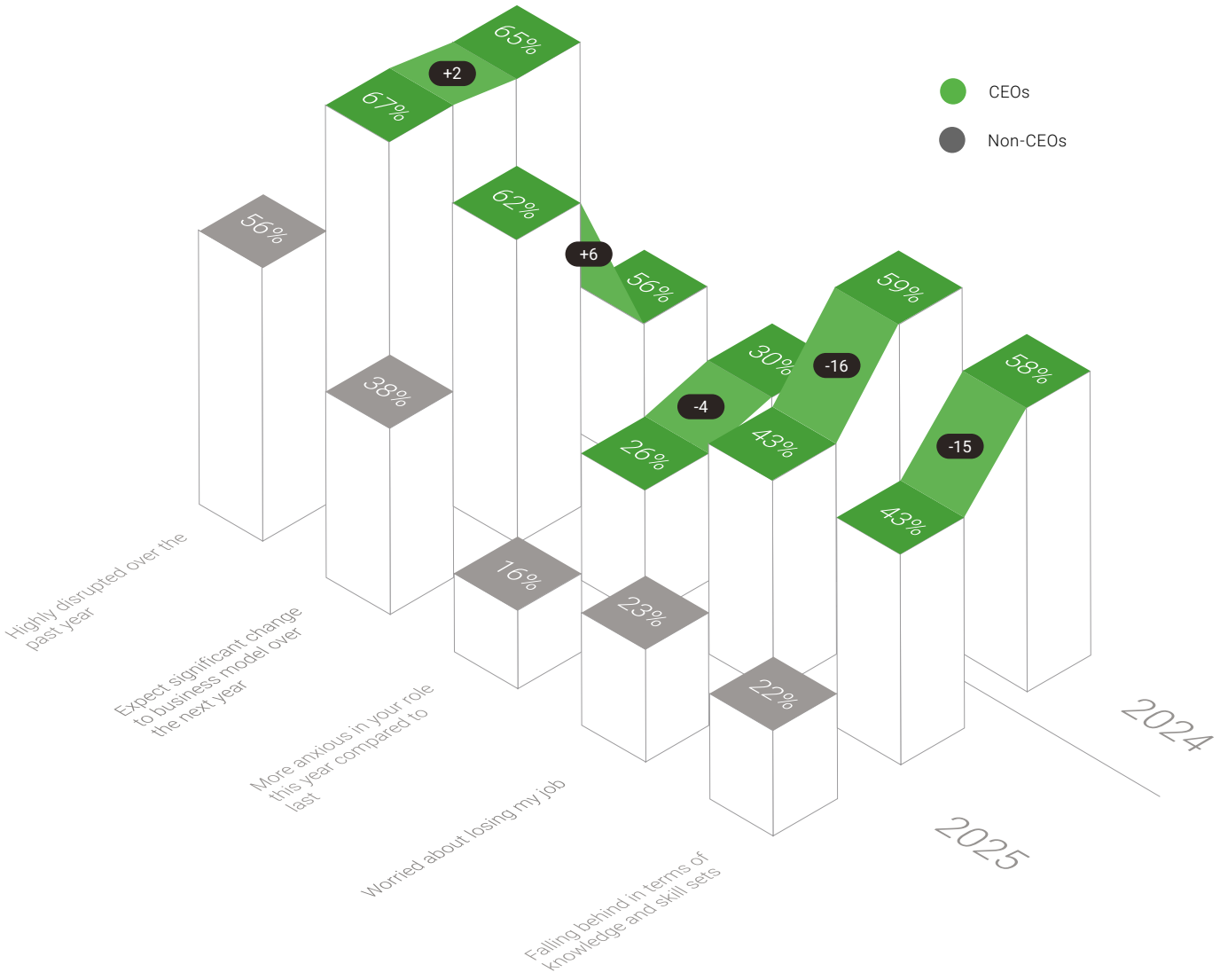
2 Interest rates

3 Geopolitical conflict

4 Regulation & taxation

4 Government elections

Tied



72%

of CEOs envision their company implementing humanoid robots at scale within the next 5 years

86%

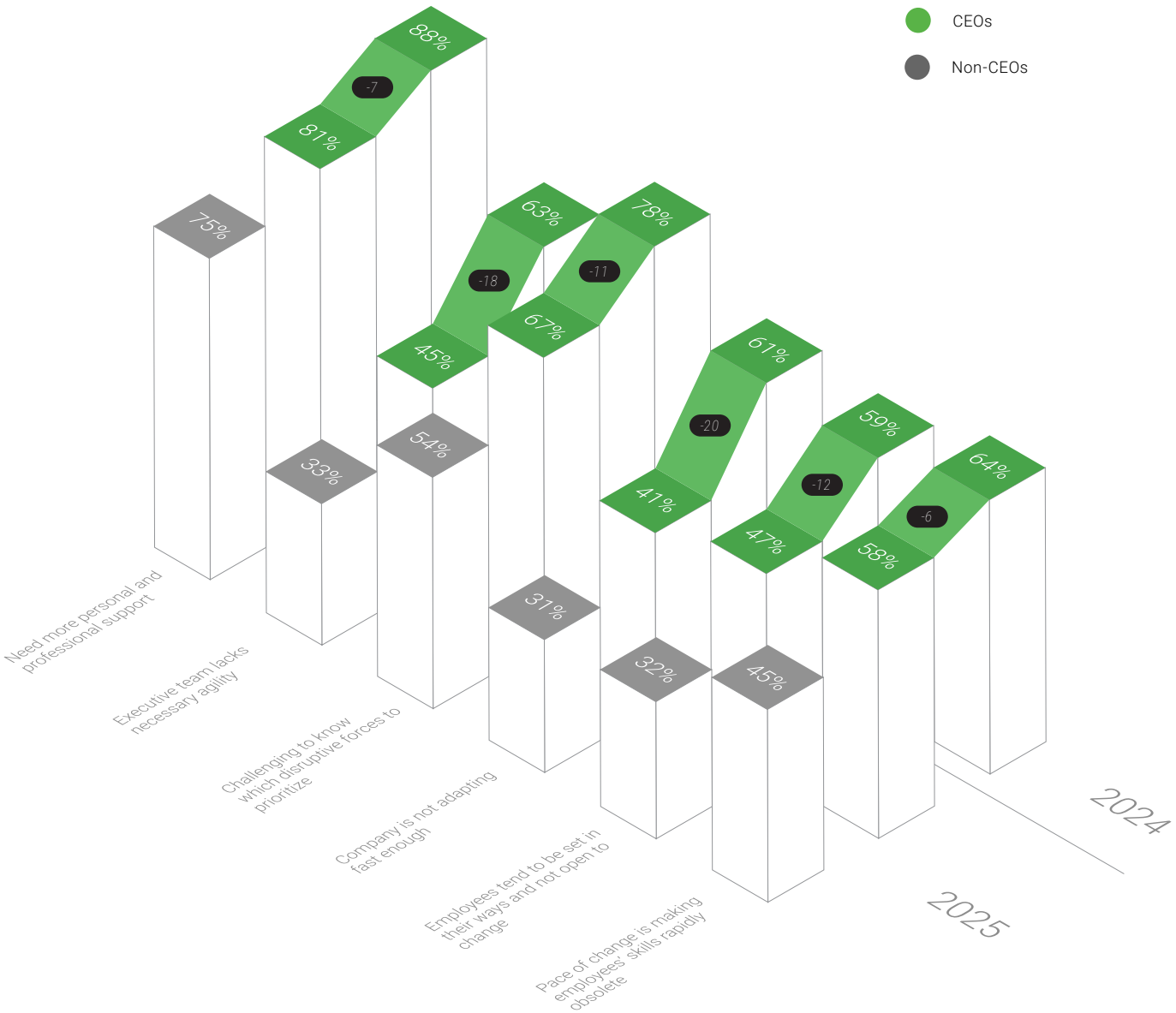
of CEOs say diversity and inclusion are a competitive advantage in the face of disruption, and 75% say they have had a positive impact on their company's financial performance

65%

of CEOs says they are shifting their manufacturing and supplier footprint in response to concerns over U.S.-China relations, with 75% saying new tariffs are causing them to adjust their strategy.

20%

of CEOs expect layoffs or furloughs at their company over the next 12 months, up 6 points over the previous year.



Accelerating risks at an inflection point

Lenin once said that there are decades when nothing happens, and weeks when decades happen. The relative quiet of the 2010s seems a distant memory. Shocks abound. Black swan events (like the pandemic, the invasion of Ukraine, renewed conflict in the Middle East, hurricanes, droughts, etc.) have increased in frequency and impact, becoming a defining element of our age.

At the heart of these shocks lie longer-term and interconnected disruptive shifts to the fundamental fabric of our lives and the world around us. Since starting the AlixPartners Disruption Index over six years ago, we have studied these disruptive waves. We identified four areas, in particular, that were evolving most rapidly and would be the most impactful in the years ahead: 1) demographics; 2) globalization; 3) climate; and 4) technology.

After building momentum over many years, the disruptive pace of change is accelerating, and over the past 12 to 24 months, in each of these areas, we have seen these waves rushing to shore with increasing speed and power.

These developments did not materialize overnight. Climate scientists have been warning about the dangers of greenhouse gas emissions for decades. For just as long, demographers have been analyzing falling birth rates and longer life expectancies. As for artificial intelligence, IBM's Deep Blue defeated chess grandmaster Gary Kasparov in 1997. But now the impacts of these (and other) long-term trends are more evident and require rethinking of business strategy and operating models.

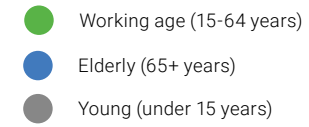
In the following pages, we outline some of the trends that have witnessed critical inflection points over the past two years. Risks, of course, represent both threat and opportunity.

Demographics

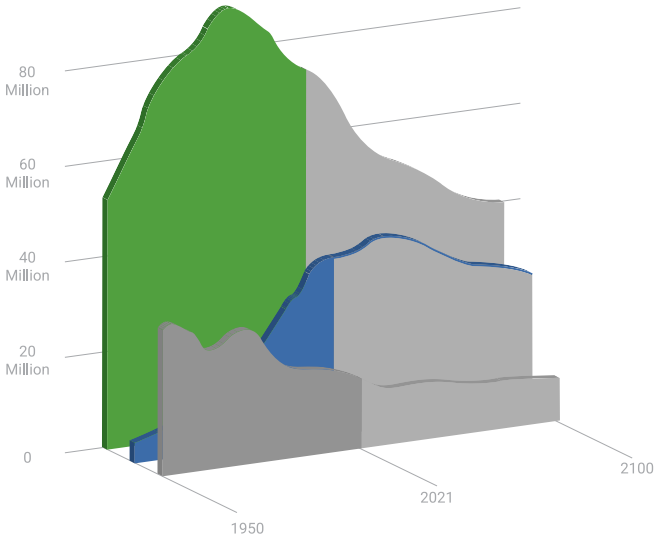
Population of young, working, and elderly by country or region

Historic estimates from 1950 to 2021, and projected to 2100 based on the UN medium scenario

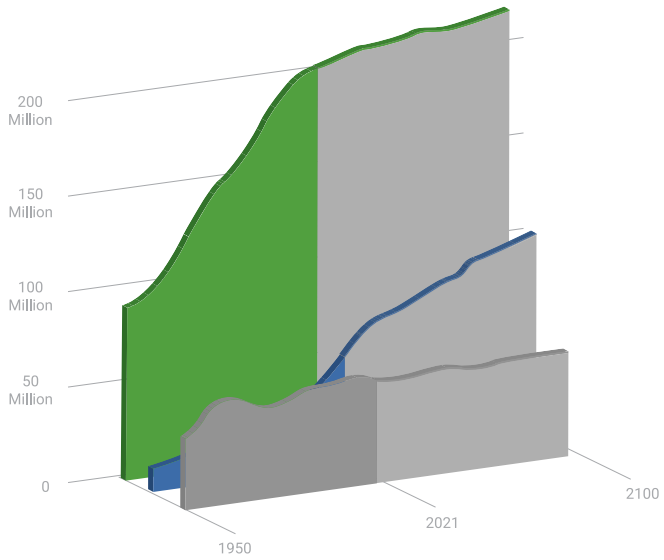
Source: UN, World Population Prospects (2024)



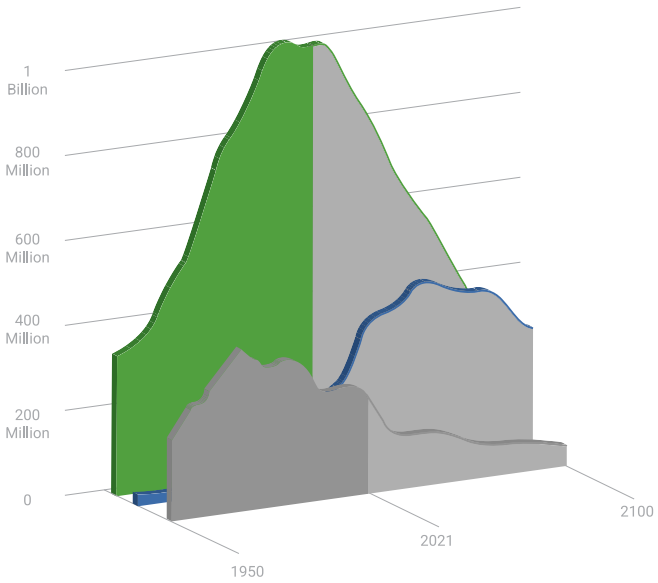
Japan



United States



China



Europe

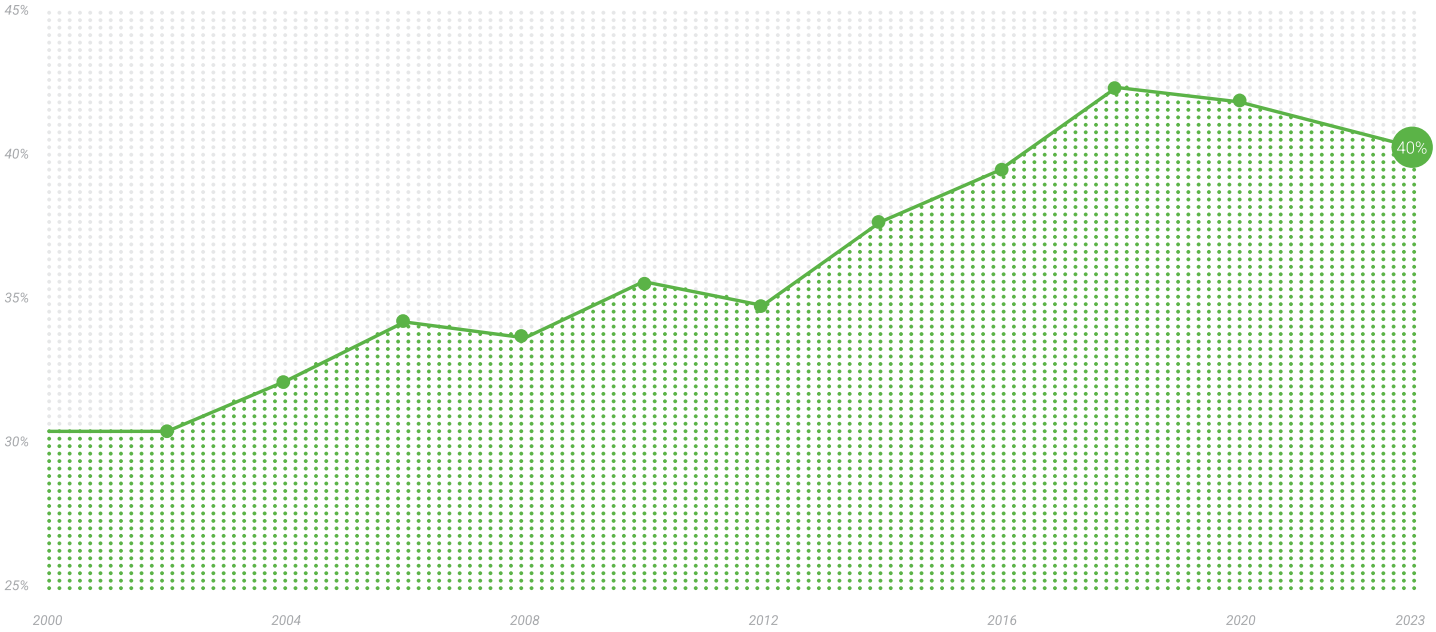
In the absence of war, famine, or disease, demographic trends are the perfect example of a long-term process that builds over decades, and once in place, proves extremely stubborn to shift. Across most of the Americas, East Asia, and Europe, fertility rates have fallen, while healthcare and lifestyle improvements have increased lifespans. This combination has led to rapidly aging populations across much of the world, and recent projections suggest these trends are accelerating.

Population growth matters. China's emergence as the center of global manufacturing over the past 30 years was predicated upon its ability to put a large pool of relatively underutilized, rural labor to productive use in urban and industrial settings. Due to the effects of its one-child policy, China is now facing one of the most dramatic demographic slowdowns in world history, which was marked by India's surpassing it as the world's most populous country in 2023. And in each of the examples of large economies below, only the working working-age population of the U.S. is still rising, albeit at a slowing rate.

The global labor force may have practically reached its peak. The effects of this on the labor market, consumer demand, healthcare, interest rates, inflation, pensions, and others will prove powerful, and are already being felt.

Estimated obesity rates among U.S. adults

Body mass index of 30 or higher; Regular two-year surveys of at least 4,117 adults aged 20 and older, conducted 2000-2023



Data: CDC; note: 2020 values based on responses collected 2017-2020

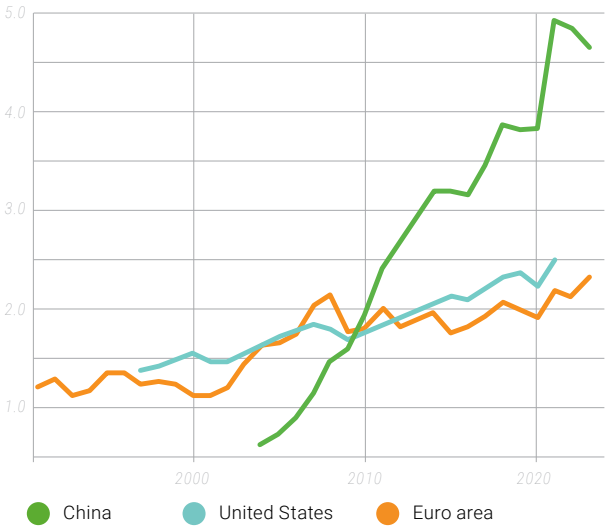
While working-age populations decline across much of the world, life expectancies are increasing. It is predicted that one out of every two children born today in the developed world will live to the age of 100. New technologies will help enable this longevity. CRISPR gene editing offers potential cures for genetic disorders and advancements in cancer treatment. Two patients were reported to be free of sickle cell disease after their genes were edited. mRNA technologies, which gained prominence with the development of COVID-19 vaccines, hold potential in rapid vaccine development, personalized medicine (including treatments for cancer and genetic disorders), and other therapeutic applications. And GLP-1 technologies, which were originally developed to manage TYPE 2 diabetes, which has a devastating impact worldwide, have gained additional attention for their effectiveness in weight management and other ailments. For the first time in decades, obesity rates in the U.S. have stopped climbing and may even be declining, largely on the back of these new weight-management drugs.

Globalization

Patterns of international trade and investment are similarly slow to shift but inexorable in impact. World trade in goods has remained largely flat as a percentage of GDP since the financial crisis, while the trade in services has continued to rise. However, headwinds to free trade continue to increase, and new patterns—including increased intra-regional trade and reshoring of manufacturing—are beginning to take shape. Following the re-election of President Trump, these trends are likely to accelerate.

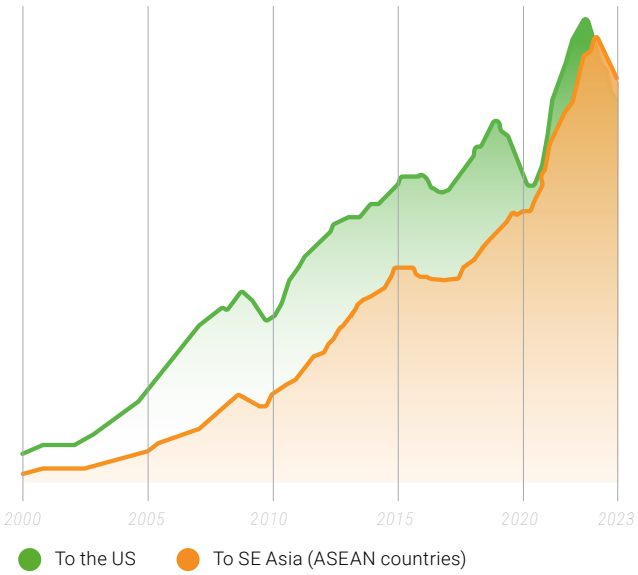
Domestic manufacturing in U.S. and Euro area increasing

World Bank National Accounts data, and OECD National Accounts data files



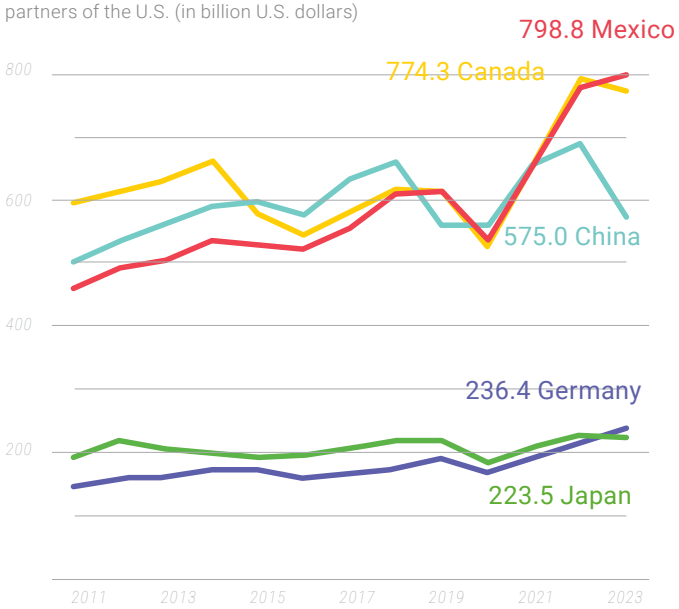
Regionalization of trade increasing in Asia

Chinese exports, sum over previous 12 months ($bn).
Source: IMF DOTS



U.S. trade with Mexico and Canada surge

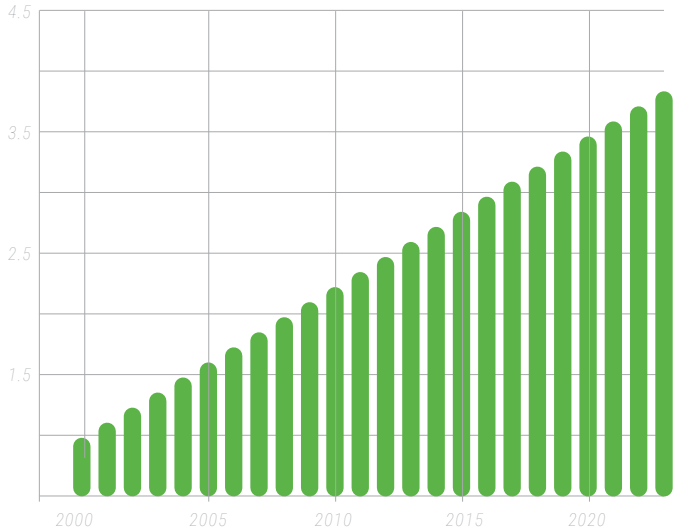
Volume of goods trade with the biggest trade partners of the U.S. (in billion U.S. dollars)



Source: U.S. Census Bureau

Intra-EU trade value in euros 2000-2023

Trade Value (Trillions Euros)
Source: IMF



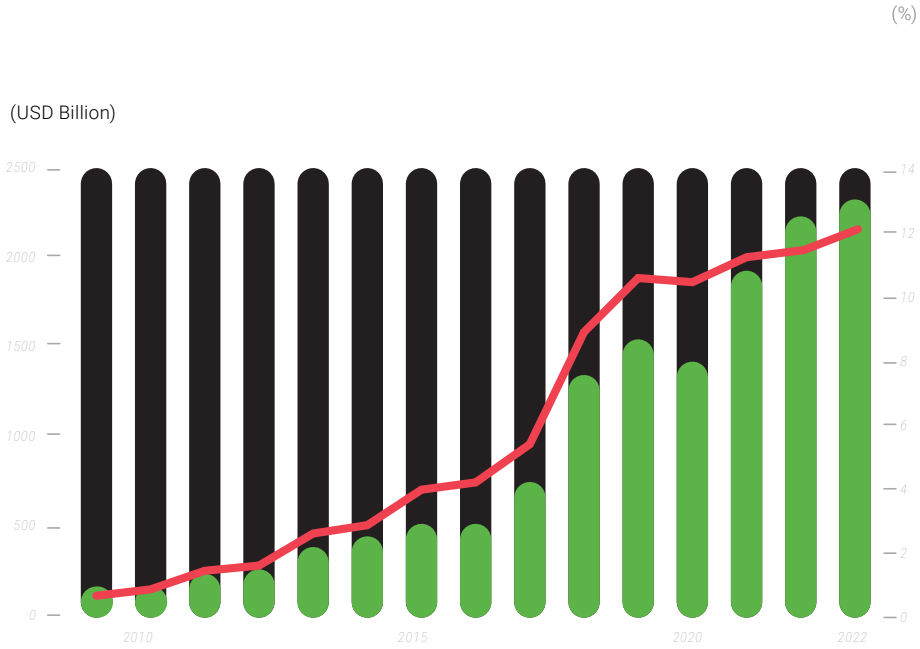
New and rising risks are among the factors driving these trends

The number of wars has been increasing

Number of armed conflicts worldwide

Source: Uppsala Conflict Data Program and Peace Research Institute Olso (2023)

Trade barriers are rising



Import restrictions in force
Left axis

% of G20 imports
Right axis

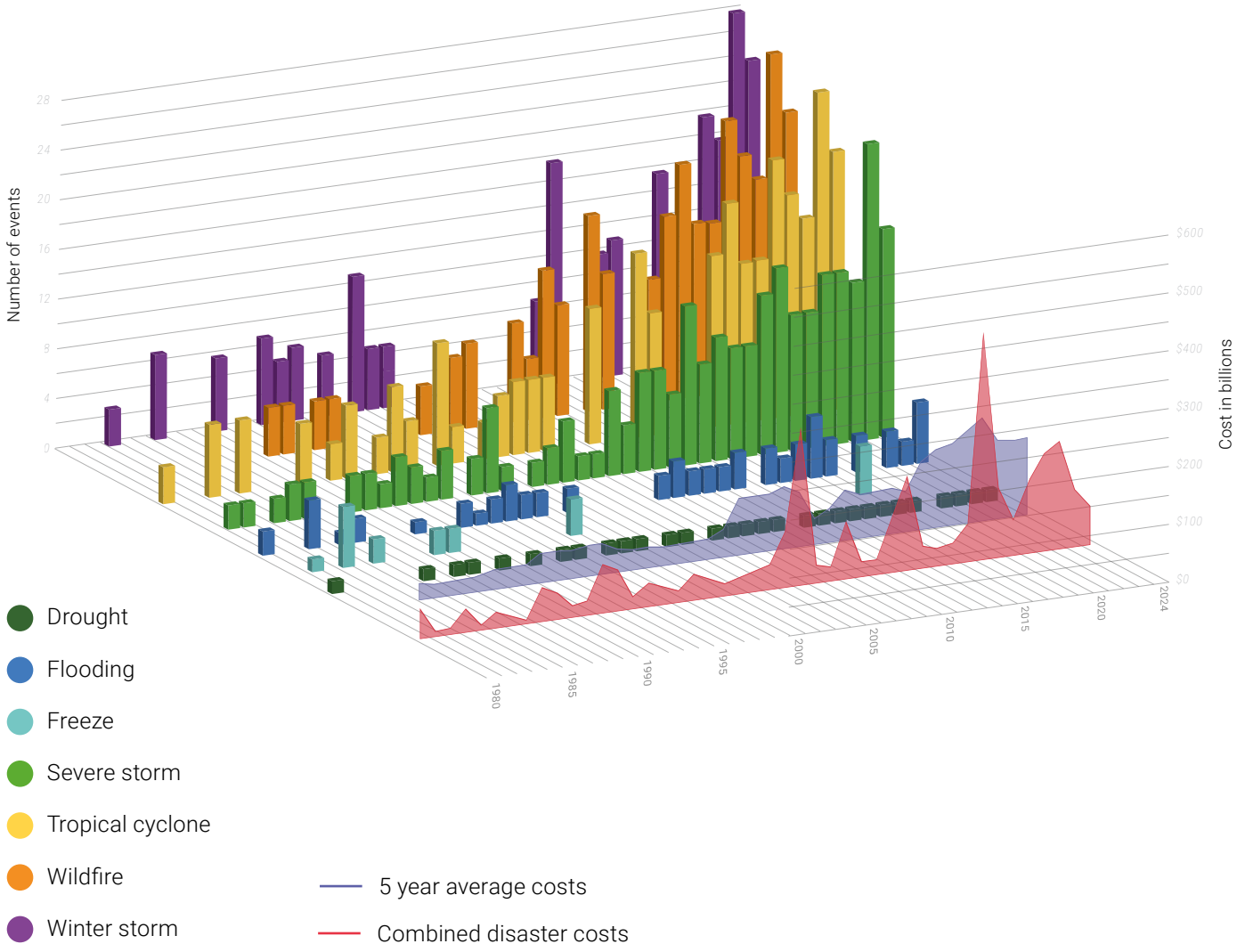
Source: WTO

Climate

The impact of climate change is increasingly felt, through both warmer average temperatures and more extreme weather events. Global temperatures have increased by about 1.1°C since the preindustrial era and are predicted to rise by 0.2° to 0.3°C over the next decade. Hurricanes, floods, droughts, and wildfires are becoming more severe. The Arctic is warming twice as fast as the rest of the planet, causing glaciers and polar ice sheets to melt rapidly. This contributes to rising sea levels, which could increase by up to 6.6 feet by the end of the century if emissions are not curbed.

As temperatures and costs rise, people, governments, and businesses are forced to adapt. The World Health Organization has identified climate change as the biggest health threat facing humanity, causing disruptions to supply chains, affecting food security, and making some regions at increasingly at high risk for habitation.

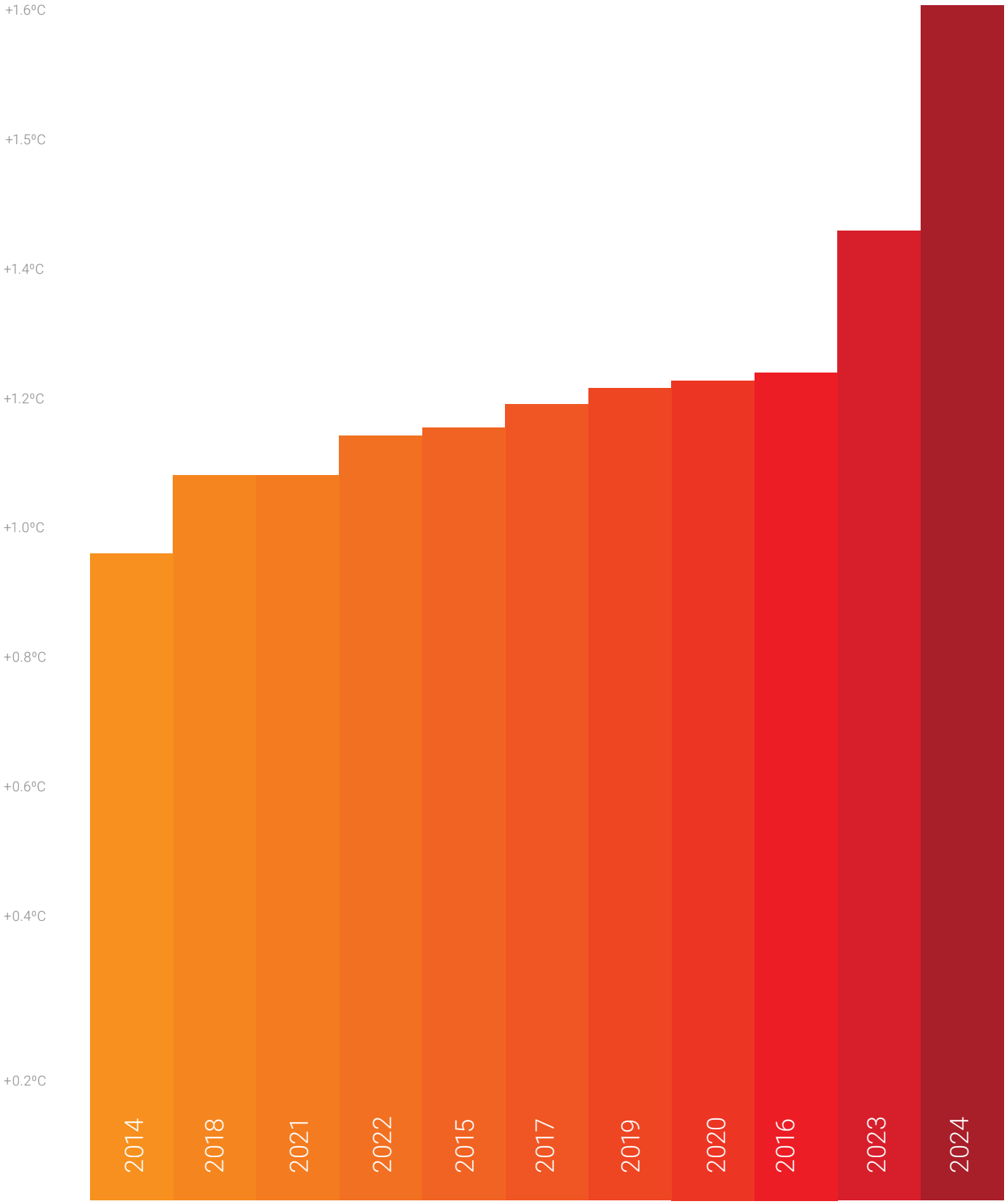
United States billion-dollar disaster events 1980-2024 (CPI-adjusted)



Source: https://www.ncei.noaa.gov/access/billions/time-series

10 Hottest years on record

Global temperature anomalies (ºC) averaged and adjusted to early industrial baseline (1881-1910).
Data as of 1/12/2024. Source: NASA GISS & NOAA NCEI



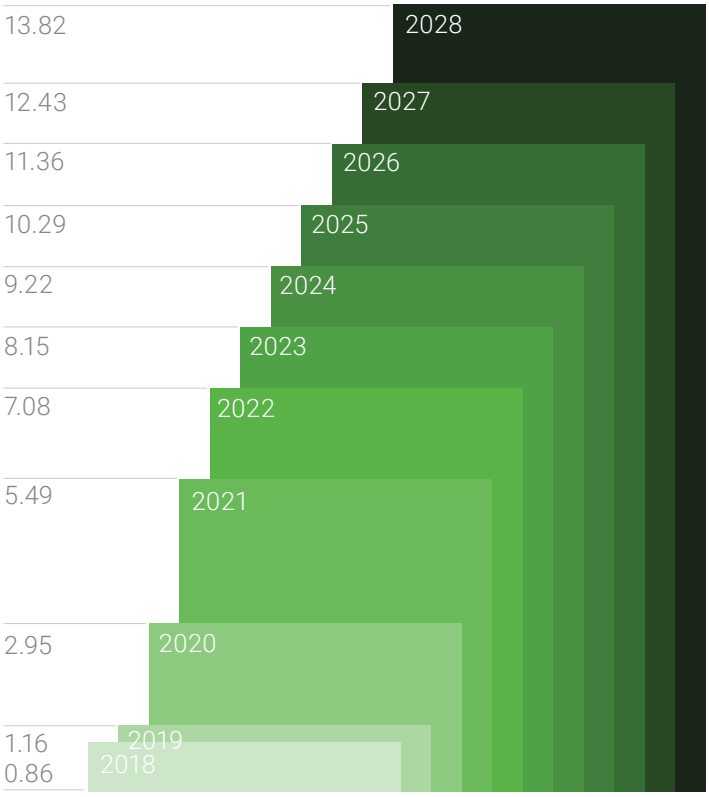
Technology

While executives are generally optimistic about the impact of technological change on business and society as a whole, the risks should not be underestimated. For years, businesses have struggled with the fast pace of innovation, and concerns over obsolescence of legacy hardware, skills, and even business models. With the adoption of a proliferating number of new AI tools and programs, companies are increasingly meeting these challenges with material investment and, as we discuss in the next section, growing returns.

However, this introduces additional risks. The large language models (LLMs) behind these AI tools require enormous amounts of energy. According to Goldman Sachs estimates, data centers currently consume 1-2% of overall power globally, which is expected to rise to 3-4% by 2030, representing a 160% increase. Meeting these power needs is an urgent priority for both tech companies and governments—and might exacerbate climate change.

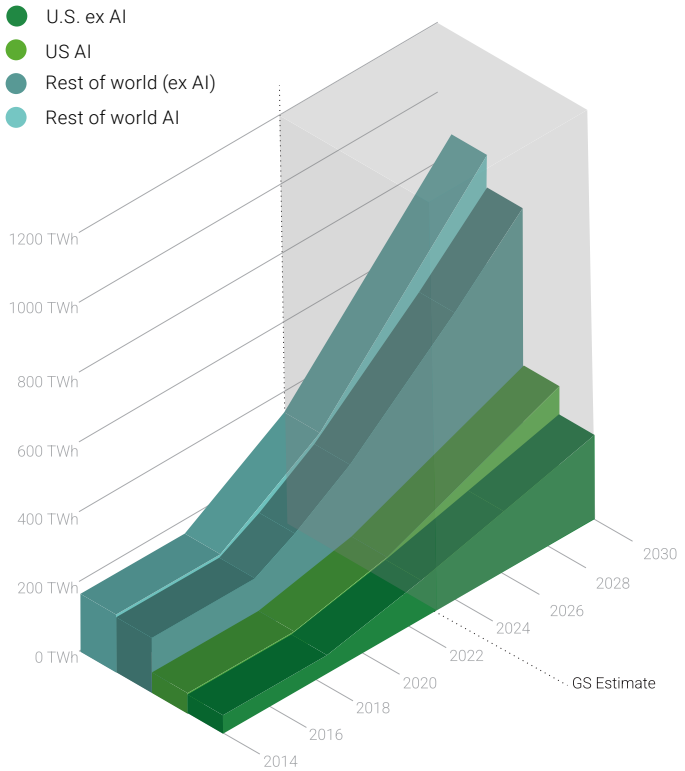
Cybercrime expected to skyrocket

Estimated annual cost of cybercrime worldwide (in trillion U.S. dollars)
As of Sep. 2023. Data shown is using current exchange rates. Source: Statista Market Insights



Data center power demand

Source: Masanet et al. (2020). Cisco, IEA, Goldman Sachs Research



Concerns over data privacy and cybersecurity have proliferated alongside increased connectivity and amounts of data being collected. The growth in AI adoption increases these concerns. These vulnerabilities top executives' list of concerns in this year's Disruption Index. Data breaches can lead to significant financial, reputational, and legal liabilities.

Finally, amid a tumultuous era in politics and government, we should remind ourselves of the risks associated with devolving trust in institutions around the world. The promise of the internet was its ability to bring us closer together. As we now see, the democratizing effects of this technology have undermined trust in traditional institutions such as the media and government, leading to a more divided world. And AI has increased people's concerns over misinformation.

Business has been relatively unharmed by these developments, remaining one of the most trusted institutions in the world. But the risks remain significant and must be navigated carefully.

The threat of new types of technological risks are accelerating

Cybersecurity, turbocharged

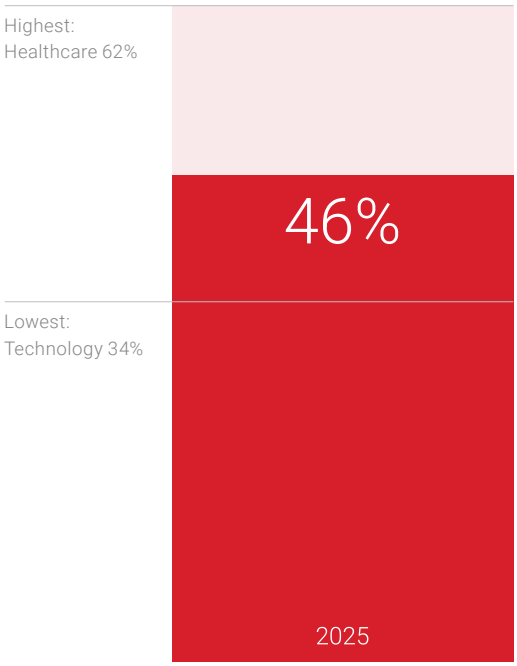
In just a year, cybersecurity and data privacy issues have surged to the top of the list of disruptive threats—cited by 46% of executives, 20 points higher than a year before. Last year, only 22% of healthcare executives said they viewed cybersecurity as a threat; this year, 62% do. Leaders in two industries, technology and automotive, actually see more opportunities than threats from these issues—the first from selling cybersecurity solutions, the second from incorporating them as features in vehicles.

Cybersecurity threats aren't new, but they are resurgent. Statista estimates that the worldwide cost of cybercrime will rise from $9.22 trillion in 2024 to $13.82 trillion in 2028—a 50% jump in just five years. One reason: artificial intelligence. Worry that AI will be used by bad actors is the top concern executives have about AI. They are not wrong. A survey of IT and security professionals published found that 53% worry that tools like ChatGPT will be used by hackers to improve phishing emails, 49% fear it will help inexperienced hackers improve their skills, and 48% say it will be used to develop new malware—all of these dark-arts versions of proven benefits of ChatGPT when it is used for good.

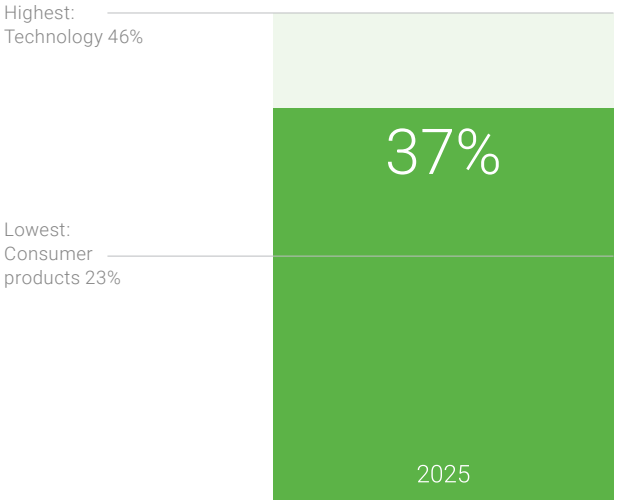
It's no wonder—but also ironic—that cybersecurity and AI rank first and second among executive priorities for digital investment.

Cybersecurity and data privacy are...

A threat



most important digital tool or investment to address



Beth Musumeci,
Global Leader of Cyber,
AlixPartners

"Artificial intelligence and the proliferation of connected devices have significantly raised the threat level for data security. It's important for companies to elevate and integrate cybersecurity protections in all of their technology plans and acts."

AI & machine learning

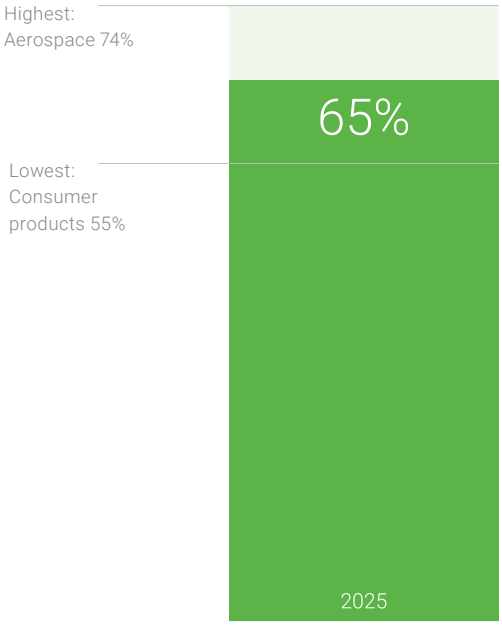
Expectations for AI, while already high, continue to grow, but they are also becoming more broadly embedded in overall digital strategy. Only in financial services were AI and machine learning (ML) identified as the largest opportunity over the next 12 months, but in almost all other industries, they remained within the top 5. Executives, on average, see connected devices and infrastructure (such as IoT and the cloud)—technologies that will, of course, both enable and exploit AI—as the number one opportunity over the next 12 months.

Nor are AI and ML seen as major threats, but they are in the mix. Regulation and taxation are the highest threats identified, but data privacy and cybersecurity come in second. As discussed in the adjacent box, cyber concerns are amplified by the increased use of AI by criminal actors. And the financial, reputational, and legal risks are rising.

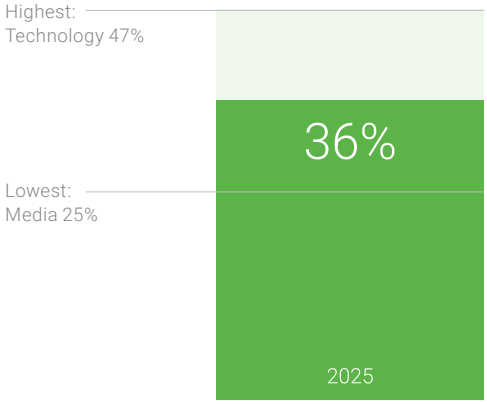
It may be no surprise, then, that AI trails cyber among the list of digital priorities for executives over the next 12 months. And overall, 80% of executives are optimistic about AI's impact on their company—with 34% saying they are extremely optimistic.

AI and machine learning are:

An opportunity



most important digital tool or investment to address



When thinking about AI, companies are primarily focused on:

Top areas of focus for AI investments		
01 Customer insights, service, experience	02 Operations and production	03 Product, process, and technology innovation and development
Top concerns about AI tools and applications		
01 Cybersecurity, deepfakes, and misinformation	02 Overreliance on AI, reducing critical thinking skills	03 Legal and regulatory compliance

Realizing value from your AI investments takes discipline and a pragmatic approach aligned with your business objectives. Companies are making progress in gaining a realistic perspective on what AI can (and cannot) do, and are beginning to drive meaningful value creation from their investments.

But there's still a long way to go.

In our experience, creating value through your AI initiatives requires alignment and focus across three critical areas:

01 **Strategy:** Only by focusing on the right business problems can you ensure that you will receive a meaningful return on these investments and drive long-term value for customers and shareholders.

02 **Execution:** Developing a good proof of concept is one thing. Deploying it, and achieving tangible business results, is another.

03 **Foundational pillars:** There's no AI without the right foundations—from technology, to people, to risk and compliance (among other things). Perhaps most critically, have you invested in the quality and accessibility of your data?

We encourage you to read more our perspectives on AI here.

Hoyoung Pak,
Global Co-Leader of AI & Data Practice Group

"AI is shifting from hype to reality, delivering tangible outcomes when aligned with business priorities. As companies move from experimentation to integration, success hinges on disciplined execution and a focus on the right use cases. The key isn't adopting AI for AI's sake—it's about strategically embedding AI to unlock business value, accelerate growth, and maintain resilience amid growing business disruptions."

Productivity is taking off

A workplace revolution?

Data from the Disruption Index survey lend support to the idea, increasingly discussed among economists, that a significant jump in productivity may be at hand. That would be a big deal. Productivity is the ratio between inputs and outputs. When it rises, so does wealth for individuals, companies, and societies. While profoundly beneficial, productivity growth can also be profoundly disruptive, crowning new winning companies, technologies, and countries, and sending others to the minor leagues or the showers.

U.S. labor productivity growth, which jumped coming out of the pandemic then briefly plateaued, has begun rising at about 2.7% a year. This is more than double the rate of the decade before the pandemic, the Richmond Federal Reserve Bank notes. While productivity acceleration is largely an American story at the moment—and U.S. productivity growth has long led the world—there are reasons to believe industries and economies everywhere are on the cusp of change. Evidence suggests that the productivity frontier—"the sum of all existing best practices at any given time," as Michael Porter defined it—has moved out, and companies are rushing to achieve a new possible.

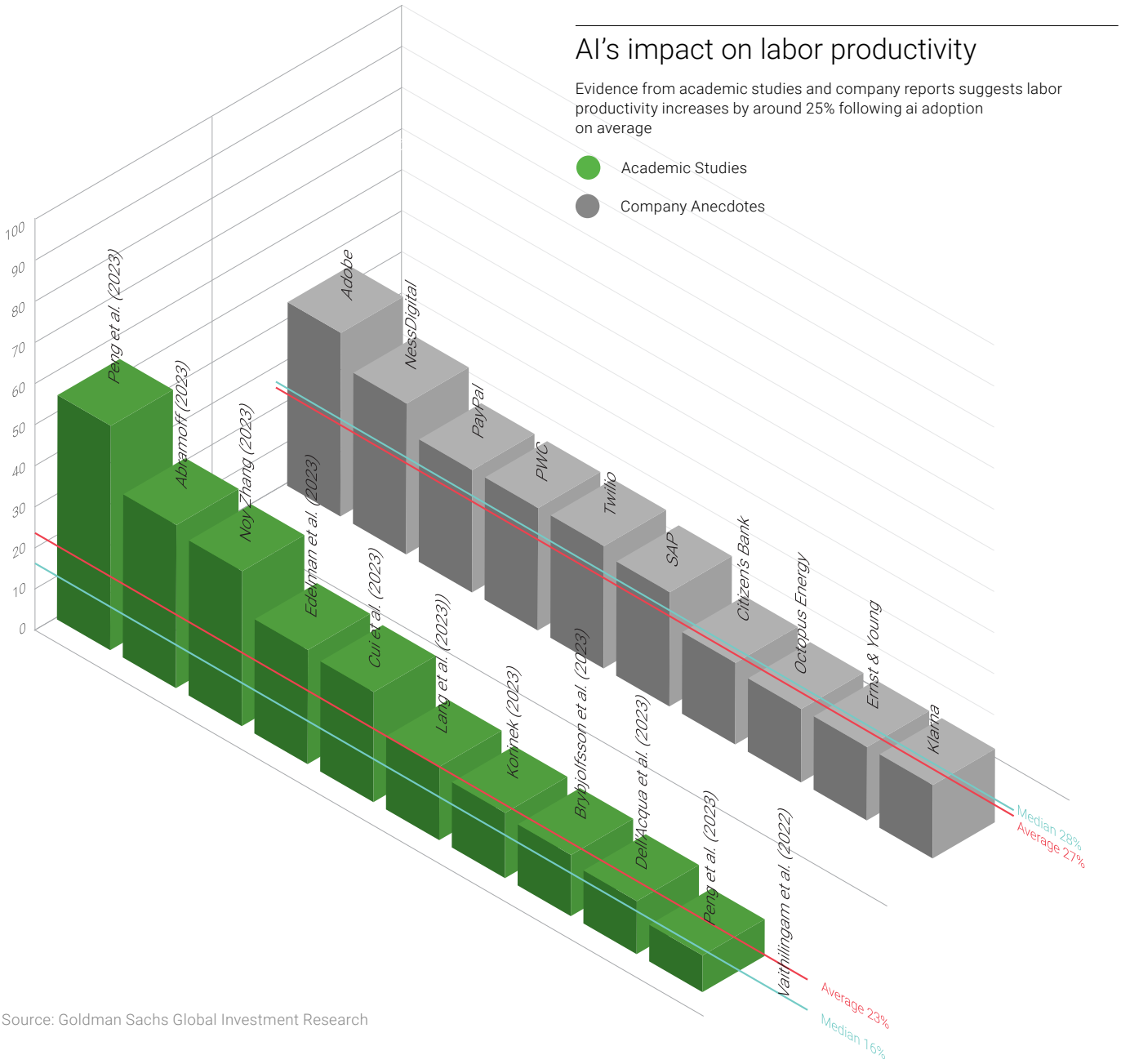
Why is this happening?

Artificial intelligence isn't the only new productivity-boosting technology. The promise of abundant, cheap, renewable energy could cut the cost of that input for every business under the sun, literally. We can also anticipate a significant productivity gain from GLP-1 receptor agonists (weight-loss drugs such as Ozempic and Wegovy), which can cut obesity-related diabetes by as much as 90%, and also show benefits in treating cardiovascular disease and even Alzheimer's disease. According to Goldman Sachs, obesity-related health complications reduce U.S. productivity by about 1.9%. Eliminating even a quarter of that would give the economy a huge boost. As absenteeism, the burden of caregiving, and other restraints fall away, GDP could rise by 0.5% up to 1%, and productivity with it.

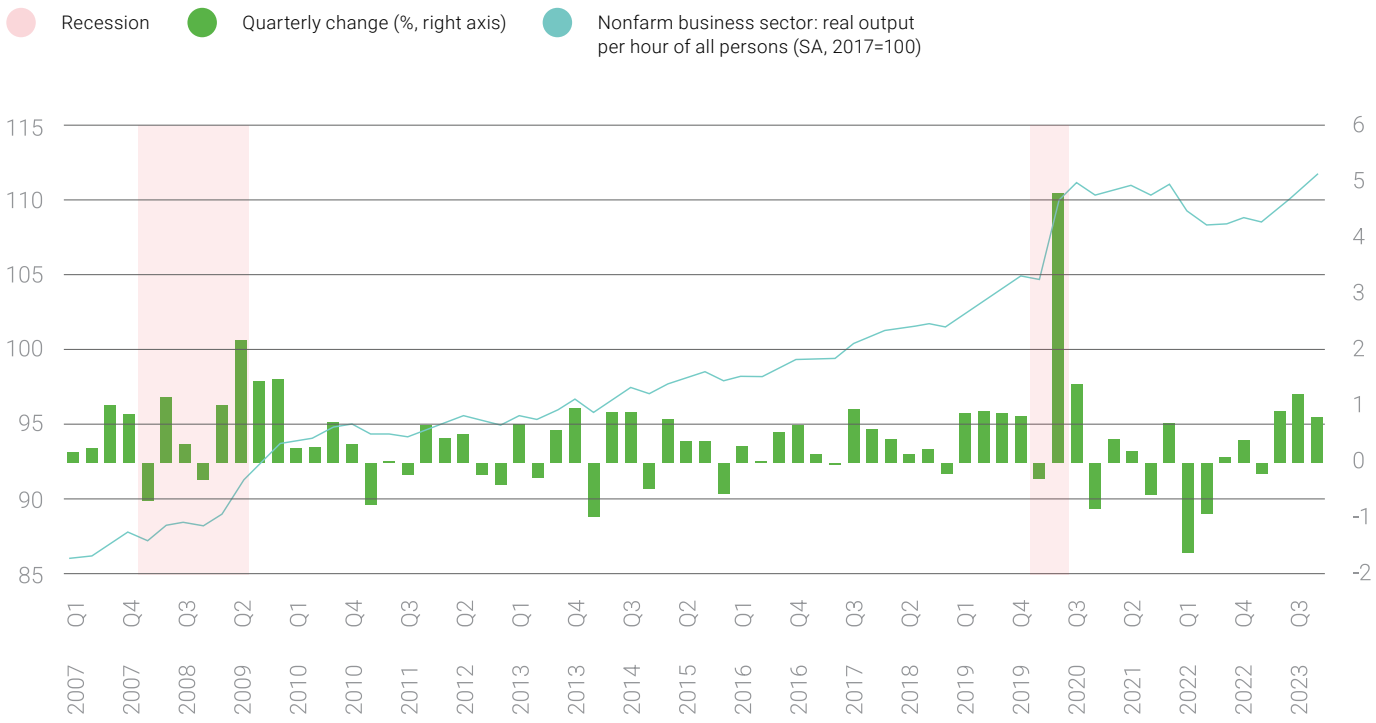
Another frontier-moving factor is the impact of corporate restructuring in response to disruption. Corporate transformation accelerated as many companies "pivoted" during and coming out of the pandemic. In Germany, where productivity has been stagnant, 43% of companies say they expect major business model transformation this year—a leap from 34% a year ago and the same percentage as in the US—while in Japan (an economy where productivity has been stagnant) half of business leaders told Reuters and Nikkei Research that they intended to restructure their businesses.

AI's impact on labor productivity

Evidence from academic studies and company reports suggests labor productivity increases by around 25% following ai adoption on average



Source: Goldman Sachs Global Investment Research



Source: Richmond fed data)

Another factor are tight labor markets, which put pressure on companies to get more out of the workers they have and encourage investment in labor-saving, productivity-enhancing technology. At the same time, the steady shrinking of working-age populations is pressing governments to encourage actions that enable a smaller workforce to support a larger retired population. Writing in *Sloan Management Review*, Erik Brynjolffson, director of Stanford University's Digital Economy Lab, said, "When you put these three factors together—the bounty of technological advances, the compressed restructuring timetable due to COVID-19, and an economy finally running at full capacity—the ingredients are in place for a productivity boom."

And executives sense the moment. Nearly nine out of ten say employee productivity is increasing at their company. Asked what internal workforce issues have had the biggest impact on their growth, they cite employee productivity first; coming in second and third are investments in AI and automation and in upskilling, all of which are productivity-related. Asked what they are doing to facilitate revenue growth, they name investments to improve productivity and efficiency more than any other factor, except the table stakes act of conducting market analysis. Among growth leaders, employee productivity is the number-one focus of technology investments.

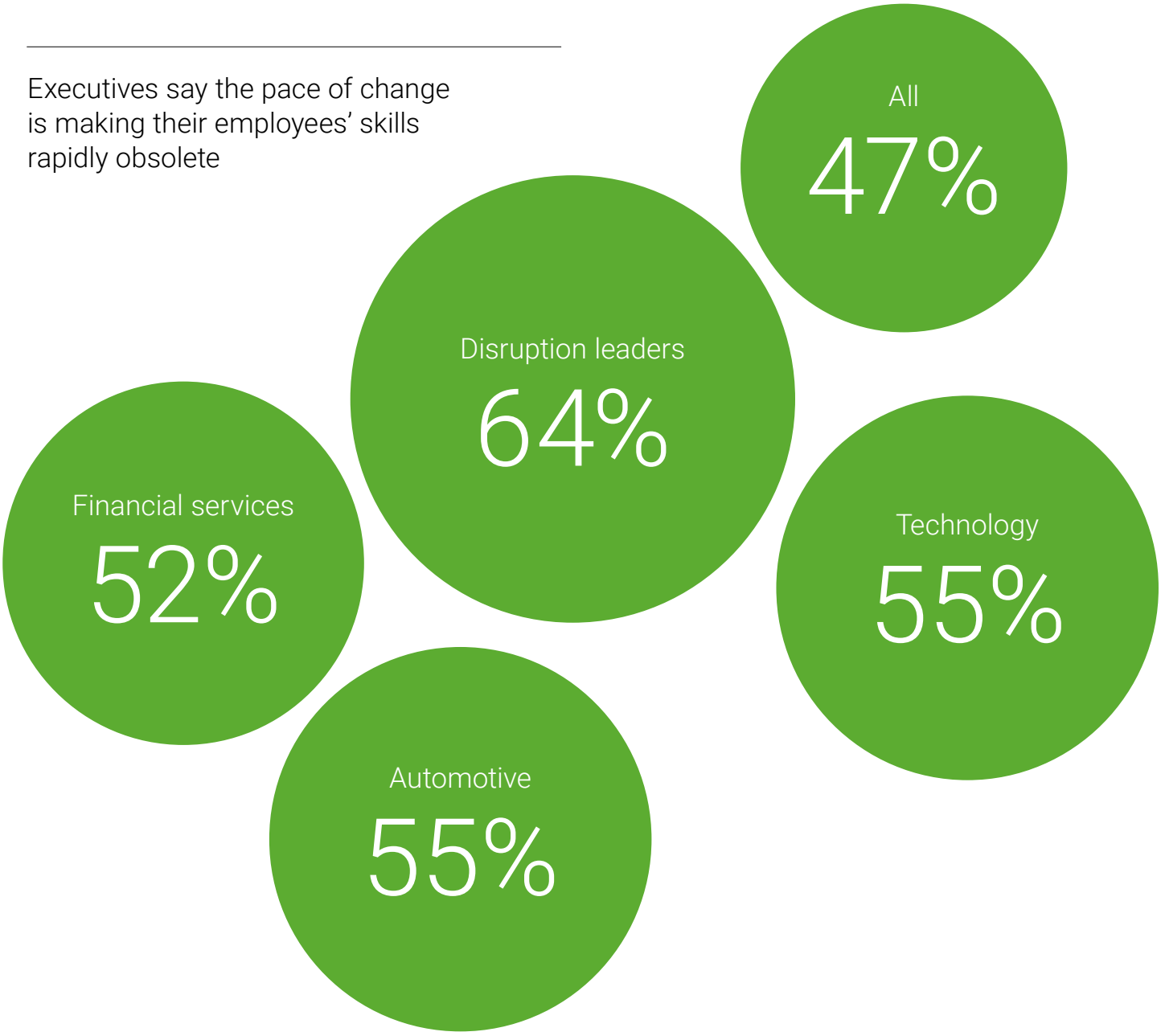
88%

say employee productivity is increasing at their company

A workplace revolution

Productivity gains will be accompanied by a disruptive transformation of all kinds of workplaces. By the time today's 45-year-olds retire, their current offices and factories may look as different and antique as those of the pre-computer age look to us today. No, not because of the tablet-carrying droid at the CEO's side, walking a respectful half-step behind as she or he moves through the corridors—though that might happen—but in profound ways that affect how jobs and roles are defined, staffed, and performed; how teams and departments are organized; what working is like; and how things get done.

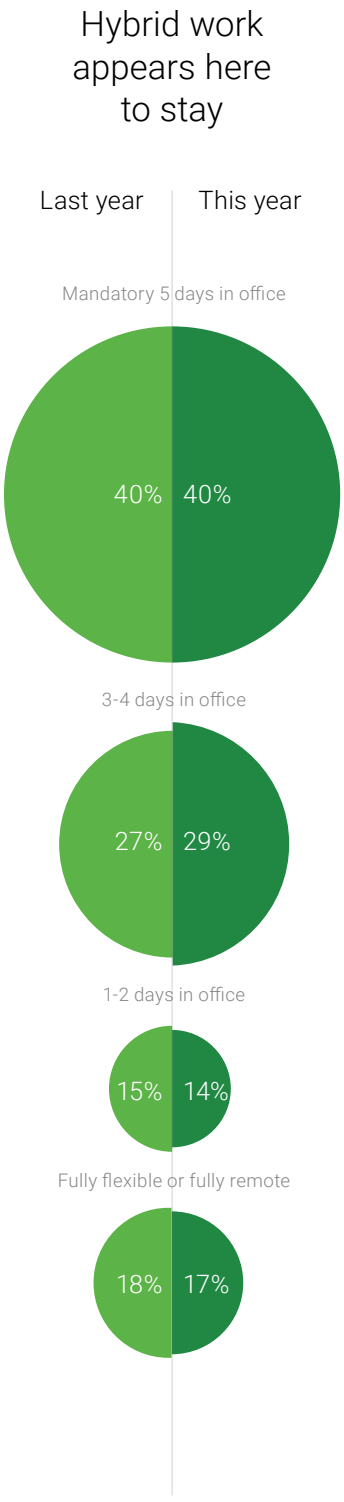
Executives say the pace of change is making their employees' skills rapidly obsolete



After technology itself, a second cause of the workplace revolution is the revolution in skills, not just for technical workers but for everyone from the CEO on down. On a macro level, virtually all job growth has been in high-skill occupations. At the same time, nearly half of executives say the pace of change is making employee skills rapidly obsolete. As a result, upskilling and training are significant priorities as companies look at workforce transformation and driving growth.

Culture is a third element of the revolution. In the face of disruption, organizational culture is a critical element of competitive advantage, according to 88% of executives. But many pieces of culture will change as the workforce diversifies and generations move into or age out of the workplace. More than half—52%—of executives say shifts in workforce values and preferences are a cause of disruption within their company; that number jumps to 70% among the companies that are most driving disruption overall. Much has been written about the values and expectations of millennial workers, some of whom have begun moving into leadership positions. At the same time, companies that seize the opportunity diversity presents are beginning to outperform others.

The workplace itself—what work is done, where, by whom, and how—is another element. The debate about remote vs. in-office work is largely over. Despite a few high-profile back-to-the-office orders, companies have arrived at a consensus about where workers should be: hybrid where possible, in-office where needed.



What remains is maximizing the value of the arrangements, not arguing over what they should be: How to address the concerns of four in ten executives that fully in-office models have a negative impact on morale? How to fix the issue that 50% say that remote models have a negative impact on career advancement? How to make a dispersed workforce, with computers on home-office networks, as secure as a centralized one? How to help people find best friends at work, which Gallup data says has become an even more important indicator of performance since the pandemic?

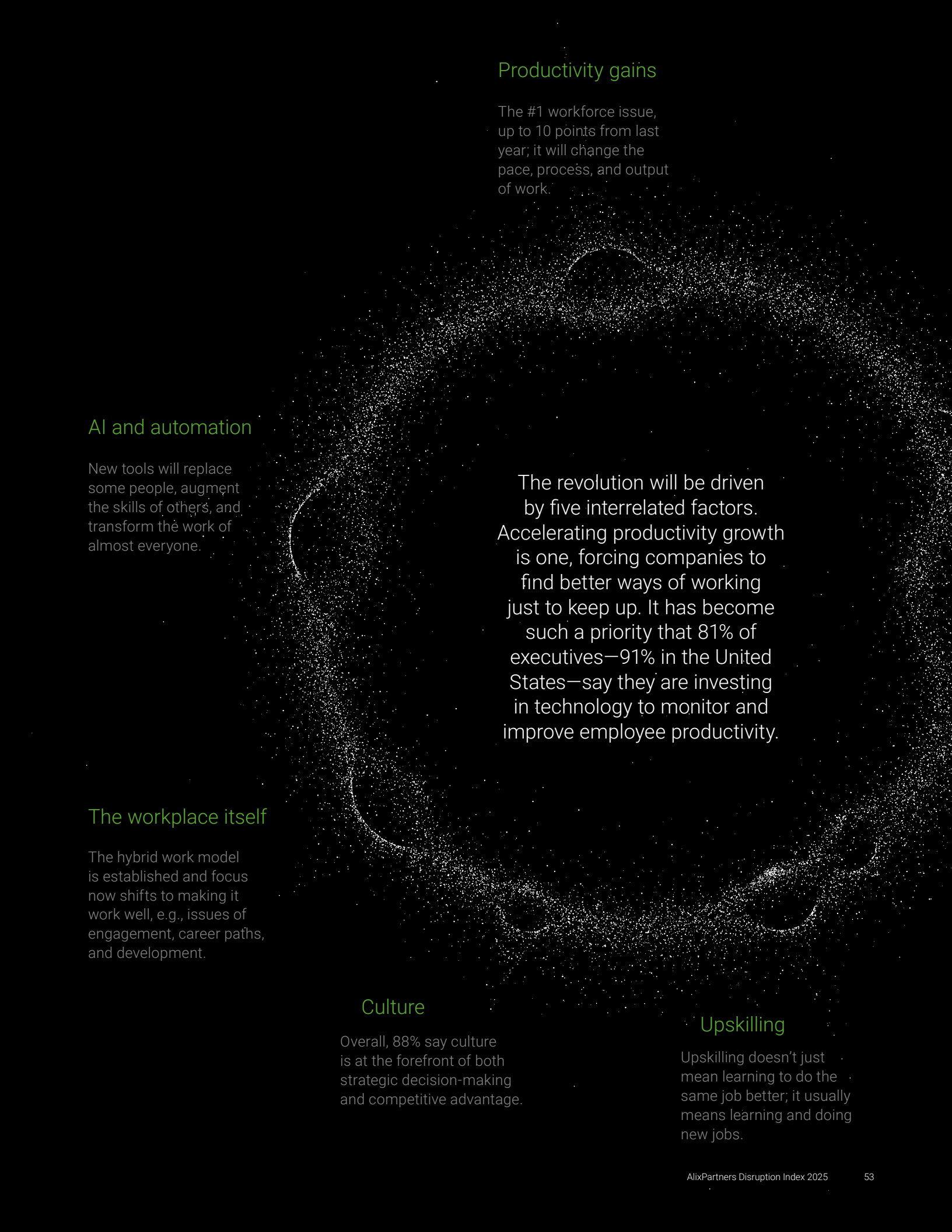
And, of course, AI and automation will change every call center, factory, lab, office pod, and executive suite. For most employees and teams, AI will become a colleague, a familiar presence that augments their efforts; and more than half of companies—and 75% of disruption leaders—envision deploying humanoid robots at scale within five years. Integrating AI across the business ranks second on the list of digital priorities. And use them how? To improve R&D and innovation, customer experience, and decision-making, in that order. Economists David Deming, Christopher Ong, and Lawrence H. Summers say there is early evidence that AI is a general-purpose technology with the potential to disrupt labor markets to a degree comparable to electricity and steam power; they see early signs of what appears to be happening in retail and office work, where AI results in the automation of routine tasks and the augmentation of analytical work.

Productivity gains

The #1 workforce issue, up to 10 points from last year; it will change the pace, process, and output of work.

AI and automation

New tools will replace some people, augment the skills of others, and transform the work of almost everyone.



The revolution will be driven by five interrelated factors. Accelerating productivity growth is one, forcing companies to find better ways of working just to keep up. It has become such a priority that 81% of executives—91% in the United States—say they are investing in technology to monitor and improve employee productivity.

The workplace itself

The hybrid work model is established and focus now shifts to making it work well, e.g., issues of engagement, career paths, and development.

Culture

Overall, 88% say culture is at the forefront of both strategic decision-making and competitive advantage.

Upskilling

Upskilling doesn't just mean learning to do the same job better; it usually means learning and doing new jobs.

The productivity imperative

As leading companies increase productivity, they open gaps with their rivals. Productivity gains aren't the same as strategic differentiation, though in a few cases (such as the Toyota Production System) productivity has been turned into a a differentiated strategic capability. Mostly productivity gains create gaps in execution—as some companies do similar things but do them better. But the advances of any competitor create imperatives for all the others.

1.

Make productivity a top issue

You can't keep up if you have to take 100 steps to travel the same distance your competitors can cover in 90. Nor can you increase productivity by one-shot initiatives; it needs to be an all-the-time focus of executive concern—with targets, measurements, and accountabilities.

2.

Remember that productivity isn't just labor

Productivity is output divided by all inputs. If you clean up legacy IT systems so you don't waste time and money on workarounds, that's a productivity gain; creating smart factories, a lot of which can be done with off-the-shelf technology, can make equipment far more productive; directing investment to your most economically profitable lines of business makes capital more productive.

3.

Understand the productivity power of new technologies

AI is the current case in point. In our 2024 Digital Disruption Survey, we documented the fact that the most successful companies focused their AI investments on the part of the value chain where they create the most value (for example, operations for industrials, customers and sales for consumer products companies), combined with the finance function, a one-two punch to ensure that the investment is aimed where it will do the most good.

4.

Optimize and transform

Tremendous gains in productivity can be won with or without technology's help, by making routine activities more efficient and effective. G&A and operating model diagnostics often reveal significant opportunities to cut costs and increase output. For example, our study of the fastest-growing companies showed that one growth superpower is mastery of the practical mechanics of growth, such as marketing, channel, and sales force optimization. But optimization gets you only so far. "It is time to stop paving the cow paths," the late Michael Hammer wrote in his 1990 manifesto, *Reengineering Work*, and that call is as true now as it was then. At a time of rising disruption, you can use zero-based budgeting and blank-sheet-of-paper thinking to reimagine operating models, processes, and jobs to achieve step-change gains in productivity and greater financial, operational, and organizational flexibility.

What next?

Protect
Optimize
Expand
Transform

Disruptive forces hit industries and companies in different ways, at different times, at different orders of magnitude. They might appear as fierce gales, tossing companies around like small boats on raging seas; or as tailwinds, propelling companies with unprecedented speed to new opportunities and markets. They might be huge for some and minor for others; what disrupts retailers might have little impact on energy producers and vice versa. The impact might vary by function: The energy transition might have disruptive consequences for production and distribution, but matter much less for sales and marketing. Or disruption might be everything, everywhere, all at once—as COVID was, as AI appears to be.

A leadership team's response must be both pragmatic and precise, depending on what's disrupted, how much, whether it's a threat or an opportunity, and what financial and other resources are available. To make this analysis, it helps to ask two sets of questions:

First

Consider the impact inside your company: Are your company's core assets (tangible and intangible) and core activities threatened? If both are threatened, you're in an environment where everything's up for grabs and radical change is likely. If one is threatened but not the other, change will take different forms: When activities are threatened but not assets, companies might need to find new ways to produce and market their offerings; when it's the other way around, they must find ways to refresh and reinvent their assets (think of pharmaceutical companies pursuing new drugs), while activities and relationships like production and distribution are relatively stable.

If neither is threatened, you're likely to be able to respond with continuous improvement. That was the case for more than 40% of industries in the 1990s, according to an academic study. Few would say that's still true. Rapid changes in technology, the opening and closing of markets, and the availability of vast and very liquid pools of capital have so disrupted the business world that 57% say their company has been highly disrupted. But, again, the impact on each enterprise is unique.

Second

Ask about the impact on competition—who plays and who wins. It might be relatively minor for your industry or function: same players, same game, with competition continuing along familiar lines. Globalization expanded the map on which the "cola wars" were fought, but the struggle was largely the same. Or it might change winners and losers, as globalization did to the auto industry, and as deglobalization threatens to do now for many manufactured goods. Finally, it might change everything, with new players, new rules, and new opportunities, as, for example, e-commerce did for retail and the energy transition is doing for the auto industry today. Seventy-four percent of participants in the AlixPartners 2024 Turnaround and Transformation Survey said that the tension between the U.S. and China will lead directly to an increase in distressed situations

What you do also depends on the resources available to you—access to capital, cash, talent, and the like—and the underlying growth potential of your company and industry. Based on that, you'll want to develop initiatives designed to protect, optimize, expand, and transform how your company creates value.

Value creation

Offensive measures

Transforming value creation carries the highest risk and reward. For companies with opportunities and resources transformation is the path for turning disruption into competitive advantage: an acquisition that's not just additive but transformative; a reimagining of a company's portfolio; a move from products or services to solutions or from one-off sales to subscriptions. An enterprise-scale rollout of AI that reshapes the work of almost everyone. Balance-sheet transformations that offload non-core assets, turn fixed costs into variable ones, and reduce the capital needed to grow. Transformation can also be the road back to success for companies that are disrupted, threatened, and constrained. Operating model changes designed to increase EBITDA by two or three points. Restructuring, selling all or part of a company, or radically rethinking its operating model: these are bold, often painful, but necessary to create a resculpted company that can return to the fray.

Expanding value creation means investing to grow. Unlike protecting and optimizing, expansion usually demands significant capital or intellectual capital investment: tuck-in acquisitions; brand-building; share-of-wallet strategies; investment in new production or distribution facilities; opening offices in new territories or nations. Growth leaders pay heavy attention to expansion. Compared to growth laggards, they are more likely to plan material acquisitions (+26 points), pursue share-of-wallet strategies (+6 points), move into new markets or geographies (+6 points), and to seek new revenue streams (+6 points). They are also far better able to recruit employees with the skills they need to grow— because who wouldn't want to sign up to join a growing enterprise?

Defensive measures

Optimizing value creation entails activities like improving working capital management, finding cost-efficient ways to deploy smart-factory technologies, tightening vendor management, taking an X-ray of overhead costs, or pursuing a suite of tactical improvements in commercial activities like coverage models, lead management, and customer service. These activities improve the effectiveness of the things you're doing now. Optimization is never a wrong move. For companies currently facing low disruption, that may be enough; certainly, it will put them in better shape when disruption comes, as it will. For everyone, optimization done right—guided by experienced executives who know the difference between fat and muscle and understand the value-creation levers of a company—can produce fast top-line and margin improvement, releasing funds that can be invested into growth or transformational activities.

Protecting value creation is critical for all companies, even when disruption is an opportunity, but it should be foremost when disruption is a threat. Effective risk management and improved data security are two among many no-regrets moves that protect your sources of value creation. (Data security was named as a major disruptive technology threat by 46% of executives, up 20 points from last year.) But there are many more value-defense moves. Supply chain management systems like AlixPartners' Global Trade Optimizer are able to identify supply chain risk early, and even predict it. Customer churn analysis can provide granular, practical information about which markets–segments, geographics, products—are most vulnerable.

Industries

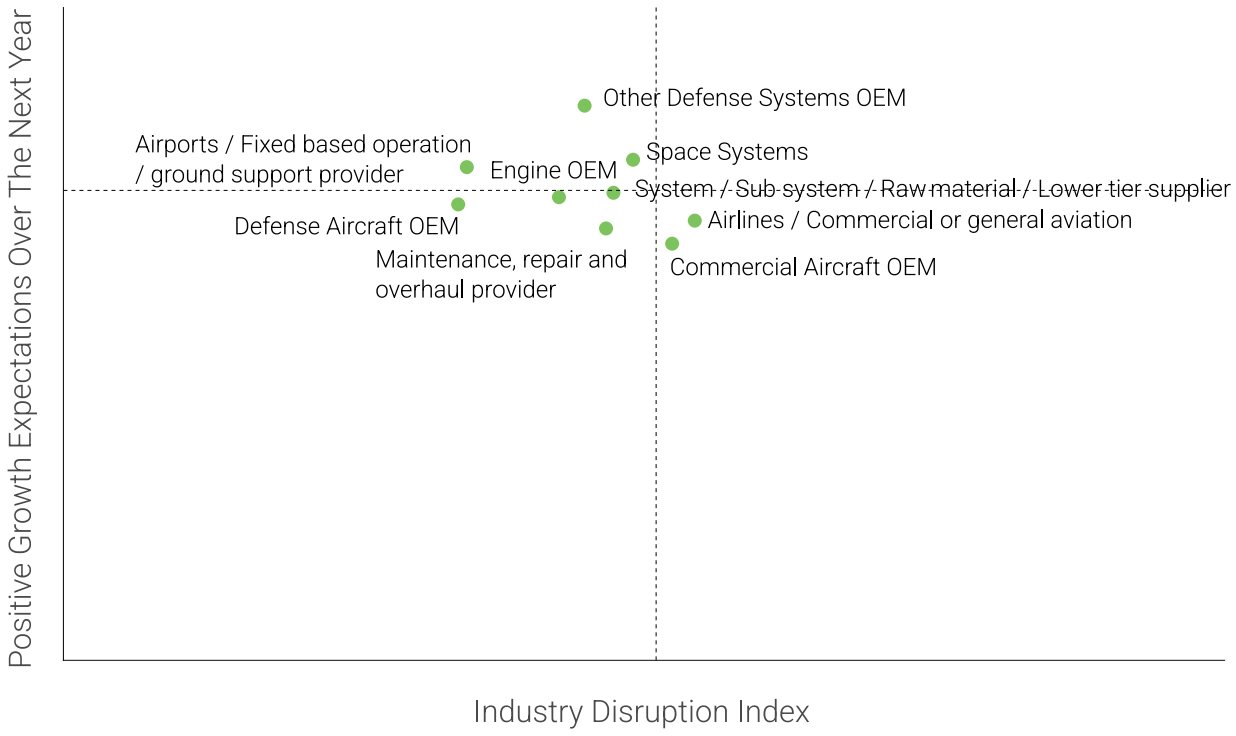
Aerospace & defense

War. Labor unrest. New technologies. Complex supply chains. Aerospace and defense may stand out in the number and degree of disruptions for any one industry. That said, its Disruption Index score of 73 puts it squarely in the middle of the pack of all the industries, with relatively few of industry leaders' responses deviating more than a few percentage points from global averages.

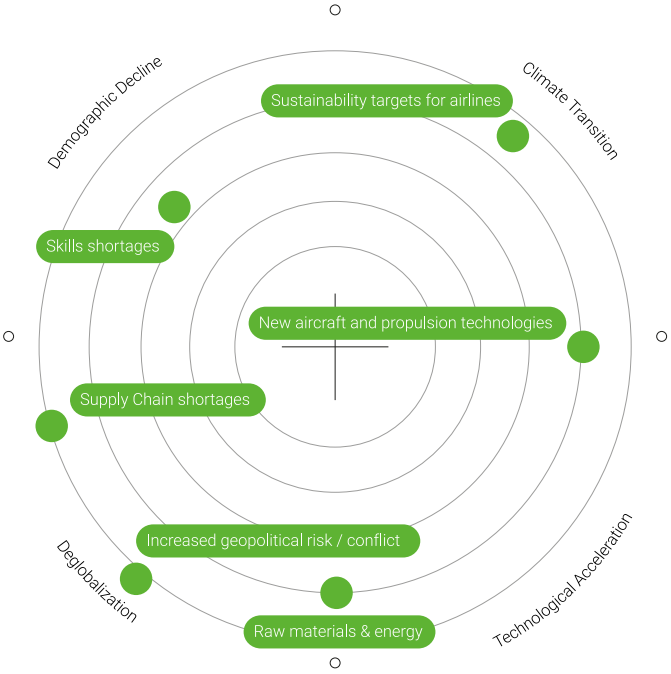
Some notable exceptions: 78% of the industry expected positive revenue growth compared to 84% overall, and just 12% have seen profits increase 10% or more, vs. 20% of companies overall. A&D execs were also the most likely to say that hiring qualified workers will become more difficult over the next 12 months—some 6 points over other industries. Some 32% said that an inability to find enough employees with critical skills was the biggest issue affecting growth over the past 12 months.

The industry is finding the supply chain more challenging than others. In addition to dealing with the continuing supply chain hiccups that all companies have had to contend with, the industry has been hit by a slew of other factors: increased demand from both the commercial and defense sides, rising prices for materials and components, and increased transportation costs.

While industry executives have a higher level of concern about their ability to adapt quickly enough to stay ahead of disruption, they have considerable confidence about knowing which forces to prioritize. That could account for the relatively high number of companies–40% vs. 34% on average—that are keeping digital investments level. Companies are putting their money into improving the supply chain, customer service and experience, R&D, and overall efficiency, with their optimism about AI's potential to help 8 percentage points higher than average.



Disruptive forces



Largest opportunities

76%

New systems technologies (i.e. hypersonic, UAVs, coordinated drones, etc.)

74%

AI and Machine Learning

72%

Automation of physical processes and robotics

Largest threats

43%

Data privacy and cybersecurity-related issues

43%

Regulation and taxation

41%

Interest rates

Industry callouts

41%

of executives report artificial intelligence and machine learning as the most important digital-related item for their companies to address

89%

of respondents agree that AI and machine learning will significantly improve supply chains

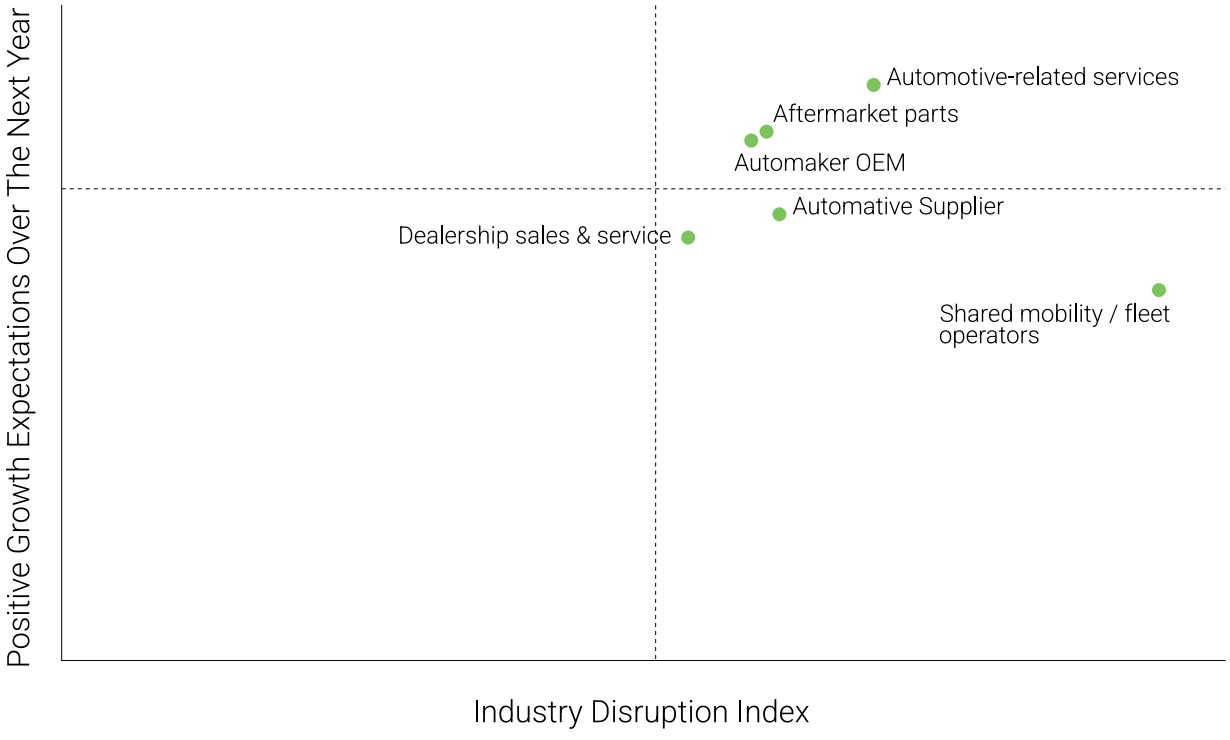
Automotive

Disruption is hitting the automotive industry hard. Its Index score of 77 is not only 4 percentage points higher than the average of 73, it is also the highest score for any of the 10 industries we looked at. Given the slowdown in the sales growth of battery-electric vehicles (following massive spending on them); the increased volatility in consumer demand; the rapid rise of new entrants from China (while that largest market for autos has itself slowed down); and skyrocketing geopolitical tensions and uncertainties, it's no wonder that 70% of industry executives reported that they experienced a high level of disruption. At the same time, though, auto executives expressed higher-than-average confidence in their companies' ability to keep pace with and manage disruption. Almost half (48%) believe that they drive disruption, and they strongly believe that their executive teams and employees are on board.

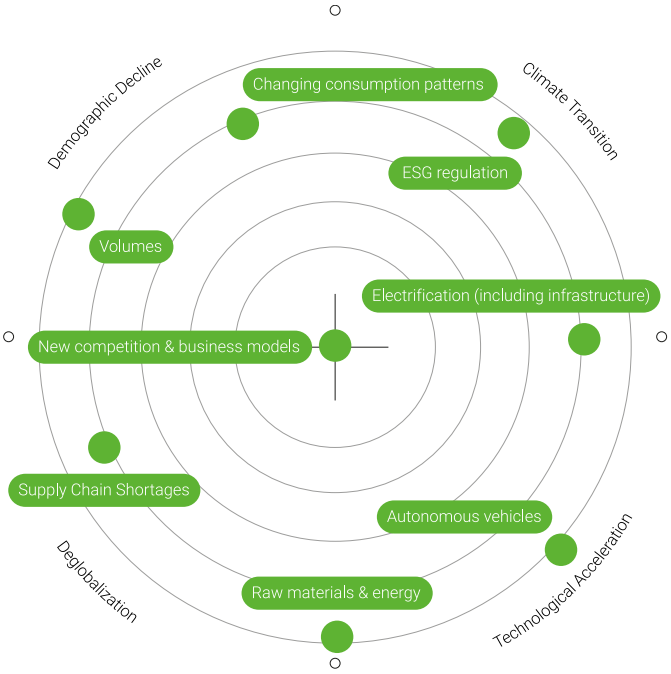
Supply-chain issues overall, and the supply of microchips in particular, are—despite the "chip crisis" peaking a couple of years ago—still a source of concern. Supply issues are expected to persist, if not increase, with 55% of executives noting increased challenges over the past year, and nearly half anticipating further strain in the coming 12 months, exacerbated in part by the need for real-time visibility into their supply chains. Other areas of high concern are inflation, interest rates, regulation and taxation, and prices (including for consumers). Still, 27% of the automotive-industry executives reported that profits rose 10% or more in the past year, compared to a 20% overall average.

The industry anticipates an easier time in hiring executive, managerial, and technical talent during 2025. That may prove to be a real plus, as the industry had high scores around poor employee engagement and practices like "quiet quitting."

Looking forward, 67% of executives plan to adjust growth strategies in response to US-China tensions, which are prompting shifts in supplier locations and manufacturing footprints—while executives from Chinese automakers say they plan to expand both domestically and internationally. Mergers-and-acquisitions (M&A) activity is likely to surge, with 69% of all auto executives considering transformative deals.



Disruptive forces



Largest opportunities

75%

Technological advances in materials (composites, alloys, nanomaterials, etc.)

73%

Automation of physical processes and robotics

72%

Software-defined vehicles

Largest threats

42%

Regulation and taxes

41%

Interest rates

41%

Inflation/consumer and producer price increases

Industry callouts

57%

agree that a lack of real-time visibility is inhibiting their company from quickly reacting to supply chain delays

63%

agree that it is becoming increasingly challenging to know which disruptive force to prioritize

Consumer products

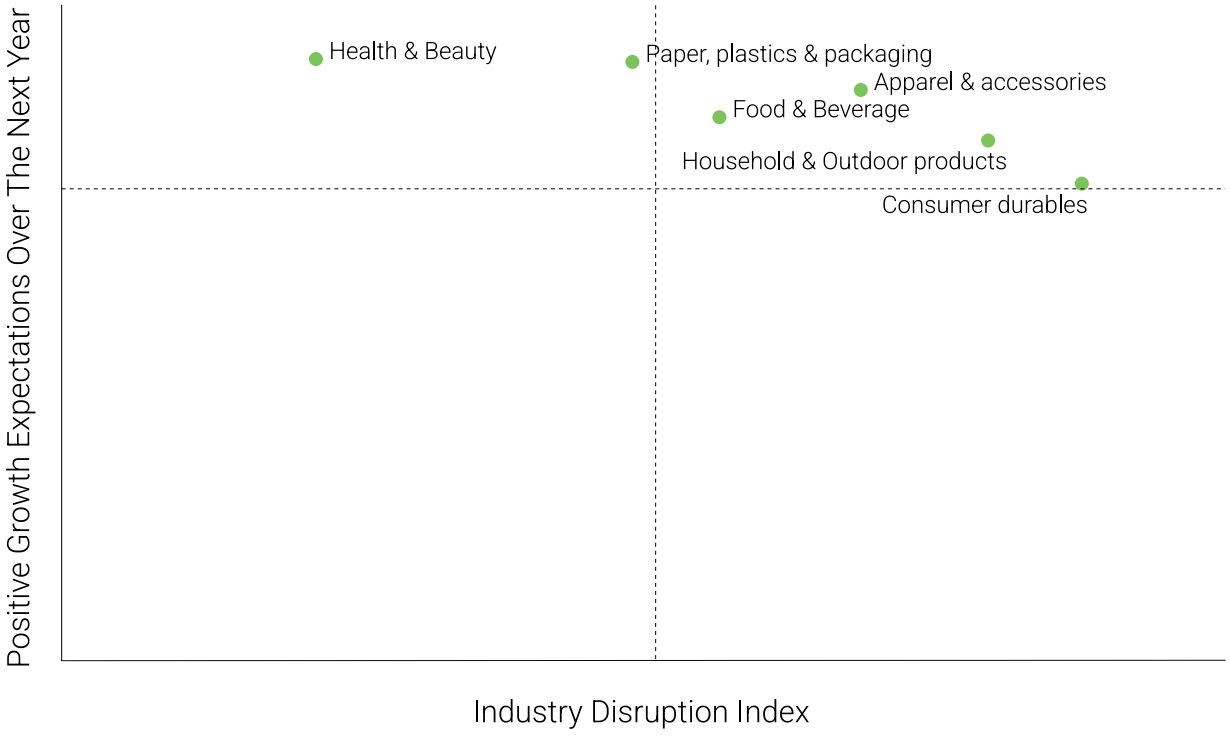
Inflation, concerns about the economy, supply chain issues, taxes, regulation, and a more discerning and price-conscious consumers were among the dominant forces that affected the consumer products industry in 2024.

Despite easing inflation in the latter part of 2024, the outlook for 2025 remains uncertain. Consumers are highly concerned with overall pricing levels and continue to demonstrate value-conscious behavior. Further, inflation affected not only consumer behavior but also the cost of raw materials. Manufacturers who sought to hedge against supply chain constraints by locking in prices or buying in anticipation of continued increases might not feel the benefits of slowing inflation immediately.

The industry reported a 4-point jump in disruption over 2024, moving from an Index score of 70 last year to 74 this year. Last year, it had the second-lowest index number among the 10 industries. This year, it is fourth-highest.

The need for business model change is increasing, with 31% saying they expect significant changes in the next 12 months (up 4 points from last year). But the majority are focused on optimizations. As they look at a tight-fisted consumer and worry about the cost of goods and the prices they will charge, they're focusing on operational issues while simultaneously trying to drive the best customer experience.

And it's an all-hands-on-deck workplace, with 51% of respondents requiring employees in the office 5 days a week, vs. 40% overall.



Disruptive forces

Largest opportunities

77%

Importance of brand authenticity and brand purpose

75%

Digital relationship between brand and end consumers

71%

Pervasive connective technology infrastructure (Internet, IoT, mobile computing technologies, cloud migrations, etc.)

Largest threats

57%

Regulation and taxation

54%

Inflation

49%

Data privacy and cybersecurity-related issues

Industry callouts

66%

are investing more in digital tools and technologies than last year

48%

say that employee productivity is the workforce issue most impacting overall growth

Energy

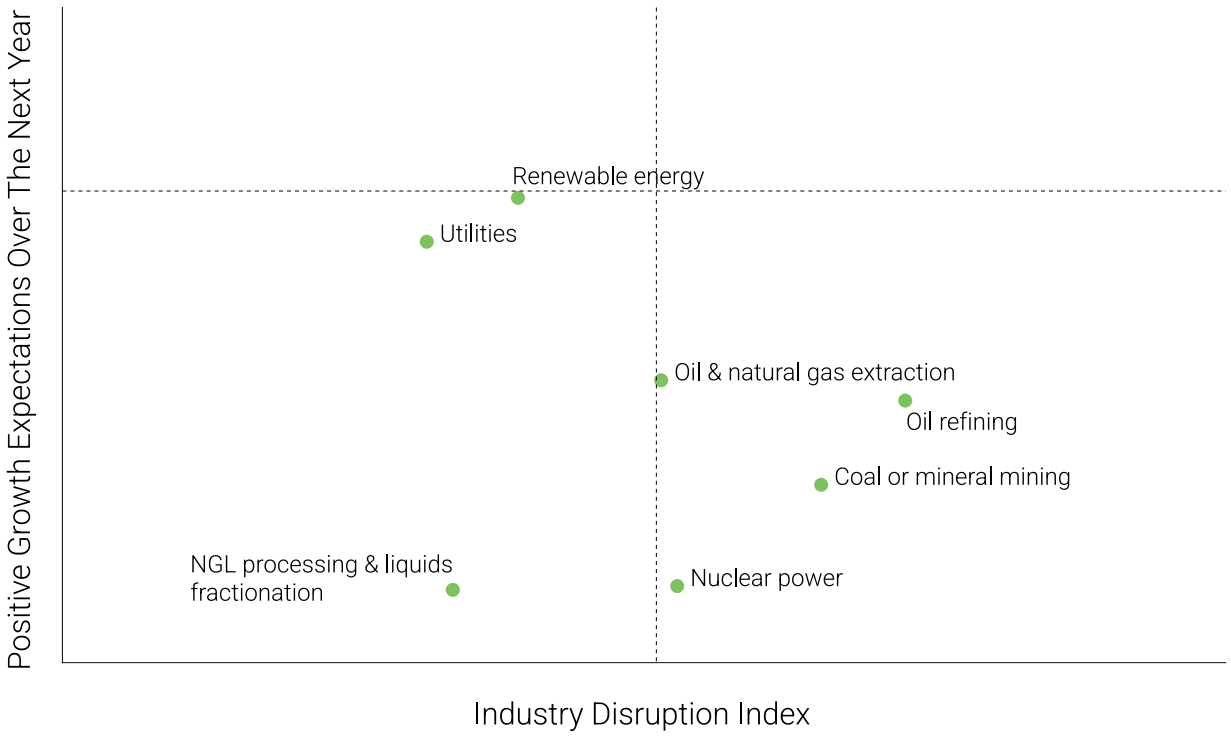
Both consumer demand and international climate-control accords are driving commitment to cleaner energy. Yet geopolitical concerns and years of underinvestment complicate the outlook for a fossil fuel-free future. The continued war between Russia and Ukraine kept energy supplies to Europe constrained, and increased hostilities in the Middle East put pressure on the U.S. in particular to keep oil exports flowing. Despite tensions between the U.S. and China, 69% of energy executives who currently have significant operations or suppliers in Asia said they plan to significantly increase investments in China over the next 12 months.

As demand for energy—however it is generated—continues to grow, producers and suppliers will rely more heavily on strategies around reducing expenses and improving working capital, shifting business models, investing in and offering new products (like clean energy) and enhancing productivity with increased automation and AI.

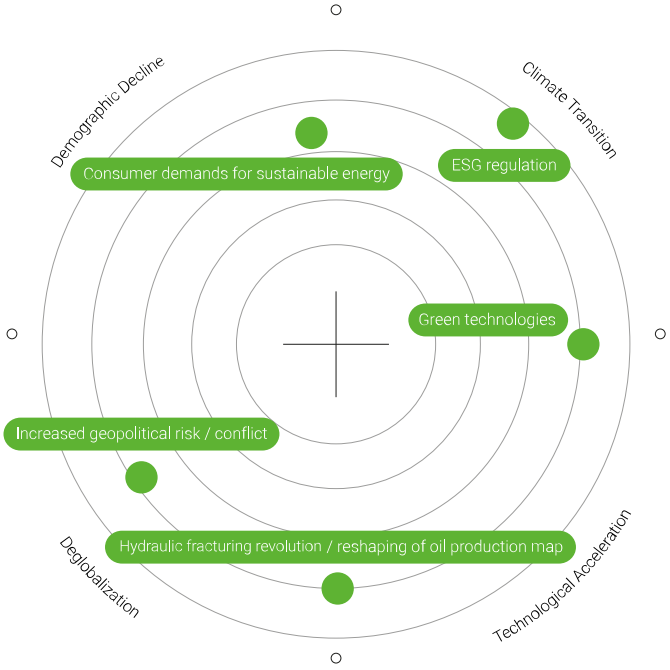
That said, energy executives are less enthusiastic about the promise of AI than those in other other industries.

Almost a third (29%) in the industry said they were "somewhat or extremely pessimistic" about the impact of AI on their business, compared to just 20% of respondents overall. Their concern about AI? That it will reduce critical thinking and problem-solving skills among employees. Given that 8% of industry respondents said they had negative ROI as a result of digital transformation efforts (compared to 4% overall), such skepticism isn't altogether surprising.

Energy companies are less bullish about growth than any other industry except aerospace; in both industries, 78% forecast positive net growth for their company, vs. an average of 84%. They're also investing less in digital tools than other industries, with 9% saying they were investing less than the prior year and 37% the same. When they are spending, it's on research and development and to improve efficiency, effectiveness, and overall customer experience.



Disruptive forces



Largest opportunities

72%

Governmental subsidies and incentives

72%

Rise of energy transition technologies (e.g., hydrogen, biofuels, carbon capture, etc.)

68%

Increasing consumer demand for sustainable energy

Largest threats

53%

Inflation

51%

Regulation and taxation

50%

Geopolitical conflict

Industry callouts

45%

expect significant changes to their business models over the next year due to disruptive forces

72%

agree they'll need to adjust their supply chain pricing strategy to respond to supply and demand volatility

Financial services

Regulation, digital banking, cryptocurrency, cybersecurity, and risk management sound like a potent brew of disruption for financial services firms. Yet the Disruption Index suggests otherwise. Financial services' score of 69 was considerably lower than the 73 average and was the lowest for any industry. The industry's scores for the previous two years also ranked below the overall averages.

A more stable interest rate environment is undoubtedly one of the reasons disruption is down, as are the continued strength in equity and other financial markets. For private equity and investment banks, a return of both IPOs and M&A signals a particularly hopeful trend.

This calm could be short-lived, as nearly half (48%) of financial services companies anticipate significant disruption in the next year. That may be a good thing, as 40% of industry leaders worry that their firms aren't adapting quickly enough to keep pace with competitors, vs. 32% on average for the other industries in the index.

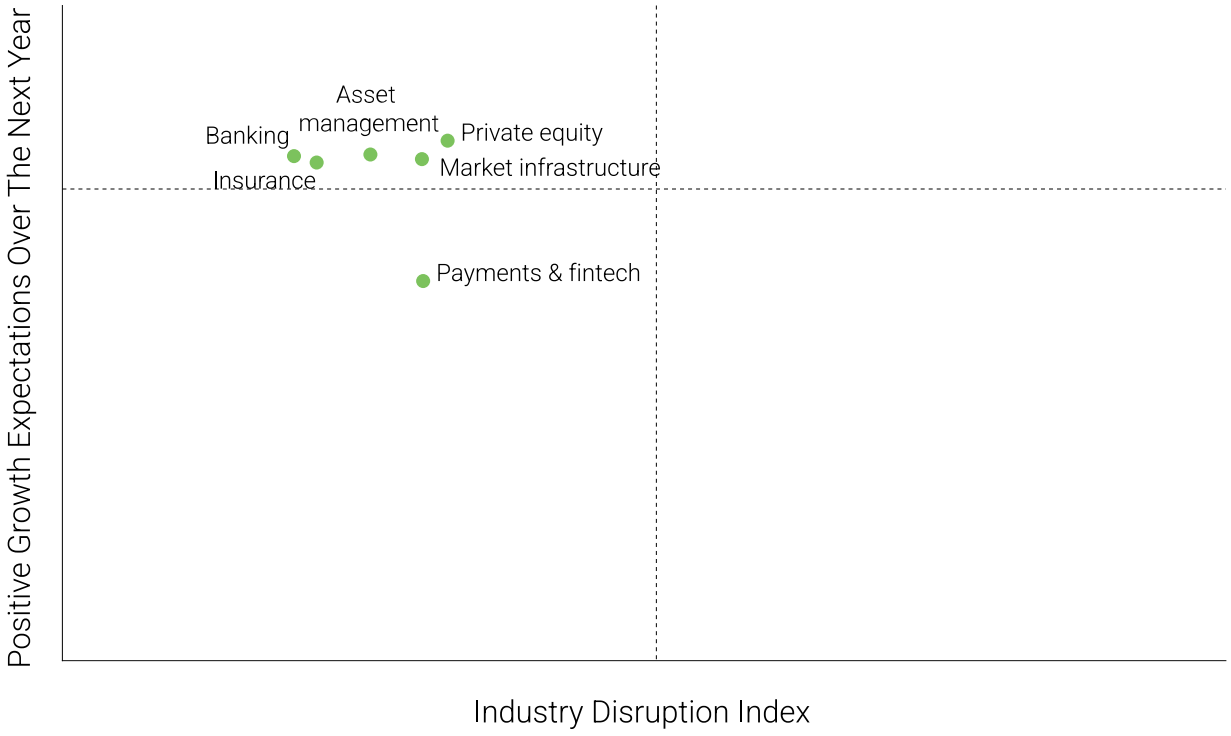
Business model change is on everyone's mind, with 52% of the industry planning significant changes over the next 12 months. Market infrastructure players lead the industry in these expectations, with 62% expecting significant change. For the nominally staid insurance sector, that figure is 56%.

Geopolitical concerns are a particular concern for certain sectors, with 69% of those in fintech, payments, and market infrastructure reporting that concerns over U.S.-China relations are causing them to adjust their growth strategies. Insurance companies aren't far behind at 68%.

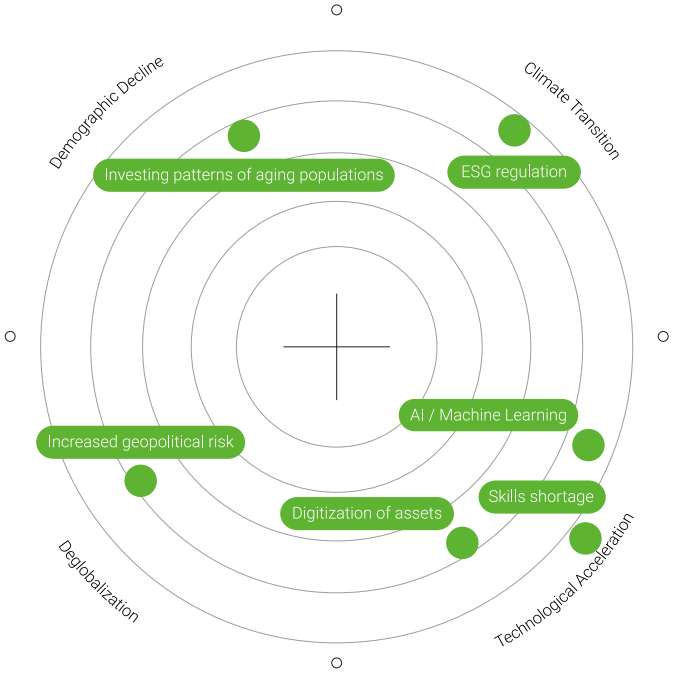
AI, machine learning, and cybersecurity will dominate the industry's investment priorities as firms seek to improve efficiency while addressing customer expectations for personalization and trust.

Changing customer behavior is a prominent concern, with 29% of financial services companies viewing it as a significant threat—higher than the 24% average across industries. Clearly the growth of nonbanks and fintechs threatens incumbents even as it energizes their challengers. While financial services companies focus on prioritizing the customer and are banking on technology to help them deliver better services, products, and experiences, the shift toward AI-driven services raises concerns about losing the human touch. The same percentage (32%) worry about AI's impact on empathy as worry about compliance.

Disruption in 2025 might come courtesy of an active buying and selling landscape. Two-thirds (67%) of financial services companies expect to pursue transformational mergers and acquisitions, while 49% anticipate making divestitures.



Disruptive forces



Largest opportunities

68%

AI and Machine Learning

63%

Pervasive connective technology infrastructure (internet, IoT, mobile computing technologies, cloud migrations, etc.)

61%

Digitization of assets and cryptocurrencies

Largest threats

45%

Inflation

45%

Data privacy and cybersecurity-related issues

41%

Geopolitical conflict

Industry callouts

43%

report cybersecurity and deepfakes are the greatest concerns with the use of artificial intelligence in the workplace

66%

expect their company to make material acquisitions over the next 12 months

Healthcare and life sciences

The last several years have seen historically unprecedented levels of disruption in both the healthcare and life sciences industries, as demand surges, supply shortages, reimbursement rate reductions, and staffing challenges have caused industry executives to rapidly adjust to seismic events roiling their industry, and indeed the world. Against that backdrop, it is perhaps not surprising to see a relative downtick in the industry's Disruption Index score this year.

However, this should not suggest that executives believe that the worst disruptions are in the rearview mirror. Indeed, it is hard to imagine an industry that is more in the crosshairs, as businesses face the implications of new technologies, drugs, and therapies; aging populations; potential new tariffs; Medicare and Medicaid coverage adjustments; continued payor pressures; data privacy and cyber threats; and increasing regulatory change and uncertainty.

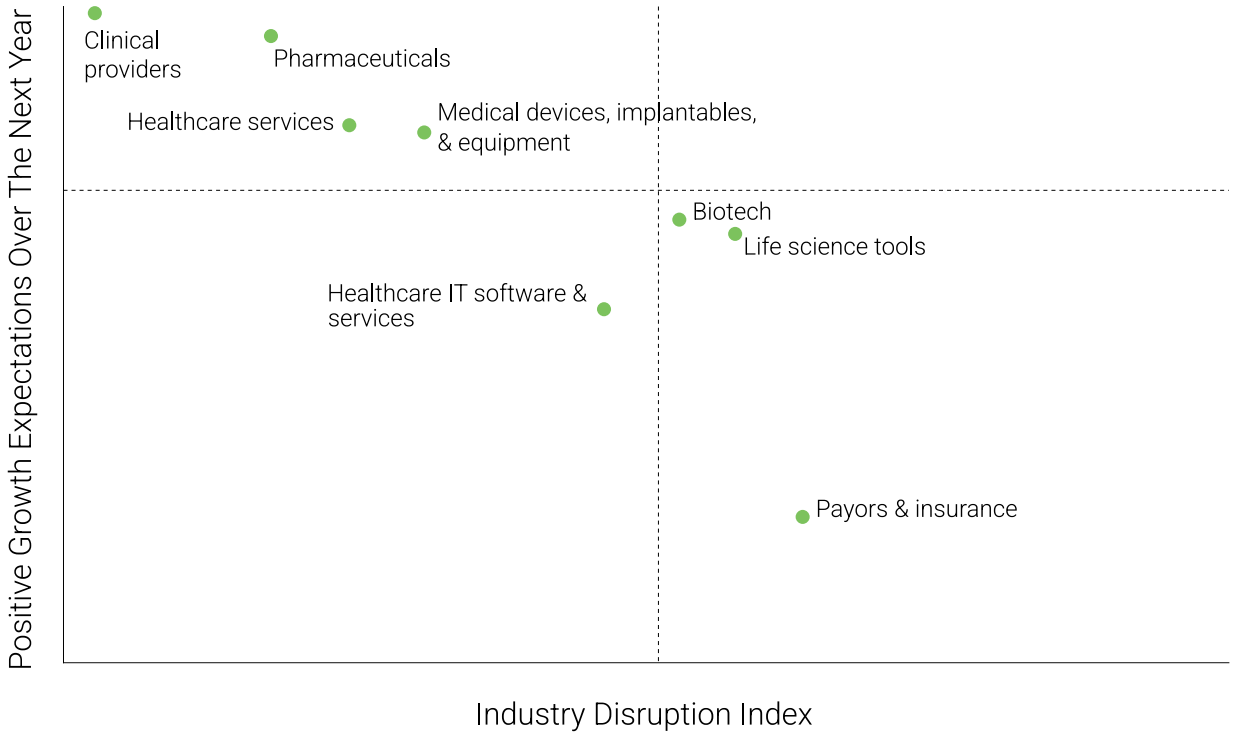
In healthcare, companies are faced with continued shortages of certain healthcare providers, which is driving staffing and operational challenges for hospitals and health systems and contributes to higher operating costs. In the U.S., significant changes are coming to Medicare in 2025 which will affect insurer pricing and coverage. And across the industry, the reputational and financial costs associated with increased cyber threats will continue to rise.

In life sciences, regulatory uncertainty is particular acute, focused on issues such as the impact of the Inflation Reduction Act and potential changes to the Affordable Care Act due to the new Congress and administration. Pricing pressures on pharma and biotech companies to deliver innovative therapies at lower cost will continue to be a burden. Near-term drug patent expirations will introduce new competition and pressure on R&D pipelines, while drug development processes are being reshaped by AI/ML and other advanced analytical capabilities.

In the face of these challenges, while 32% of healthcare and life sciences executives expect changes to the business model and 55% foresee moderate change in the year ahead, the industry remains cautious, prioritizing operational efficiency as a way to boost growth. Tech investments are expected to be oriented around increasing organizational efficiency and flexibility while accelerating innovation. Perhaps because many companies appear to be focusing on optimization rather than transformation, their tech-investment ROI thus far has been modest.

Nearly half the industry sees AI as a way to help cut costs rather than generate revenue–again, a difference in emphasis from other industries, where 61% see AI as helping to drive growth. As an industry, healthcare and life sciences executives are slightly less optimistic than others about AI's promise. Its potential utility goes beyond enhancing operational efficiency. From a clinical perspective, it is expected to aid with speed and accuracy of diagnoses and developing more patient-specific treatment plans.

The past year was one of modest growth. The percentage of healthcare and life science companies that experienced growth was in line with overall industry averages, but most of the growth was in the 5% or less range. Healthcare and life sciences leaders are more bullish about the year ahead, with 42% betting that their emphasis on operational efficiency will translate into better financial performance.



Disruptive forces

Largest opportunities

74%

Connected devices and infrastructure

72%

Customer-centric care

72%

Value-based care

Largest threats

62%

Regulation and taxation

62%

Data privacy and cybersecurity-related issues

56%

Interest rates

Industry callouts

90%

say that productivity among their employees is increasing

32%

are extremely optimistic about the impact of AI on their organization

Media and entertainment

It has been something of a roller-coaster ride for the global media and entertainment industry. This year's Disruption Index score rose to 76 from 70, making it the industry with the second-highest disruption score (after automotive), well above the aggregate industry average score of 73. Last year, the industry had one of the lowest disruption scores.

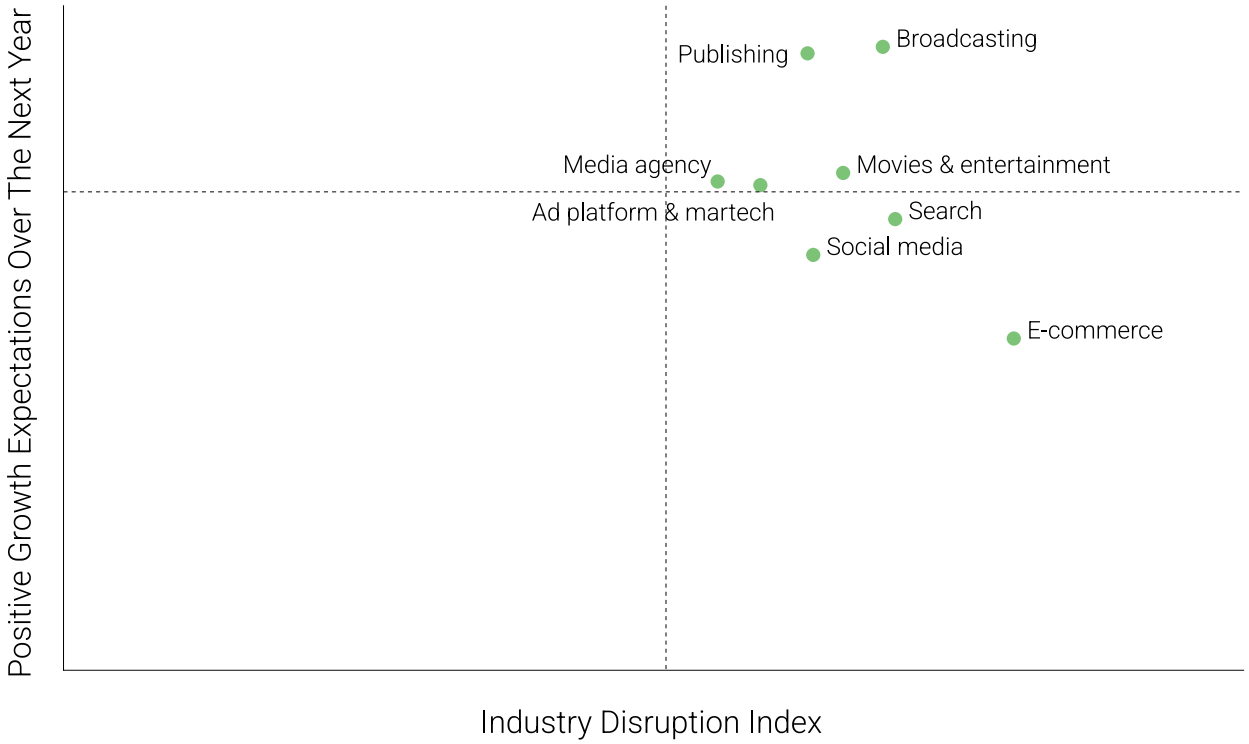
Change has been coming at the industry fast and furious for years, with every aspect affected: creation, distribution, consumption, business and revenue models. Disruption has come from changes in technology, regulation, ownership and demographics. Profits have been under pressure. The industry is braced for more disruption, with 91% of companies anticipating at least moderate change in the coming year.

Notably, 42% of media and entertainment executives question whether their teams possess the agility to keep up with these pressures, highlighting concerns about leadership preparedness. Again, the industry's score was among the highest.

Despite the potential of AI, media companies are less inclined to invest in AI and machine learning (25%) than other industries (36%). Concerns about AI's impact include overreliance on automation, reduced critical thinking, and issues with transparency and reliability.

Digital transformation efforts have generally yielded positive returns, with 94% of media companies seeing gains—the highest score of any industry. However, these have been modest, with 45% reporting ROI under 5%. Growth expectations for media align with those of other industries, though profit gains have been relatively modest, with 42% seeing profits rise by less than 5%.

To support growth, media companies are focusing on technology investments to boost productivity while keeping costs in check. However, the shift from traditional to digital distribution remains a challenge. Retail media growth and maintaining profit margins amid evolving revenue streams are expected to be critical areas of focus in the coming year.



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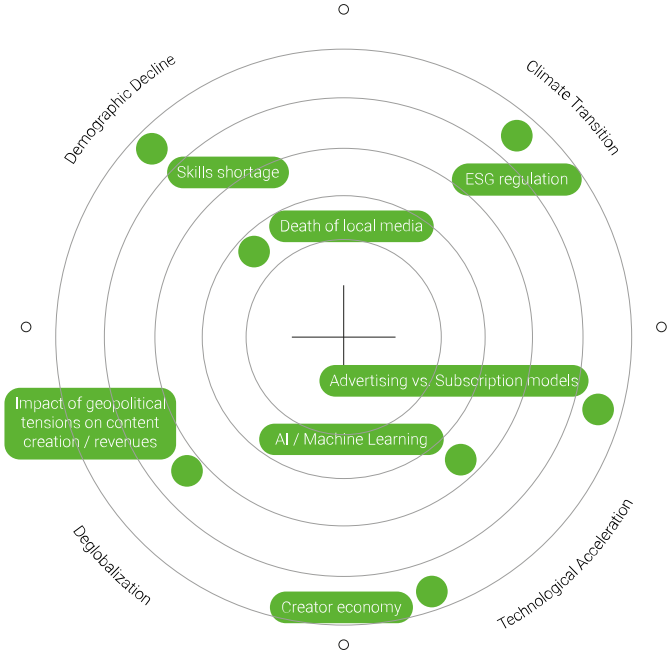


Largest opportunities

76%

Growth in the creator economy

75%

Expansion of targeted and addressable advertising

71%

More immersive experiences through virtual reality (VR)

Largest threats

45%

Data privacy and cybersecurity-related issues

43%

Regulation and taxation

41%

Inflation

Industry callouts

57%

say that they'll deploy humanoid robots at scale within the next 5 years

42%

say their executive team lacks the agility needed to combat disruptive forces

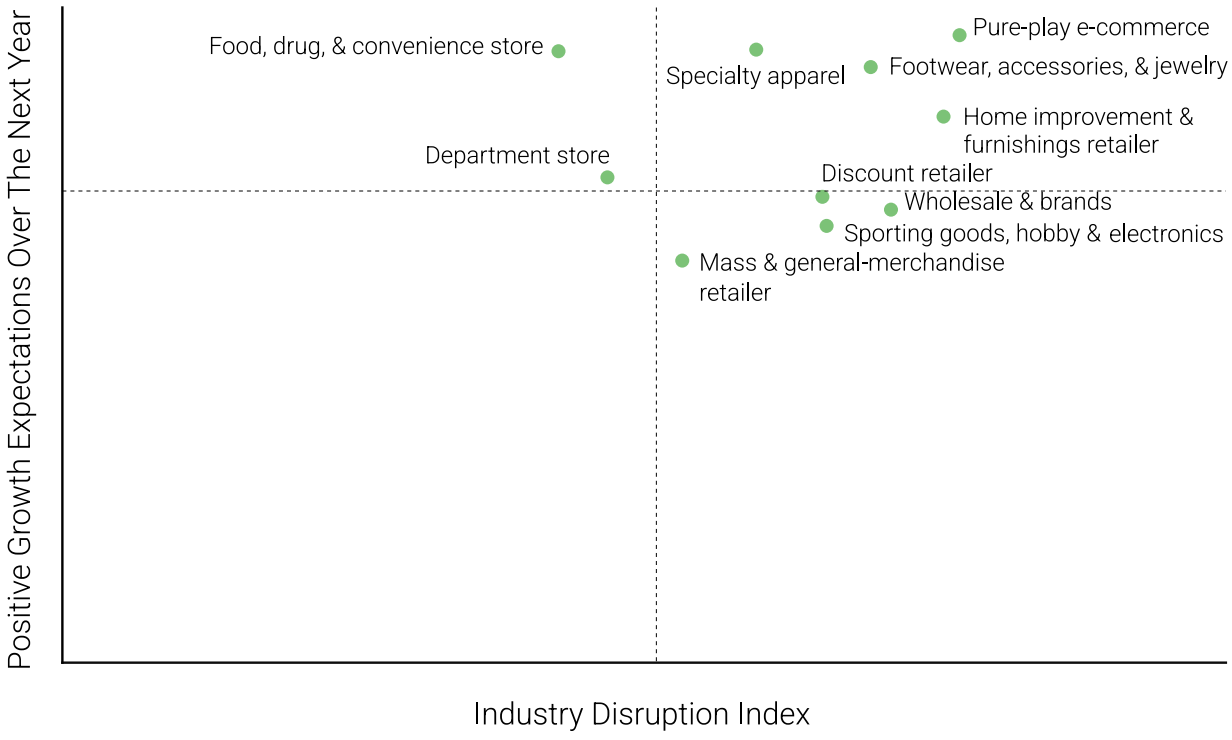
Retail

Few industries have seemingly been disrupted as much in the last few years as retail, whether from outside influences—changing customer behavior and preferences, inflation, the continuing march of e-commerce—or internal ones, such as the rise of discounters and increasing brand consolidation.

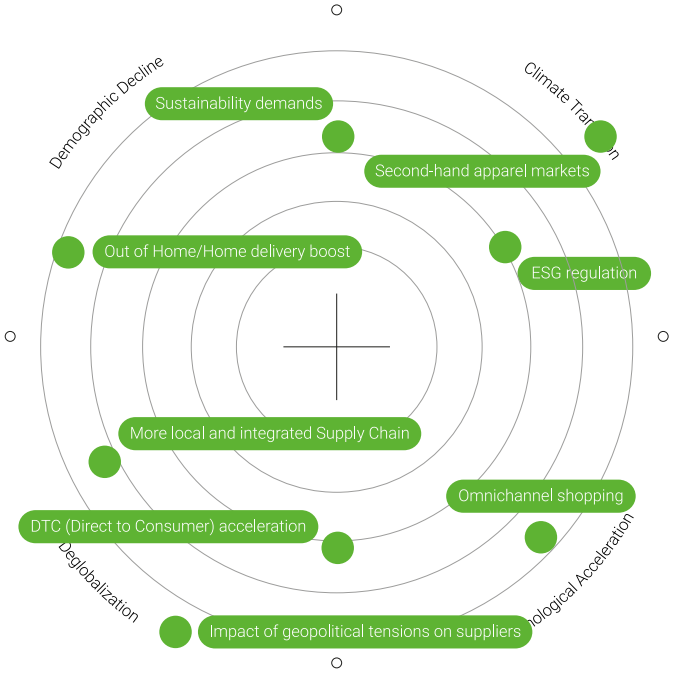
While the industry's Disruption Index score was down 2 percentage points from 2024, retailers continue to face tremendous challenges, led in our survey by pure play e-commerce (which had an Index score of 80) and home improvement retailers (with an Index score of 79). Forty-one percent of executives expect to make significant changes to their business models over the course of the next 12 months. Retailers expect greater disruption than other industries around supply chain (45% vs. 34%) and overall digital transformation (49% vs. 45%).

Not surprisingly, investment will be aimed at operations rather than people or workforce issues, namely improving the supply chain, optimizing information around pricing, sales, and marketing, and plumbing customer insights for ways to win. Retailers are especially focused on using AI to assist with revenue growth (71% vs. 61%).

Like other industries that have been at the leading edge of disruption, retailers report growing optimism in their ability to confront disruption. Is retail doing a better job of managing disruption than other industries? Or does it see the pressures from price-conscious shoppers, supply chain problems, expectations around omnichannel experiences, and increased competition from overseas behemoths who may or may not be skirting customs laws as Groundhog Day? It looks like a mix of both. Retailers are confident in their ability to deal with disruption, and are somewhat more confident than respondents overall about their executive teams, their ability to combat disruptive forces, and their adaptability.



Disruptive forces



Largest opportunities

70%

Pervasive connective technology infrastructure (internet, IoT, mobile computing technologies, cloud migrations, etc.)

68%

Shift toward e-commerce

63%

Automation of physical processes and robotics

Largest threats

49%

Data privacy and cybersecurity-related issues

46%

Interest rates

44%

Regulation and taxation

Industry callouts

76%

expect their company to focus on vertical integration of their supply chain over the next 12 months

49%

cite digital transformation as the aspect of the business that will change the most over the next year due to disruptive forces

Technology

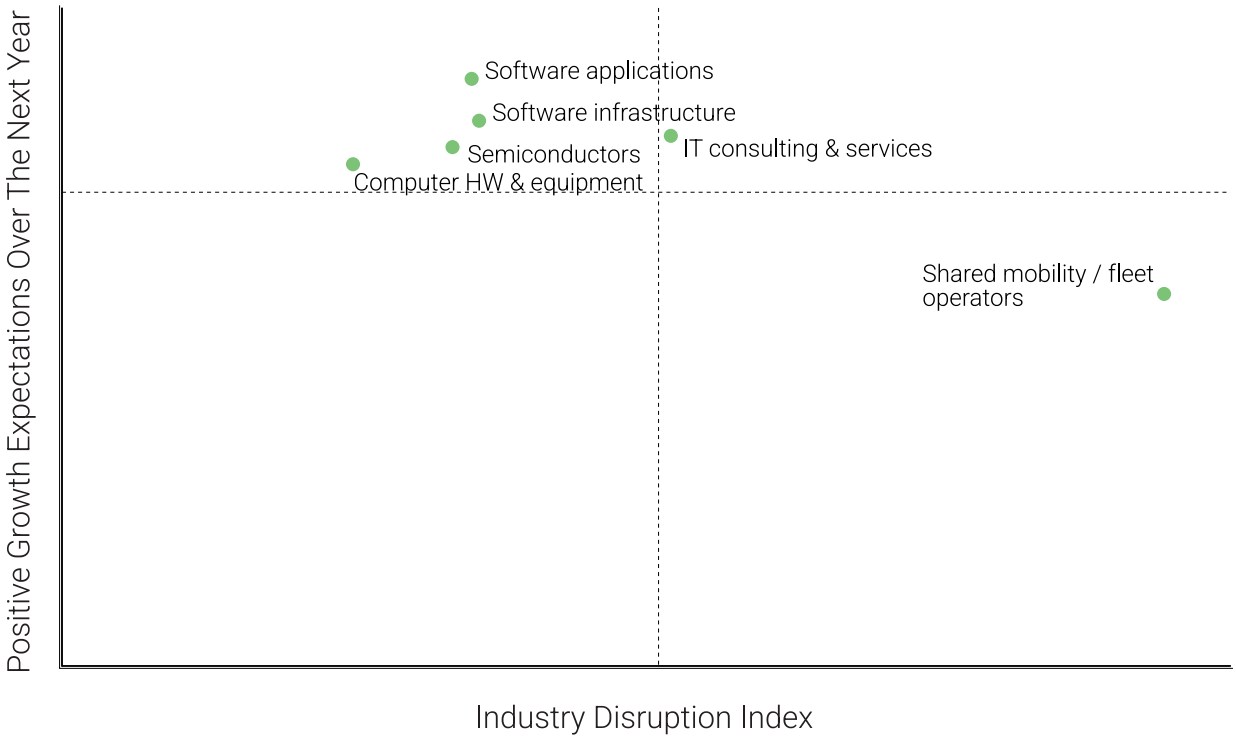
The technology industry, the source of disruption for so many others, is managing it better than most. Tech companies see themselves as more likely to drive disruption than react to it, when compared to overall respondents. They are proactive in their response to disruptions, with 51% of tech companies expecting to change their business model in the next year because of disruption.

Not surprisingly, the aspect of their business they expect to change the most in response to disruption is to lean into digital investments—58% vs. 45% for other respondents. When dealing with disruption, they're most likely to look to improving operational efficiency, conducting risk assessments, and accelerating innovation and R&D. They'll rely on more automation, data-driven decision-making capabilities, and leveraging the potential of generative AI.

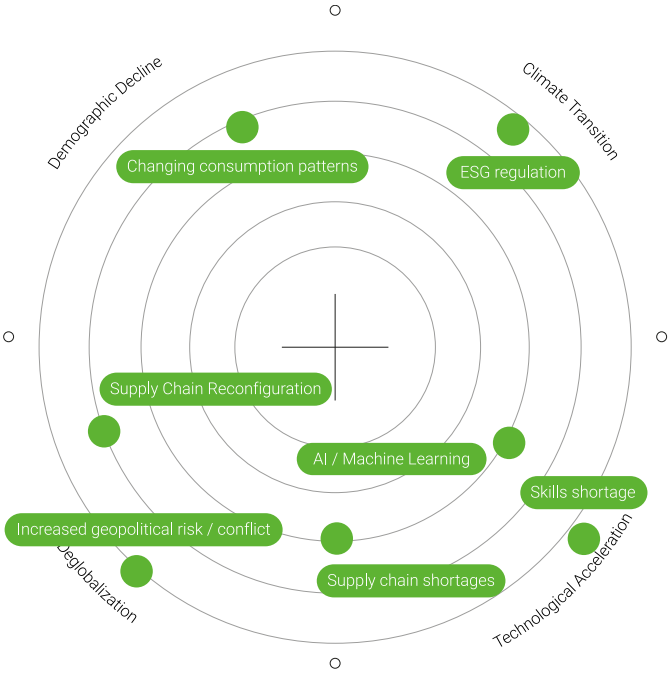
In pursuit of growth, they'll look to new geographies, and M&A, and to keep themselves on an even keel financially, they're keen to rationalize their portfolios, eliminating some services and products even as they introduce others.

Leaders are worried about the supply of semiconductors and people with necessary skills. Tech companies are more proactive than others in the Index when it comes to helping employees succeed through performance reviews and evaluation, mentorships, and rotational job opportunities.

But can they protect their own jobs? Almost a third (32%) of tech leaders worry about losing their job because of disruption vs. 25% of overall respondents. Perhaps Andy Grove, the legendary former CEO of Intel, was right when he said that in this industry, only the paranoid survive.



Disruptive forces



Largest opportunities

74%

Pervasive connective technology infrastructure (internet, IoT, mobile computing technologies, cloud migrations, etc.)

71%

Shift to cloud technologies and distributed computing

70%

AI and machine learning

Largest threats

46%

Geopolitical conflict

44%

Inflation

42%

Interest rates

Industry callouts

63%

report that it is becoming increasingly challenging to know which disruptive force to prioritize

56%

expect supply chain dislocations to cause shortages in semiconductors over the next 12 months

Telecommunications

While the Disruption Index shows that telcos see themselves as drivers of disruption, they are, in fact, primarily its enablers. So, while telcos drive connectivity—thus making AI, data centers, and so many other disruptive technologies possible—they do not capture the revenues nor the valuations associated with these disruptions.

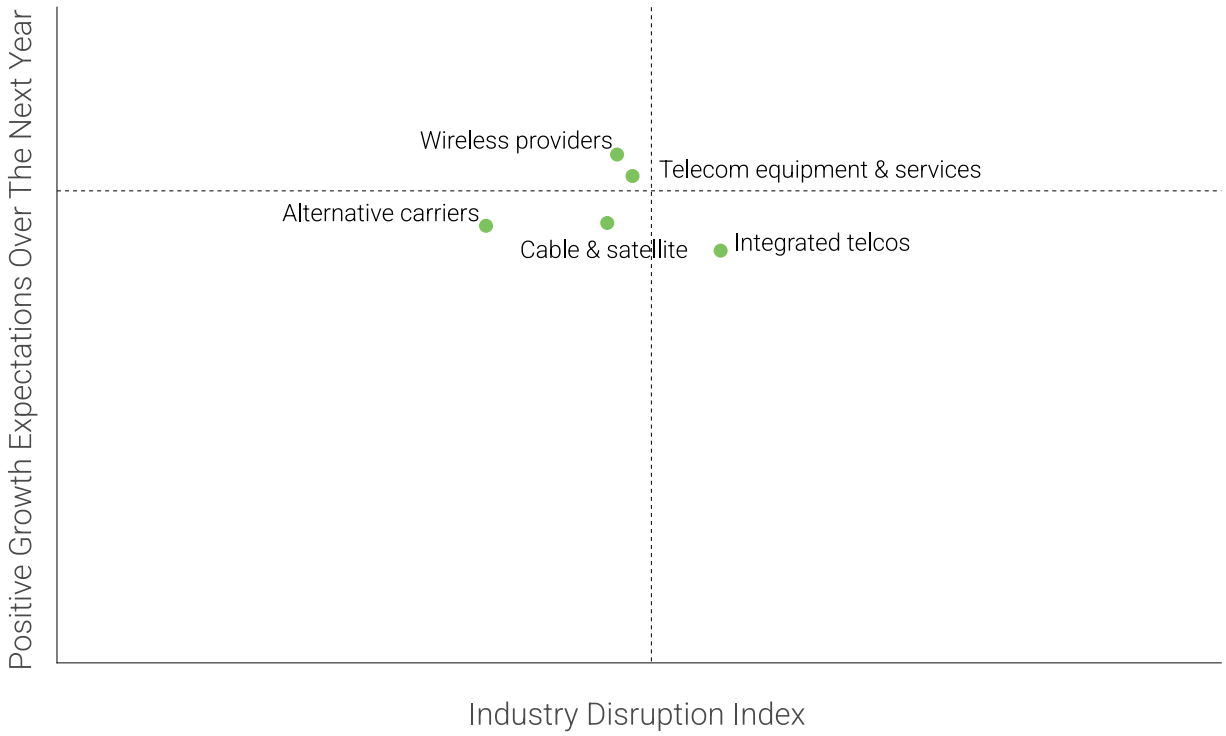
As such, the topline remains extremely challenging for telcos, especially in the competitive and saturated consumer sector. In the U.S., we will see more of a converged play emerging to capture and retain its customers, trying to create a connectivity ecosystem for households.

Transforming cost bases remains a priority to support improving ROI on costly latest generation infrastructure investments (5G and FTTx), with most telcos struggling to realize business cases on these latest technologies. Forty-three percent of telco executives expect significant change to their organizations' business models over the next 12 months, with a focus particularly on operations, digital transformation, and customer segmentation.

Cost and operating models remain a key topic for telcos as they still have much to do in terms of simplifying their businesses, reducing legacy, and digitizing their operations—all while properly leveraging the potential of AI which remains nascent today. Investments in automation and AI were identified by telco execs as the top growth priority for the next 3 to 5 years.

However, these companies do see several avenues to drive value creation. M&A remains high on the agenda with regulators looking more sympathetically at market consolidation and telcos looking at potential asset carveouts. Fifty-nine percent of telco executives tell us that they expect their company to actively pursue transformational M&A in the next 12 months.

Few telcos really take full advantage of the opportunity in B2B, especially helping businesses to effectively digitize their operations. This will require a complete change of their DNA from product providers to solution providers and an extension of their product reach while staying true what they can do. New opportunities could include offering private networks, solving for the client the complex connectivity ecosystem (including the topic of connected devices), and cybersecurity, which many small- to medium-sized businesses cannot deal with on their own.



Disruptive forces

Largest Topportunities

79%

Pervasive connective technology infrastructure (internet, IoT, cloud migration, etc.)

76%

5G technology and monetization via new products (e.g., private VPNs)

71%

Emergence of ubiquitous high-speed bandwidth including fiber

Largest threats

52%

Regulation and taxation

49%

Data privacy and cybersecurity-related issues

45%

Interest rates

Industry callouts

49%

report customers and segments as aspects of the business that will change the most over the next year due to disruptive forces

71%

expect their growth strategy to shift over the next 12 months

Survey methodology

The AlixPartners Disruption Index measures the state of disruption across major industries and regions.

We asked senior executives across 10 industries and 11 countries questions on the degree to which their business is being disrupted, the various disruptive forces impacting them, the pace at which these disruptive forces are accelerating, and the strategies they are employing to confront them. Using these responses, the Disruption Index provides a measure of the magnitude and complexity of disruption that organizations are facing, accounting for overall disruption levels as well as the number of disruptive forces impacting an organization.

Business executives are defined as...

Ages 25-65

Employed in one of the eleven countries listed

Director level or above

Company revenue of $100 million+

Possess insight into disruption trends facing their industry

AlixPartners Disruption Index =

$$\sqrt{(10 * \sqrt[3]{\text{complexity}}) * \text{magnitude}}$$

The complexity of disruption

Number of simultaneous forces impacting companies over the last year

×

The magnitude of disruption

Assessment of how disrupted companies have been over the past year

"How strongly has your company been impacted by each of the following disruptive forces?" (% at least somewhat impactful, global)

"How disrupted would you say your company has been over the past year?" (% selected response, global)

All results show combined, global data unless otherwise noted. U.S. n=667, Canada n=333, U.K. n=211, Germany n=194, Italy n=193, France n=209, Switzerland n=193, China n=667, Japan n=333, Saudi Arabia n=100, UAE n=100.

For the purposes of this report, most fieldwork was conducted using multimodal online and telephone interviews from August 14-September 30, 2024.

50% of executives surveyed are C-level and 50% of executives are working for $1B+ companies.

A supplementary survey taken after the U.S. election was conducted from from November 12-December 2, 2024.

3,200

Executives surveyed

1,000 North America
1,200 EMEA
1,000 APAC

320

Per industry

11

Countries

United States, Canada, United Kingdom, France, Germany, Italy, Switzerland, China, Japan, Saudi Arabia, and the United Arab Emirates

10

Industries

aerospace & defense, automotive, consumer products, energy & power generation, financial services, healthcare & life sciences, media & entertainment, retail, technology, telecom & cable

57%

Report disruption

7 Point increase year on year

73

The Disruption Index score for 2025

↑ 1 point increase

AlixPartners Disruption Index 2025