

# Bold Moves in Tough Times

**COVID-19 Puts Europe at a Competitiveness Crossroads**

July 2020



# THE STORY IN BRIEF

Competitiveness as a challenge for European business is not new. It did not suddenly arrive with the coronavirus. A 2014 paper published by the World Economic Forum, for example, pointed both to Europe's relative strengths and weaknesses in comparison with American and Chinese competitors.<sup>1</sup> That paper aimed at change by 2020. We have arrived at that date, and the need for action is, to understate the case, even more urgent.

Solutions are not immediately obvious. Business leaders everywhere are under enormous pressure due to the pandemic just to guide their companies through the day, the week, the month. The future looks cloudy, if not opaque. As Unilever CEO Alan Jope recently put it, "There is no such thing yet as a new normal. Nobody has the faintest idea of what the new normal looks like."<sup>2</sup>

In this state of uncertainty, the biggest risk is that European business leaders will be tempted to stay on defense for too long. They won't just conserve cash in the short run; they'll underinvest for growth in the long run. They won't give up on R&D—but neither will they push for bold, game-changing innovations.



In addition, as economies reopen, there is continued uncertainty about the shape of the recovery—which will vary widely by industry—and to what degree government stimulus will shore up the business environment. This too may be an impediment to daring action.

Europe was slow to capitalise on the opportunity to change after the 2008 downturn. Today, it needs bold leadership—to develop innovative approaches to new customer value and to create a strategy for long-term competitiveness and growth.

We believe Europe—and its leading businesses—have unique strengths. It's time to build on those strengths. The good news is that European business leaders agree.

Drawing on our global survey of 478 C-level executives and extensive client experience, we examine six critical areas of business change that Europe needs to focus on to close the competitiveness gap with North America and Asia Pacific.

It's been a difficult start to 2020. Now is the time to focus on renewal and rebirth.



# LAGGING INDICATORS AND OPTIMISTIC OUTLOOKS



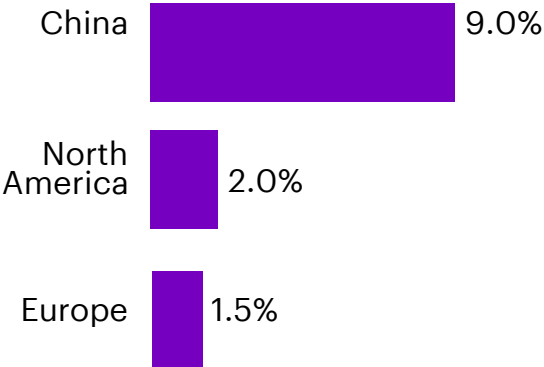
# Lagging Indicators

Europe boasts many strong companies with long histories and international footprints. European competitors with powerful global brands can be identified in every industry, from automotive and telecom to pharmaceuticals, consumer goods, and retail.

But taken as a whole, Europe has lagged behind North America and Asia Pacific for the past couple of decades on a number of key economic indicators. What these numbers show is in part a very positive story. Europe as a whole has been growing, improving productivity, and investing for the future. But comparatively, it has been losing ground.

## Europe's growth has lagged behind since 2000

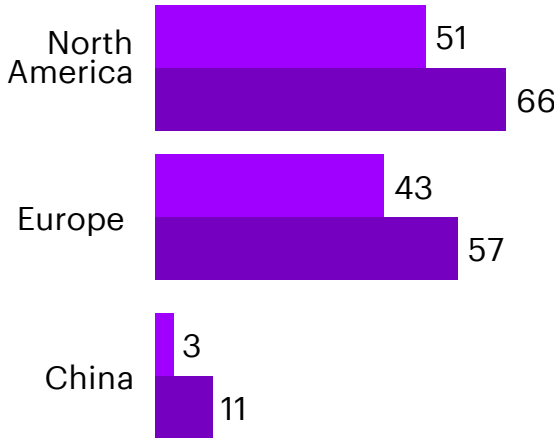
Real GDP compound annual growth rate, 2000-2019<sup>3</sup>



Source: Oxford Economics

## Productivity improved but still lags North America

GDP per hour of work (\$/h)<sup>4</sup>

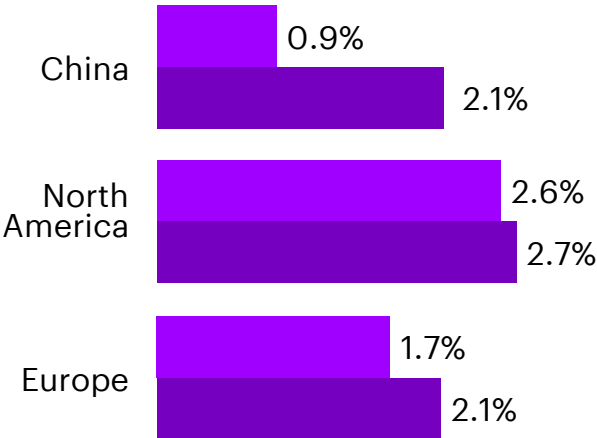


Source: Our world in data

2000 2017

## And China caught up on innovation spending

R&D investments as % of GDP<sup>5</sup>



Source: World Bank

2000 2017

## How are European companies competing on the international stage?

We analysed the top 500 companies headquartered in each region by looking at their market capitalisation and their profitability as measured by EBIT margin.

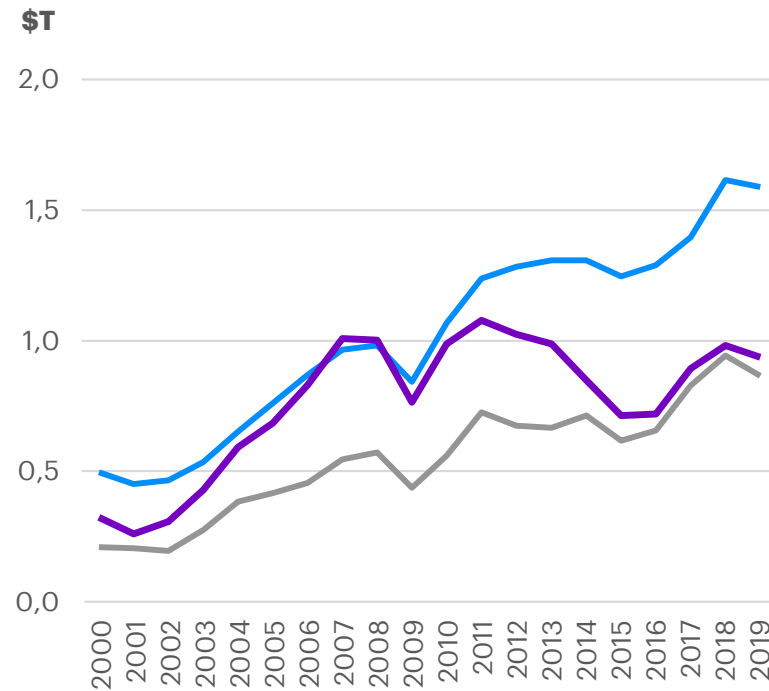
Large North American companies have a clear lead on both indicators over Europe and the Asia Pacific region.

The competitiveness gap between Europe and North America has been measurable over the past two decades and has increased since the global financial crisis of 2008. And the Asia Pacific region has caught up with Europe on both indicators.

# Widening Gaps

## Profitability of regional top 500 companies

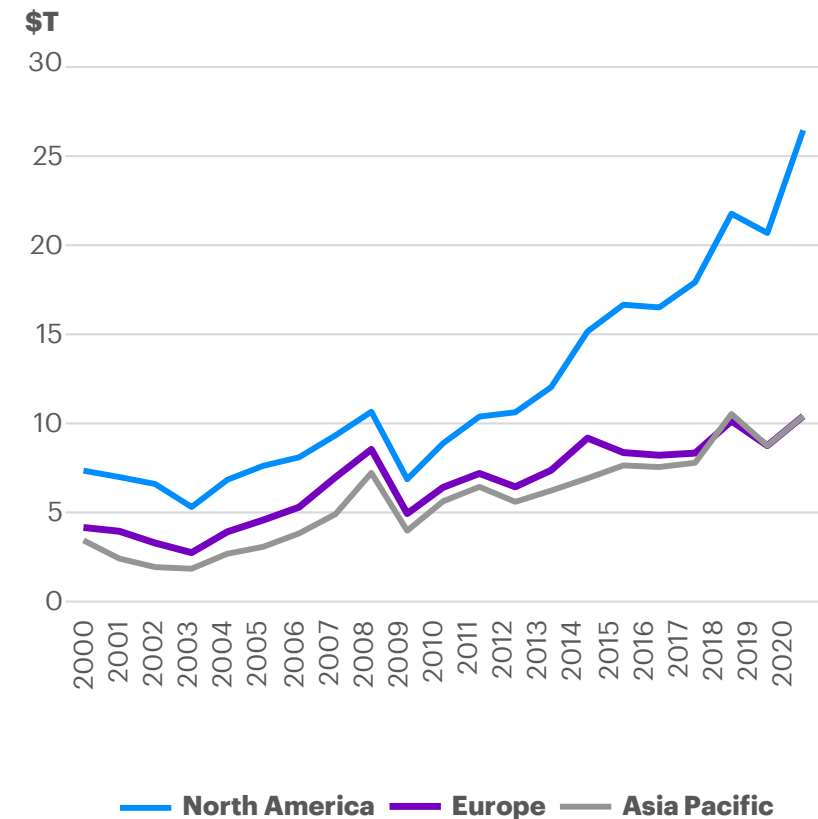
(EBIT margin, 2000-2019)<sup>6</sup>



Source: Accenture Research based on CapIQ

## Market capitalisation of regional top 500 companies

(Market capitalisation as first day of year 2000-2020)<sup>6</sup>



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# Missing the Tech Opportunity

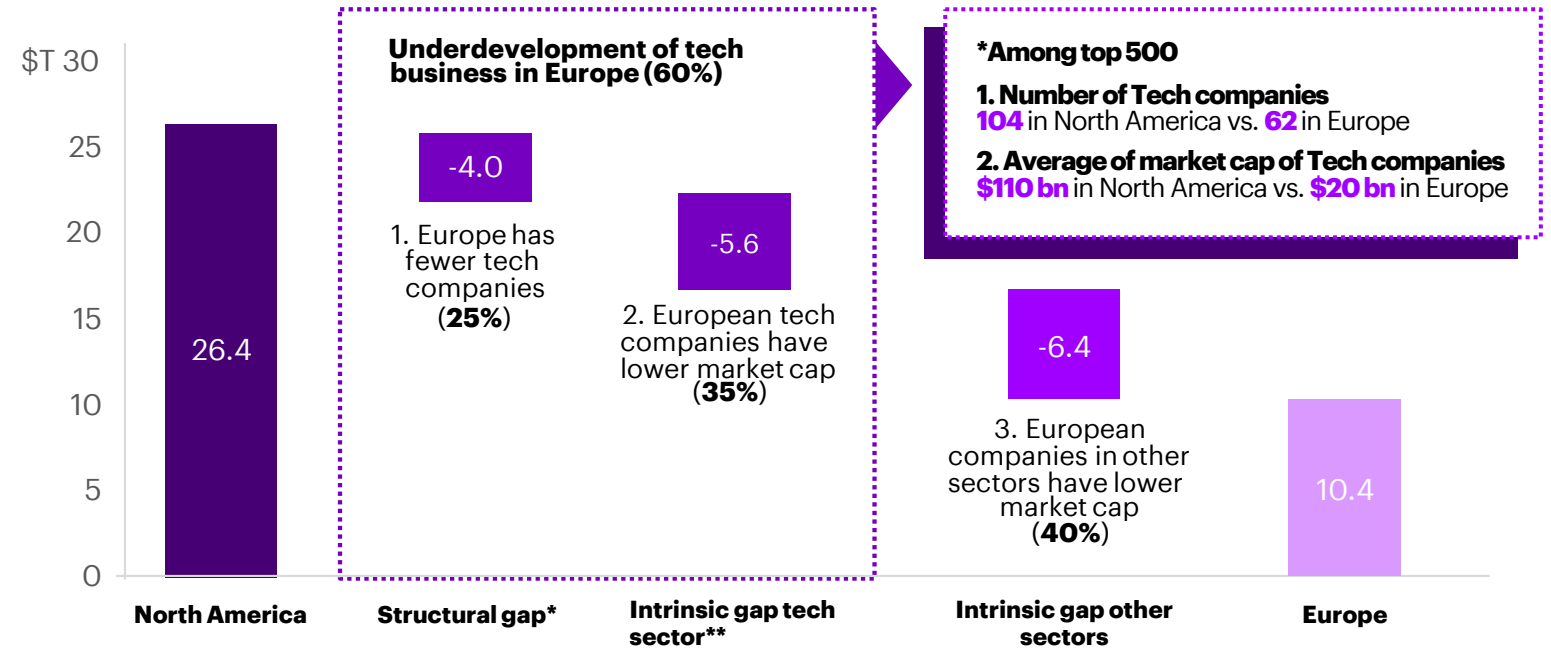
## Where does the competitiveness gap come from?

A prime contributor is the underdevelopment of technology sectors in Europe. Consider that for the top 500, the combined contribution to total market cap of the high-tech industry and the software and platforms industry is only 12 percent in Europe, but 43 percent in North America, 28 percent in Asia Pacific, and 40 percent in China.

Is the underdevelopment of the tech sector the whole story?

No. According to our analysis, it is an important component, responsible for up to 60 percent of the gap in total market capitalisation—as measured by analysing the lower number of large European tech companies and their much lower average market cap.\*

But other sectors are underperforming as well, as non-tech sectors contribute to the remaining 40 percent of the market cap difference.<sup>6</sup>



\* Structural gap takes into account the number of companies in different sectors.

\*\* Intrinsic gap takes into account the market cap differences between companies in different regions within each sector; tech sector includes Software and Platform and High-Tech.

Source: Accenture Research based on CapIQ, see appendix for detailed methodology

The competitiveness difference with North America holds true as well when we look at gaps in profitability, which are measurable across all industries.

Underinvestment in technology is a significant contributor. Indeed, Europe has been less aggressive in spending on information and communication technologies. Among the top 3000 global companies, North American non-tech companies spent on average 4.1 percent of revenues on IT in 2018; in Europe, the figure was only 3.2 percent.<sup>7</sup>

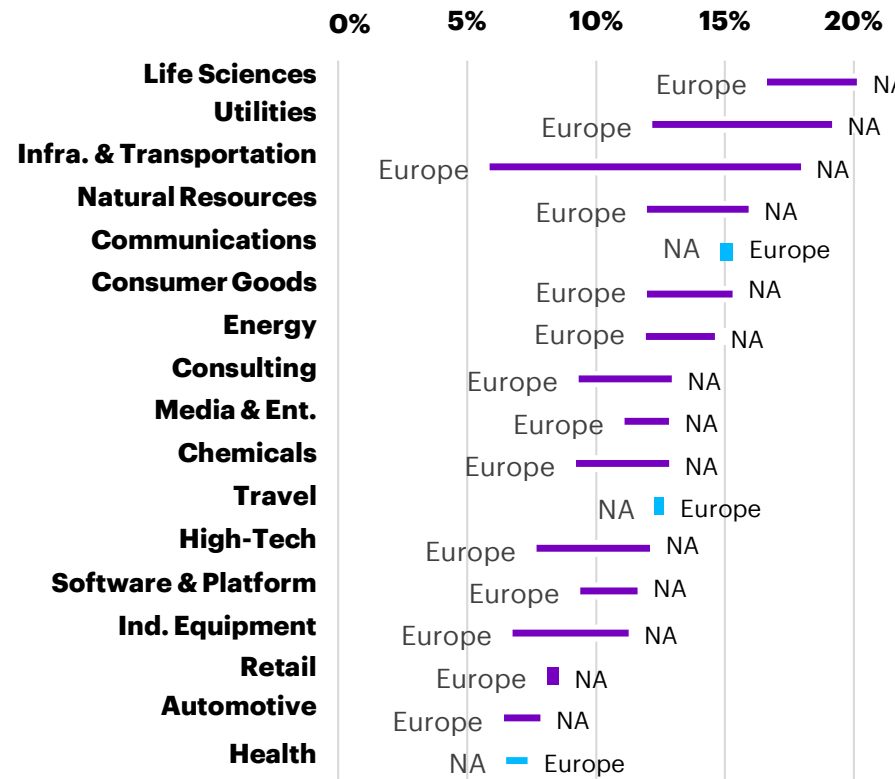
According to our analysis, leaders in technology adoption and organisation have on average twice the revenue growth of laggards.<sup>8</sup>

All of this was before COVID-19 upended the global economy, and indeed all of life.

# Underinvestment in Technology

## EBIT margin gap

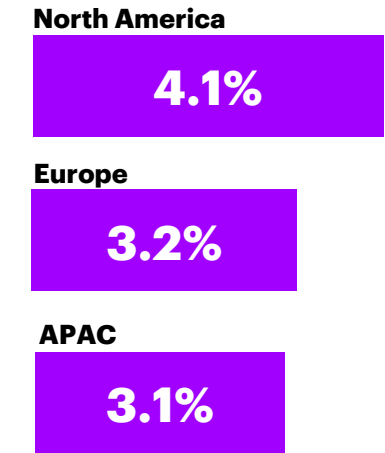
Top 500 companies EBIT margin gap by industry between Europe and North America, 2019<sup>6</sup>



Source: Accenture Research based on CapIQ

## Company spending on IT

Average IT spending as % of revenue of non-tech companies in global top 3000, 2018<sup>7</sup>



Source: Accenture Research based on Ovum

# Recovery at Pace

## In your industry, what type of recovery do you expect in Europe in the next 12 months?<sup>9</sup>

One might expect, then, pessimism regarding Europe's chances of recovery from the pandemic-generated downturn. And yet that isn't the case. In our global survey of C-level executives in all three regions, two-thirds told us they believe their European markets will see either a rapid V-shaped recovery or slow-but-steady U-shaped progress.

Only 5 percent fear an L-shaped development of a bottoming out followed by flat growth rates.

Industry variation is wide, however. More than 40 percent of executives in life sciences, media, public service, banking, and software and platforms believe the recovery in Europe will be V-shaped, while those in industrial equipment, chemicals, energy, and automotive expect a U-shaped recovery. The travel sector is the most pessimistic, with more than 50 percent foreseeing an up-and-down W-shaped recovery.

When it comes to the recovery speed among European countries, 88 percent put Germany in their top three, and 81 percent identified the Nordics.<sup>9</sup>

		V shaped	U shaped	W shaped	L shaped
+ ↑ Sentiment ↓ -	<b>Overall</b>	<b>29%</b>	<b>37%</b>	<b>26%</b>	<b>5%</b>
	Pharma, Bio Tech, Lifesciences*	<b>41%</b>	<b>19%</b>	<b>6%</b>	<b>-</b>
	Comm., Media & Entertainment	<b>52%</b>	<b>42%</b>	<b>3%</b>	<b>3%</b>
	Public Service	<b>42%</b>	<b>48%</b>	<b>9%</b>	<b>-</b>
	Banking (Retail or Investment)	<b>40%</b>	<b>40%</b>	<b>20%</b>	<b>-</b>
	Software & Platforms	<b>43%</b>	<b>27%</b>	<b>20%</b>	<b>7%</b>
	Insurance	<b>47%</b>	<b>23%</b>	<b>23%</b>	<b>7%</b>
	High-Technology	<b>37%</b>	<b>33%</b>	<b>20%</b>	<b>7%</b>
	Utilities	<b>29%</b>	<b>54%</b>	<b>11%</b>	<b>6%</b>
	Industrial Goods & Equipment	<b>20%</b>	<b>40%</b>	<b>40%</b>	<b>-</b>
	Chemicals	<b>13%</b>	<b>48%</b>	<b>39%</b>	<b>-</b>
	Retail	<b>19%</b>	<b>38%</b>	<b>38%</b>	<b>6%</b>
	Energy	<b>19%</b>	<b>38%</b>	<b>31%</b>	<b>12%</b>
	Consumer Goods	<b>13%</b>	<b>40%</b>	<b>40%</b>	<b>7%</b>
	Automotive	<b>7%</b>	<b>47%</b>	<b>37%</b>	<b>10%</b>
Airline, Travel, Transport	<b>12%</b>	<b>19%</b>	<b>53%</b>	<b>16%</b>	

Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)  
 \* 34% of Pharmaceutical, Bio Tech, Lifesciences see an increased demand due to COVID-19

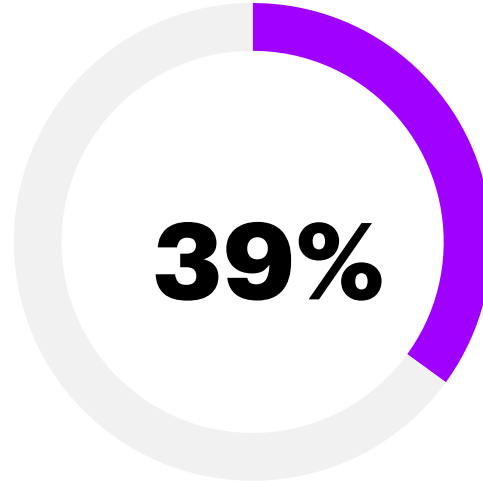
# Optimistic Outlooks

**Despite all the challenges, many believe Europe's competitiveness will improve coming out of the crisis.**

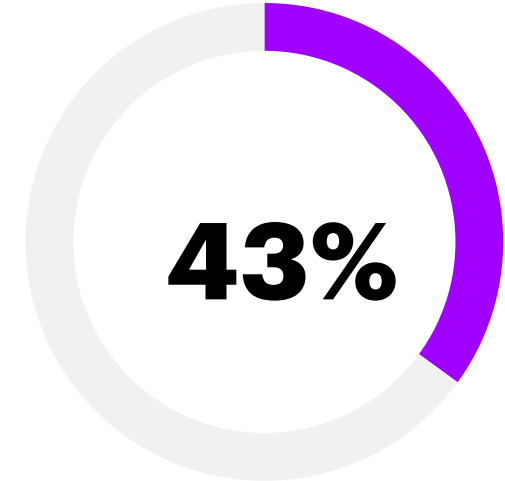
In comparison with pre-crisis data, the business leaders we surveyed in Europe believe the competitiveness gap can be closed in a post-pandemic world, in relation to both the US and China.

Is such optimism warranted? It may depend on how well companies are able to weigh the risks, translate hope into bold action, and outmanoeuvre the uncertainty that everyone has felt in the first half of 2020.

% of European C-level leaders who believe European competitiveness will be greater than it was before<sup>9</sup>



**Europe compared with US**



**Europe compared with China**

Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)



# OVERCOMING CAUTION, TRANSFORMING AT PACE

# Weighing the Risk

Optimism is important, but business leaders face an array and scale of challenges they haven't seen before. In this reality, bold action may seem impossible if not actually foolish.

Here we would distinguish between a proper caution—prudence—and over-caution. Too much caution, in life as in business, is never a recipe for success. And we believe that the prudent approach for companies in Europe lies in “speeding up” in three broad areas.

They can be framed as questions: First, are you investing not just to shore up your core but also in the future of the business?

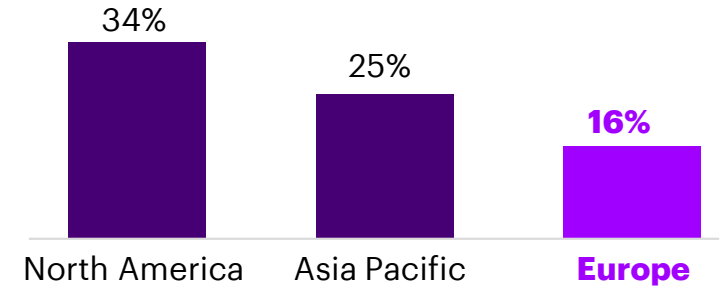
Second, are you pursuing not just incremental but also game-changing innovation? And third, are you seeking to improve your own competitive position by building and working within an ecosystem?

So far, the survey evidence points to a greater degree of caution in Europe compared to North America and Asia Pacific.

Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)

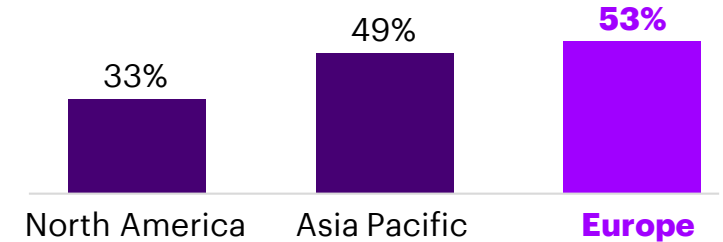
## Underinvestment in the future growth areas

In Europe, only 16% of companies have *already* launched initiatives aimed at the post-COVID-19 world. This compares with 25% in Asia Pacific and 34% in North America.<sup>9</sup>



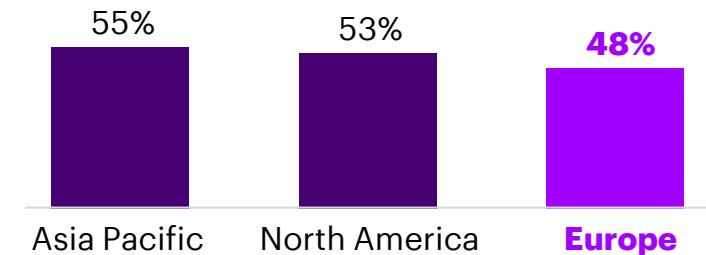
## Slowing down innovation

53% of European respondents said they are slowing investments in innovation and won't be able to relaunch initiatives for six months. Compare that with Asia Pacific (49%) and North America (33%).<sup>9</sup>



## Lack of collaboration within the ecosystem

In Europe, 48% of C-level executives expect a “healthy level of collaboration” among companies within the industry to help economies rebound. In Asia Pacific the figure is 55% and in North America, 53%.<sup>9</sup>



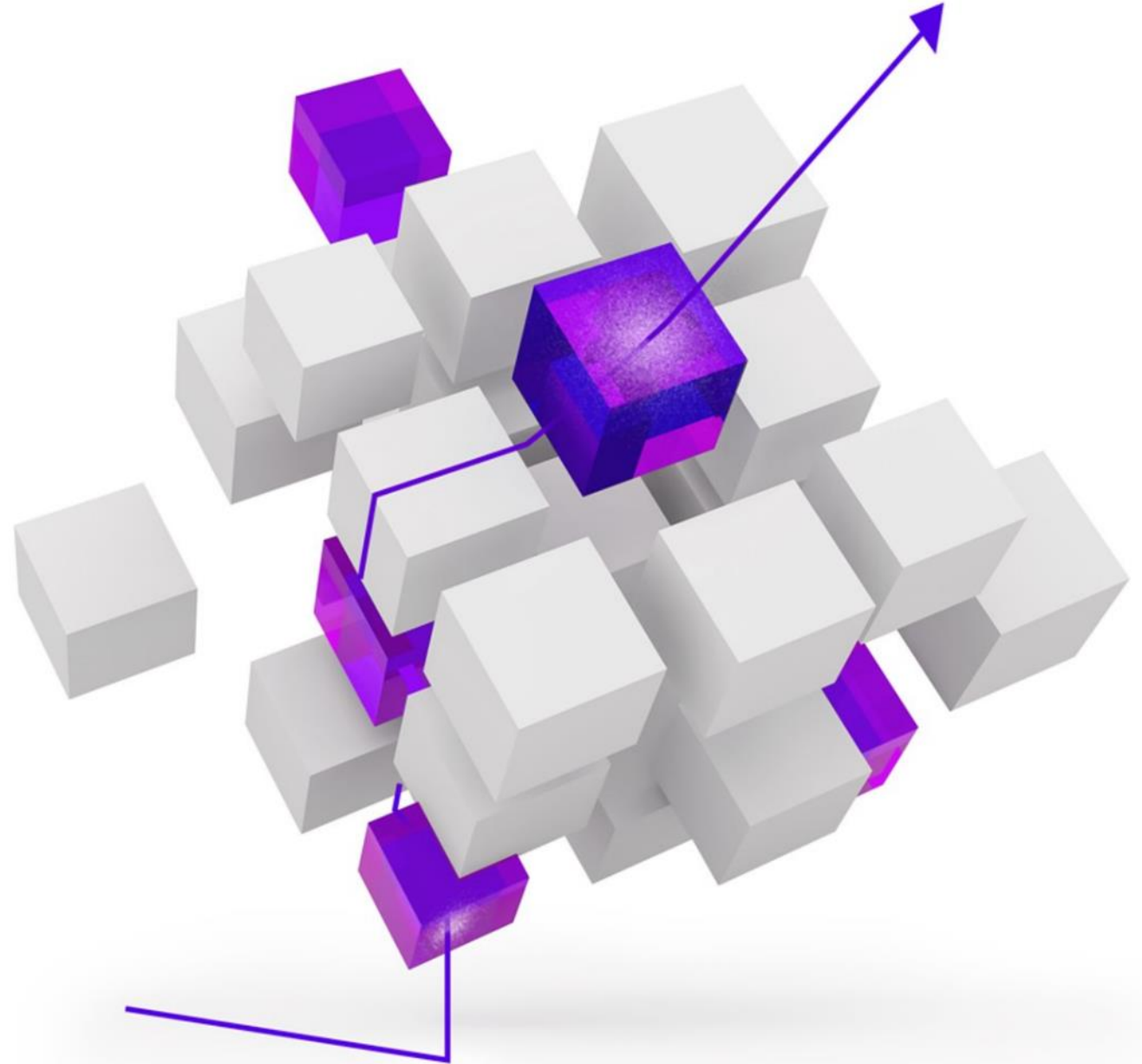
# From Now to Next

**The numbers for Europe don't look as positive, but it's important to be clear: First, Asia Pacific generally and China specifically are months ahead of the game.**

They got hit first—and less severely—and are recovering first. And second, North America, especially the US, was in a stronger position economically in the late winter of 2020. Context is important.

What's critical now is for Europe's business leaders to move from the "now" of company stabilisation and survival to the "next" of renewed growth and competitiveness. Painful as it has been, there is a unique opportunity today to shrug off old limitations and to reconsider ways of operating that not long ago seemed immutable.

Leaders should balance bold moves against a clear assessment of risk—including the risk of over-caution. And they should approach change across their organisations with an innovation mindset in which everything is on the table.

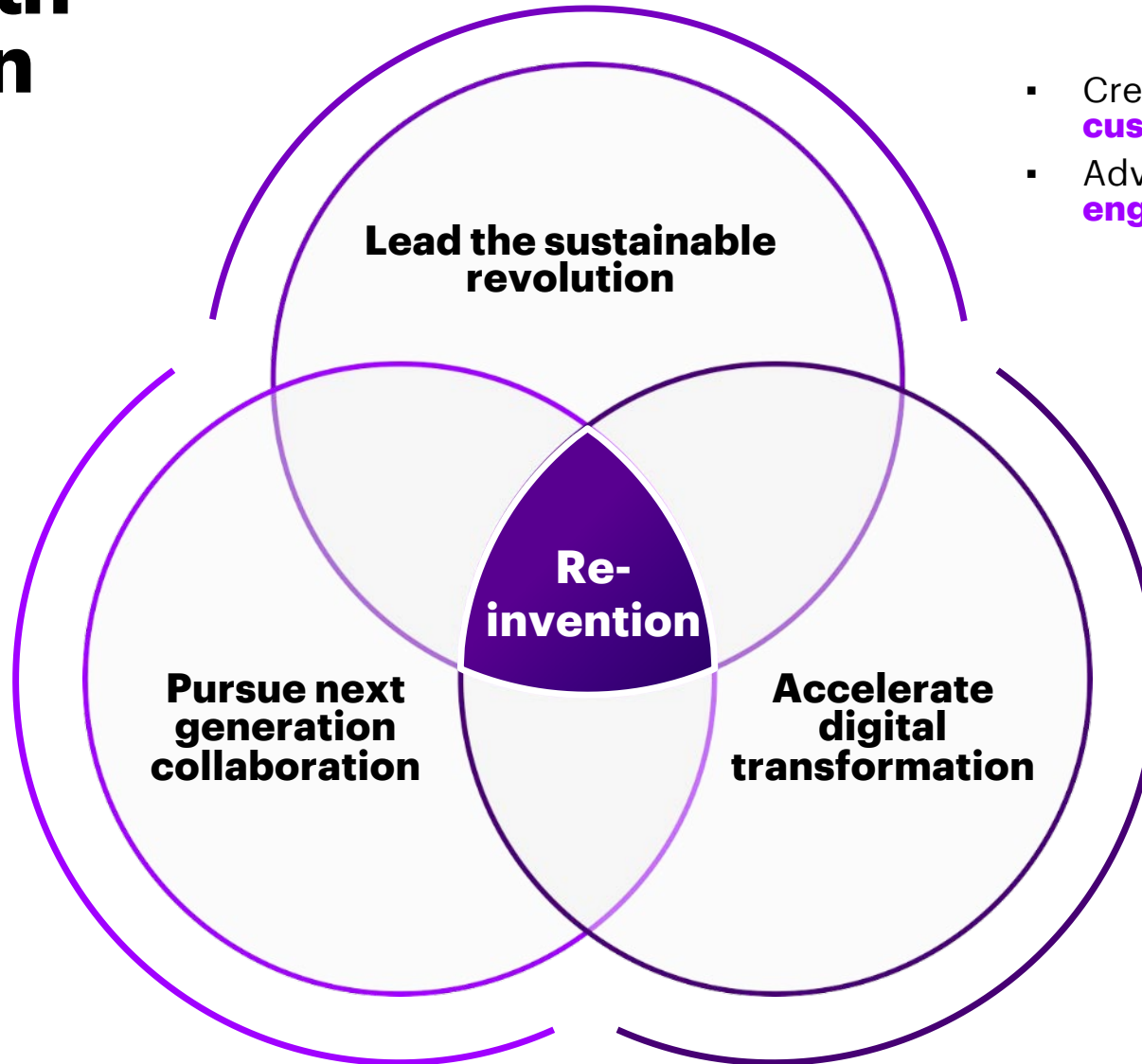




# A UNIQUELY **EUROPEAN** PATH

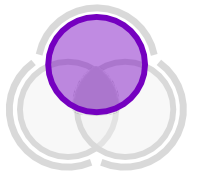
# A European Path for Reinvention

- Offer **workforce** new skills and new ways of working
- Participate in **ecosystems** to drive organic growth



- Create value for the responsible **customer**
- Advance digital customer **engagement**

- Invest in transformative **technology**
- Reconfigure **operations and processes** to enable resilience



# Lead the Sustainable Revolution: Create Value for the Responsible Customer

When we talk about sustainable we are using the term in its broadest definition to talk about brands and companies that bend toward environmental protection, social welfare, inclusive governance—and now add to that a focus on protecting and supporting health.

Consider the stance on climate. According to an Ipsos consumer survey, more than 70 percent in France, Italy, and Spain—and nearly as many in Germany and the UK—said that in the long-term, climate change is as serious a crisis as COVID-19.<sup>10</sup>

**At the same time, obsessive consumer focus was, and must remain, the central focus for any company. In Europe, that also means understanding the importance of “purpose” to consumers.**

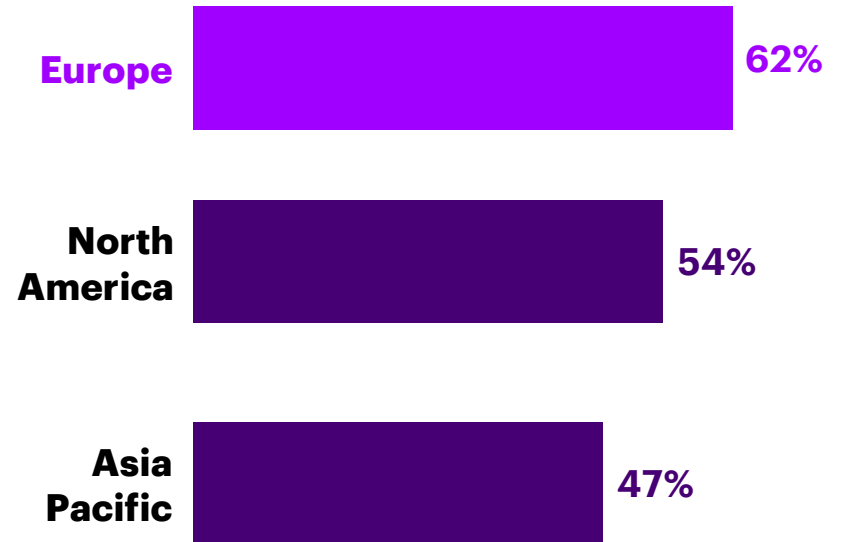
The key to purpose is turning empathy into action, first and foremost. And it requires companies to connect those actions to the brand's meaning for consumers.

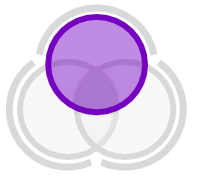


Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)  
\*Consumer industries: Consumer goods, retail, automotive, communication, media & entertainment, airline, travel and transport

## Do you expect positive disruption as a result of consumers seeking more purpose-driven brands?

(Yes, % of respondents in consumer industries)<sup>9</sup>





# Create Value for the Responsible Customer **in Action**

## **HEINEKEN: A TRANSPARENT SUPPLY CHAIN**

Beer drinkers like good beer—but they also may want to know where the ingredients are coming from and whether the company is doing all it can for the environment. Heineken announced in January 2019 that it would start using a blockchain solution to allow consumers to scan their beer bottle for key supply chain information. In a pilot, consumers were able to see the exact location and year in which the hops were cultivated, as well as their carbon and water footprint.

The company now plans to tackle the challenge of realising full transparency of the hundreds of thousands of farmers in its global supply chain. It sees blockchain technology as the essential means to do that.

When implemented at scale, this transparency could help identify the opportunities for reducing Heineken’s environmental footprint across the entire supply chain.<sup>12</sup>

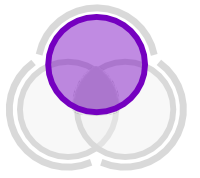
## **IKEA: AN R&D LAB FOR SUSTAINABLE PRODUCTS**

To take aim at radical solutions for a sustainable planet, Ikea funded a fully independent R&D lab called Space10. The lab’s staff is made up of a rotating group of freelancers, selected for their expertise project-by-project in areas such as architecture, clinical psychology and 3D imaging. Space10’s projects have included Building Blocks, an open-source blueprint for low-cost modular housing that can be printed and adjusted to the environment; Lokal, a vertically integrated salad bar based on hydroponic and aquaponic farming that Ikea plans to offer via at-home kits; and Neatball, a set of meat-free alternatives to the two million meatballs the retailer serves each day.<sup>13</sup>

As Space10’s co-founder Simon Caspersen puts it, “We don’t look for solutions for Ikea, we look for solutions for humanity.”

## **Imperatives:**

- ➔ Innovate with an emphasis on ensuring sustainable, safe-to-use products.**
- ➔ Consider new opportunities to develop offerings directly conducive to better health.**



# Lead the Sustainable Revolution: Advance Digital Customer Engagement

Consumers are not just more responsible in their spending preferences, they are also more digital as COVID-19 allowed them to hit the fast-forward button on their digital channel usage.

What was expected to happen in three years, happened in three months. Corporate investment in digital experiences will need to mirror new ways of living as customer expectations for what constitutes “basic” digital capabilities have shifted permanently. Consider the shifts for advisory services once thought to require in-person interactions. Medical visits have found their way online, online learning and education is spiking and customers are getting more comfortable with remote advisory services.

As customers continue to “go” and “stay” digital, post-crisis expectations for digital experiences will continue to rise. Convenience, ease and accuracy will be table stakes. Intelligence and empathy will become the differentiators.

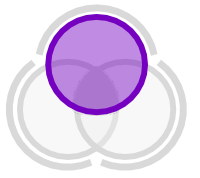
Digital trust will be more critical than ever.

Organisations need to prepare for the future of digital engagement versus digital transactions. The speed at which companies build and deploy these capabilities may become a source of competitive advantage and the degree to which they can sustain them may become a source of cost advantage.

To meet consumer expectations, companies may need to deliver an end-to-end customer experience—one that brings customers in early, during the innovation stage, and continues through the sales and service processes, achieving more advanced customer engagement.

Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)

Percentage	Insight
88%	of European C-levels agree that the crisis opens up opportunities to reinvent business models and customer services. <sup>9</sup> <b>NA: 84% APAC: 85%</b>
55%	of European C-levels see opportunities from consumers' increased confidence about the value and safety of sharing their data. <sup>9</sup> <b>NA: 51% APAC: 50%</b>
25%	of European consumers plan to keep using e-health services post-COVID-19 crisis. <sup>11</sup>
49%	of European C-levels will fundamentally change the way they engage and interact with their customers. <sup>9</sup>



# Advance Digital Customer Engagement **In Action**

## **AUTOMOBILE COMPANY VIRTUAL SHOWROOM**

For example, a luxury automobile company may not be inherently well placed for success during global isolation measures. However, one brand recently created a virtual showroom that promotes personal safety and ease of vehicle use without mention of COVID-19.

The innovation demonstrates that digital capabilities created during the pandemic can become a permanent engagement strategy.<sup>14</sup>

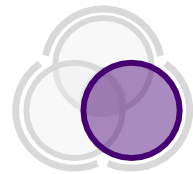
## **ENERGY COMPANY: ADVANCED CUSTOMER MANAGEMENT PLATFORM**

One of UK's largest independent energy companies adopted a customer engagement platform allowing customers to communicate on almost any channel and manage the conversation end-to-end, while applying automation, workflow and relevant context to optimise the agent role. Processes were designed to facilitate communication, reduce friction, and improve the relationship between companies and their customers.

The new advanced customer engagement model eased the everyday experience of the frontline advisors, reducing half of the time required to train and onboard advisors and the average handling time of 20 seconds.<sup>15</sup>

## **Imperatives:**

- ➔ **Shift from transaction-based to relationship-based interactions.**
- ➔ **Design human-like digital services powered by AI, data and real-time insights.**



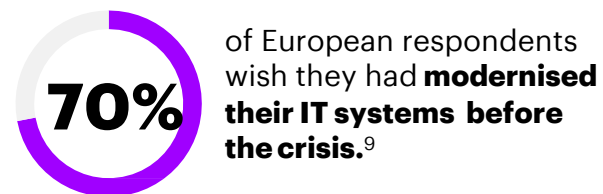
# Accelerate Digital Transformation: Invest in Transformative Technology

Europe has watched the onrushing tidal wave of digital technology with some wariness. This is especially so in comparison with the US and China.

The ICT spending to GDP ratio (an indicator measuring spending on technology and related service investment) shows that North America and Europe were even until 2010. But after the global financial crisis, spending in America increased from 1.3 to 1.6 percent while the same figure in Europe stagnated.<sup>16</sup> We see that in the greater push for strong privacy laws, and in legal challenges to the huge American tech players.

European companies have also invested less and more slowly in digital transformation. Almost three-fourths report wishing that they had modernised their IT systems faster. Leaders consider their IT systems less effective on average than their global peers in terms of ability to scale, business IT alignment, architecture flexibility and system trust.<sup>9</sup>

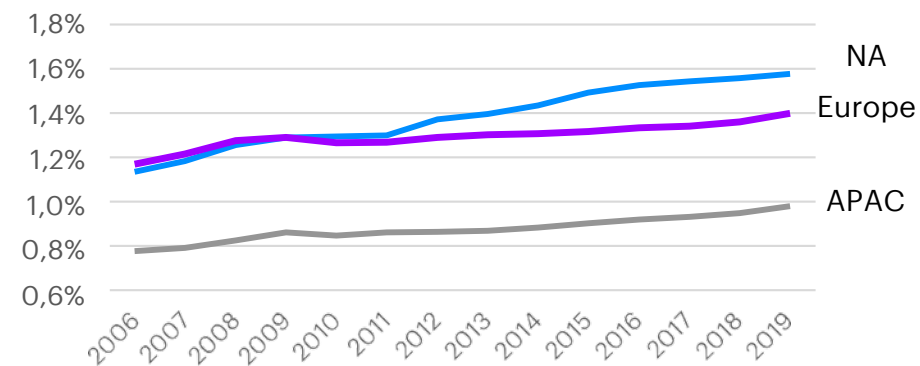
Especially important will be an acceleration of the “journey to the cloud” that most companies have embarked upon. Cloud can make companies resilient in the short term by helping them navigate surges or drops in demand. It also enables companies to deploy innovation rapidly.



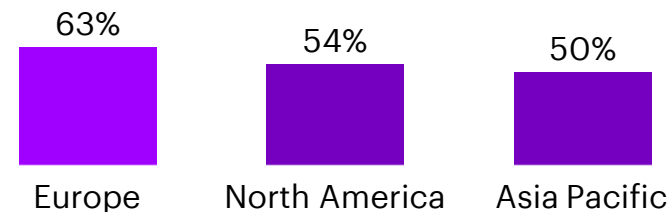
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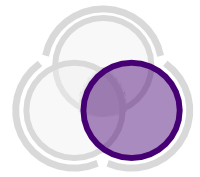
## IT spending to GDP ratio

Total ICT spending as % of GDP 2006-2019<sup>16</sup>



## To what extent do you agree companies will accelerate investments in digital transformation? (To a great extent)<sup>9</sup>





# Invest in Transformative Technology **In Action**

## **SORGENIA: JOURNEY TO CLOUD**

A few years ago, Sorgenia, an Italian electricity and natural gas producer, launched a transformation project with a very clear goal: to increase its customer base from 300,000 to 1 million in only five years primarily by building and improving digital channels.

Moving the company's IT to the cloud was the critical organisational lever. The cloud solution enables the company to continuously manage the addition of significant numbers of customers.

The result: Sorgenia is well on the way to realising its goal, and the journey is well supported. Many of the company's key operations can now be performed 15 to 20 percent faster, and staff have been freed to concentrate on higher-value work.<sup>17</sup>

## **PHILIPS: DIGITAL TWIN HEART MODEL**

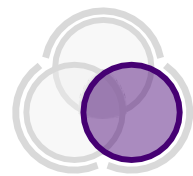
The acceleration of intelligent technologies will also be critical to healthcare innovation. Consider the case of cardiovascular disease.

Drawing on anatomical knowledge and thousands of heart images, Philips has created Heart Model, a digital representation of the human heart that can help clinicians diagnose cardiac images in some situations up to 80 percent faster and with fewer variations than traditional methods allow.

"With digital twins in healthcare, you can evaluate different scenarios and treatment options; you can combine personal and medical data to provide real-time intervention and prevention support," explains Ger Janssen, head of the Digital Twin department at Philips Research.<sup>18</sup>

## **Imperatives:**

- ➔ Increase the pace and scope of digital transformation.**
- ➔ Ramp up the implementation of cloud and artificial intelligence in the service of cost savings, business agility and faster innovation.**



# Accelerate Digital Transformation: Reconfigure Operations and Processes to Enable Resilience

**In the category of not-letting-a-crisis-go-to-waste: Europe's business leaders have a major opportunity now to rapidly modernise operations with technology. It's time to move from "point" solutions and to scale and integrate operations.**

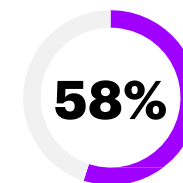
If Europe is to enjoy an industrial renaissance, a major key will be found in the digital reinvention of industry—what we call Industry X.O. A number of leading European companies were moving rapidly in this direction before the crisis broke.

Predictive modelling and applied intelligence will become key tools. The development and use of digital twins will allow companies to "see" their operations end-to-end, and to identify otherwise unhidden risks. Europe has advanced digital capabilities and ambitious investment plans compared with other regions. More than half of consider their current digital capabilities central to their resilience, and plan to accelerate their investments in digital tech.<sup>9</sup>

European manufacturing companies are also more diversified in their supplier base than counterparts in North America and Asia Pacific: almost a third of European companies report having a high or very high level of supplier diversification.<sup>14</sup>

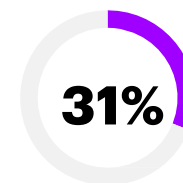
Consumers are putting more trust in local brands, and several governments in Europe are encouraging a local "reindustrialisation" post-crisis. However, the jury is still out, as only 16 percent of C-level executives in European manufacturing companies are considering making their manufacturing and/or sourcing more domestic.

These trends point to the need for companies to transform their operating model, especially in Europe, and 69 percent of European chief operating officers agree that they will completely rethink their processes and operating models to be more resilient, more than APAC and NA.<sup>9</sup>



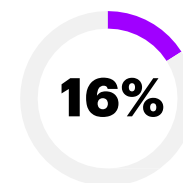
of European manufacturing C-levels plan to **accelerate investments in digital.**<sup>9</sup>

**NA: 57% APAC: 44%**



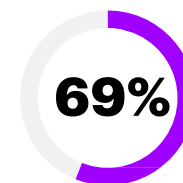
of European companies have a high or very high level of **supplier diversification.**<sup>\*19</sup>

**NA: 24% APAC: 25%**



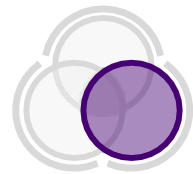
of European manufacturing companies plan to be **more domestic in operations** due to COVID-19 crisis.<sup>9</sup>

**NA: 20% APAC: 10%**



of European chief operating officers who believe their company will **completely rethink its processes and operating models** to be more resilient.<sup>9</sup>

**NA: 41% APAC: 61%**



# Reconfigure Operations and Processes to Enable Resilience **In Action**

## **BMW: SMART TRANSPORT ROBOTS FOR MORE EFFICIENT LOGISTICS**

The use of smart technology is central to resilient operations. BMW increasingly uses AI-infused robots on the factory floor. These tools are proving vital in the supply chain, as they efficiently carry products from one area to another, unsupervised.

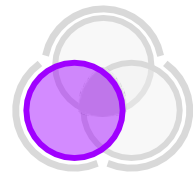
In May 2020, BMW began partnering with NVIDIA to create faster, smarter robots to be used in their logistics. “Smart transport robots” are more coordinated and better able to identify obstacles such as forklifts and people faster and more clearly, which makes it possible to calculate alternative routes in a matter of milliseconds.<sup>20</sup>

## **SCHNEIDER ELECTRIC: A DIGITAL SERVICES FACTORY FOR FASTER INNOVATION**

Global industrial powerhouse Schneider Electric created its own digital services factory. Working across the company’s businesses, engineers generate and incubate new ideas for digital service offerings such as predictive maintenance services or asset-monitoring suites. They are reducing innovation time—for example, on sensor-based tools to monitor transmission lines for overheating—from years to just months.<sup>21</sup>

### **Imperatives:**

-  **Accelerate the digitalisation of industry.**
-  **Reassess the cost-risk trade-offs of the increased regionalisation of production.**
-  **Diversify the supplier base.**
-  **Apply new technologies to build physical and digital resilience of core functions.**



# Pursue Next-generation Collaboration: Offer Workforce New Skills and New Ways of Working

Europe has always had a strong “social contract” with workers, but it was not tailored for significant remote work when the crisis hit. The opportunity now is to build around organisational purpose, flexible working arrangements, new people management systems, and new technologies for remote work and skill building.

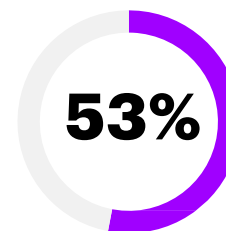
The adoption of new technology by the workforce will be crucial to maintain productivity, ensure growth and foster innovation. Half of European C-level leaders say they will accelerate creation of a “smarter” workforce.

And yet: keep in mind that the work site—the office, the factory, the building site—will continue to be a critical part of the business. Personal engagement and face-to-face contact will remain essential for any company’s long-term success.



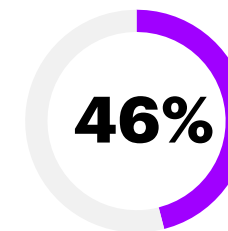
50% of European C-levels will accelerate their creation of a smarter workforce.<sup>9</sup>

Where people work will be fundamentally changed: “Homeworking” will be part of the new normal.



NA: 54%  
APAC: 57%

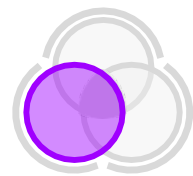
of European C-levels will **fundamentally** redesign **how people work** (office spaces, remote working etc.) and the **culture and mindset** needed to succeed.<sup>9</sup>



NA: 52%  
APAC: 46%

of Europeans **have never worked from home prior crisis** but will **work from home post crisis**.<sup>11</sup>

Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)



# Offer Workforce New Skills and New Ways of Working **In Action**

## **OXFORD MEDICAL SIMULATION: REMOTE IMMERSIVE TRAINING**

Rapid healthcare training is especially important now. Sophisticated virtual reality systems can help build needed skills quickly. Oxford Medical Simulation (OMS) is offering its medical-training system for free during the COVID-19 pandemic to help hospitals and medical schools bring in retired doctors and nurses to provide patient care. The hope is that these doctors and nurses can return to help treat patients with typical medical emergencies while specialists are assisting COVID-19 patients.

The OMS simulation systems provide animated, web-based patient training scenarios through the use of a laptop or desktop computer using a display screen and/or a VR headset for a fully-immersive experience. The training can be done anywhere, which helps users comply with social distancing rules. So far, some 50 hospitals and medical schools have accepted the company's free simulation training offer since March 16, meaning that about 17,000 additional medical professionals and students have signed up to increase their patient care skills.<sup>22</sup>

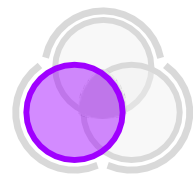
## **DANONE: LINKING PEOPLE AND MISSION**

In 2018, Danone surveyed all 100,000 of its employees about company goals—and got 80,000 responses (versus an expected 25,000). The company wants to find the “activists” within—across parts of the business, geographies, and levels—and engage with them as directly as possible.

More recently, Danone announced it would become the first listed company to adopt the French legal framework of enterprise à mission—a move that codifies the company's commitment to environmental, social, and governance goals. At the same time, the company announced its directors would forgo compensation for the second half of 2020, and the CEO would take a 30 percent pay cut for that period—funds that would instead be used to expand the employee health plan.<sup>23</sup>

## **Imperatives:**

- ➔ **Make remote work effective for individuals, teams, and the entire organisation.**
- ➔ **Invest to ensure safety protocols and equipment are robust at on-site locations.**
- ➔ **Increase use of new tech, such as extended reality, to build skills remotely.**



# Pursue Next-generation Collaboration: Participate in Ecosystems to Drive Organic Growth

Europe is not the home of “mega” companies in the way that the US is. Small and midsize enterprises account for 55 percent of the gross value added; in the US, the figure is 44 percent.<sup>24</sup>

Consider also that European companies are less inclined to pursue inorganic growth than their overseas peers. Twenty years ago Europe accounted for 36 percent of M&A value, the US accounted for 56 percent, and Asia Pacific, 7 percent. In 2019, the numbers had changed: Europe was at 23 percent; the US, 46 percent; Asia Pacific, 20 percent.<sup>25</sup>

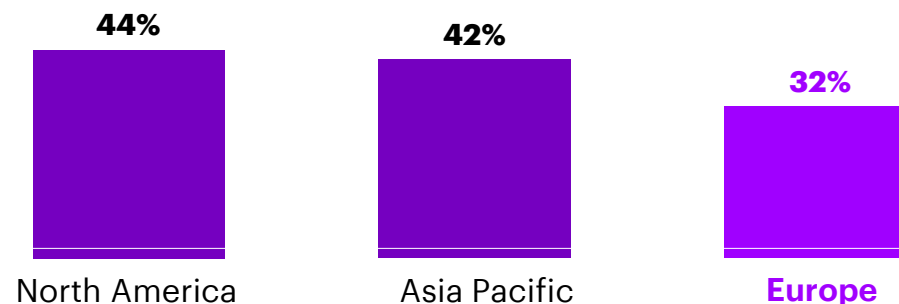
European executives aren't keen to change that in the wake of the crisis. In a ranking of key priorities over the next 12 months, mergers and acquisitions came in last in most of the industry groupings we examined.

For European companies, contractual partnerships and platform partnerships are more flexible alternatives to M&A.

Working with partners can help companies grow by accessing the customers, capabilities, talent and ideas needed to respond to new customer preferences, new technologies, emerging competitive threats and regulatory changes.<sup>9</sup>

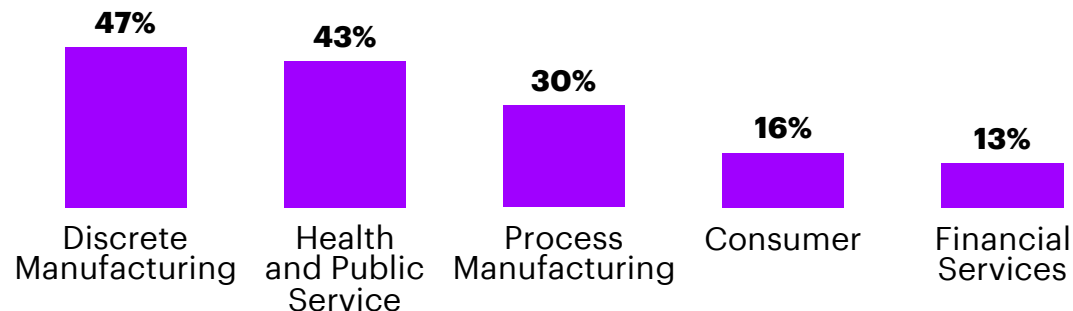
## How much will your company rely on external partners to achieve its business imperatives?

(more than before)<sup>9</sup>

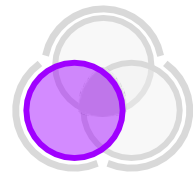


## Breakdown by industry in Europe

(more than before)<sup>9</sup>



Source: Accenture CEO Survey, All respondents (N=478), North America (N=154), Europe (N=171), APAC (N=153)



# Participate in Ecosystems to Drive Organic Growth **In Action**

## **SIEMENS: A B2B PLATFORM DRIVES NEW VALUE FOR MANY COMPANIES**

A lot of business collaboration happens behind the scenes and is decidedly unglamorous—but valuable. Consider how Siemens employs its B2B platform to solve gnarly industrial challenges.

It was approached by Calvatis, a producer and distributor of cleaning detergents and disinfectants. Calvatis' challenge: to help a large meat processor company keep its production facilities clean. The client wanted to know how it could save money and make efficient use of its resources (in this case, machines, food ingredients, water, and cleaning chemicals) while keeping its factories clean.

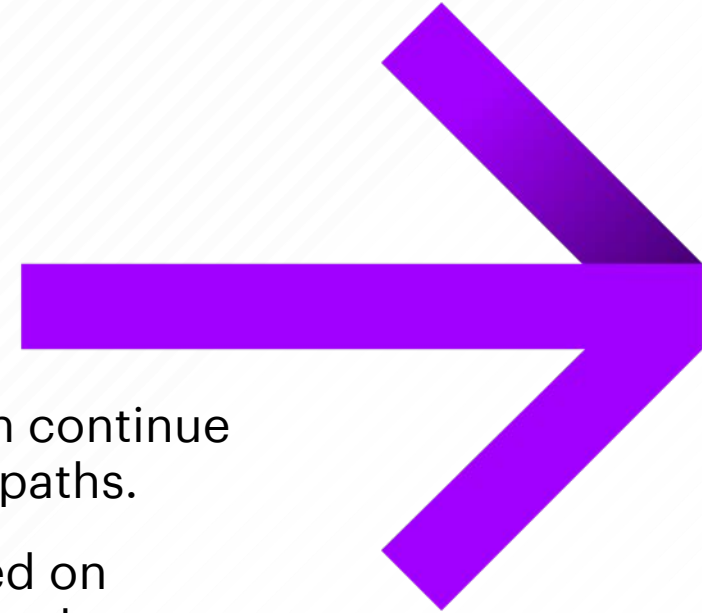
The solution? Siemens connected the meat processor's industrial washing systems to MindSphere, its IoT operating system, and began to gather all sorts of data, such as how much water and detergent were being used.

Armed with this information, the meat-processing company made better use of resources, reducing its use of cleaning fluid by 6 percent and cutting its manufacturing downtime by 10 percent. Calvatis, meanwhile, created new preventive maintenance and resource management services for its customer. And Siemens made inroads into the food-industry cleaning sector and expanded the ecosystem of manufacturers using its platform.<sup>26</sup>

## **Imperatives:**

- ➔ Use open platforms to bring together ecosystems of consumers, suppliers and business partners.
- ➔ Build on advanced technologies to innovate within an ecosystem for new customer value.

# A Bold New Path Forward



Europe is at a crossroads. Its business leaders can continue down the well-trodden strategic and operational paths.

Or they can explore a new way forward, one based on innovation and high-potential technology that blends with Europe's traditional strengths of sustainability, solidarity, and purpose.

As the outlines of a post-pandemic world emerge, what's clear is the scale and scope of new opportunity. It's time for Europe to seize this opening to a renewed competitiveness.

# About the Survey

We interviewed **478 C-suite executives** from 15 industries and more than 10 countries via online and telephone surveys in May 2020. Each interview took 20 minutes.

Country	Count	%
Australia	50	10%
Canada	72	15%
China	52	11%
France	25	5%
Germany	31	6%
Italy	24	5%
Japan	51	11%
Spain	24	5%
UK	40	8%
US	82	17%
Other European countries	27	6%
<b>Total</b>	<b>478</b>	<b>100%</b>

Industry	Count	%
Airline, Travel, Transport	32	7%
Automotive	30	6%
Banking	40	8%
Chemicals	31	6%
Communications, Media & Entertainment	31	6%
Consumer Goods	30	6%
Energy	32	7%
High Technology	30	6%
Industrial Goods & Equipment	30	6%
Insurance	30	6%
Pharmaceuticals, Biotech, Life Sciences	32	7%
Public Service	33	7%
Retail	32	7%
Software & Platforms	30	6%
Utilities	35	7%
<b>Total</b>	<b>478</b>	<b>100%</b>

# Methodology: Decomposing Gaps in Market Capitalisation

We analysed the market capitalisation of the top 500 companies in each region (North America, Europe and Asia Pacific) and decomposed the difference between regions via two specific gaps:

- A structural gap, reflecting differences in *sectoral composition* between the regions (number of companies in each sector).
- An intrinsic gap, reflecting differences *within each sector* between the regions (average market capitalisation of companies in each sector)

$$MC_x - MC_y = \underbrace{\sigma_i MC_{y,i} (Nb_{x,i} - Nb_{y,i})}_{\text{Structural gap}} + \underbrace{\sigma_i Nb_{x,i} (MC_{x,i} - MC_{y,i})}_{\text{Intrinsic gap}}$$

## Where

- $x, y$  refer to regions for comparison
- $i$  refers to sector
- $MC$  refers to the total market capitalisation
- $Nb$  refers to the number of companies in sector  $i$

We considered the technology gap between Europe and North America as the sum of the structural effect and the intrinsic effect in the technology sectors.

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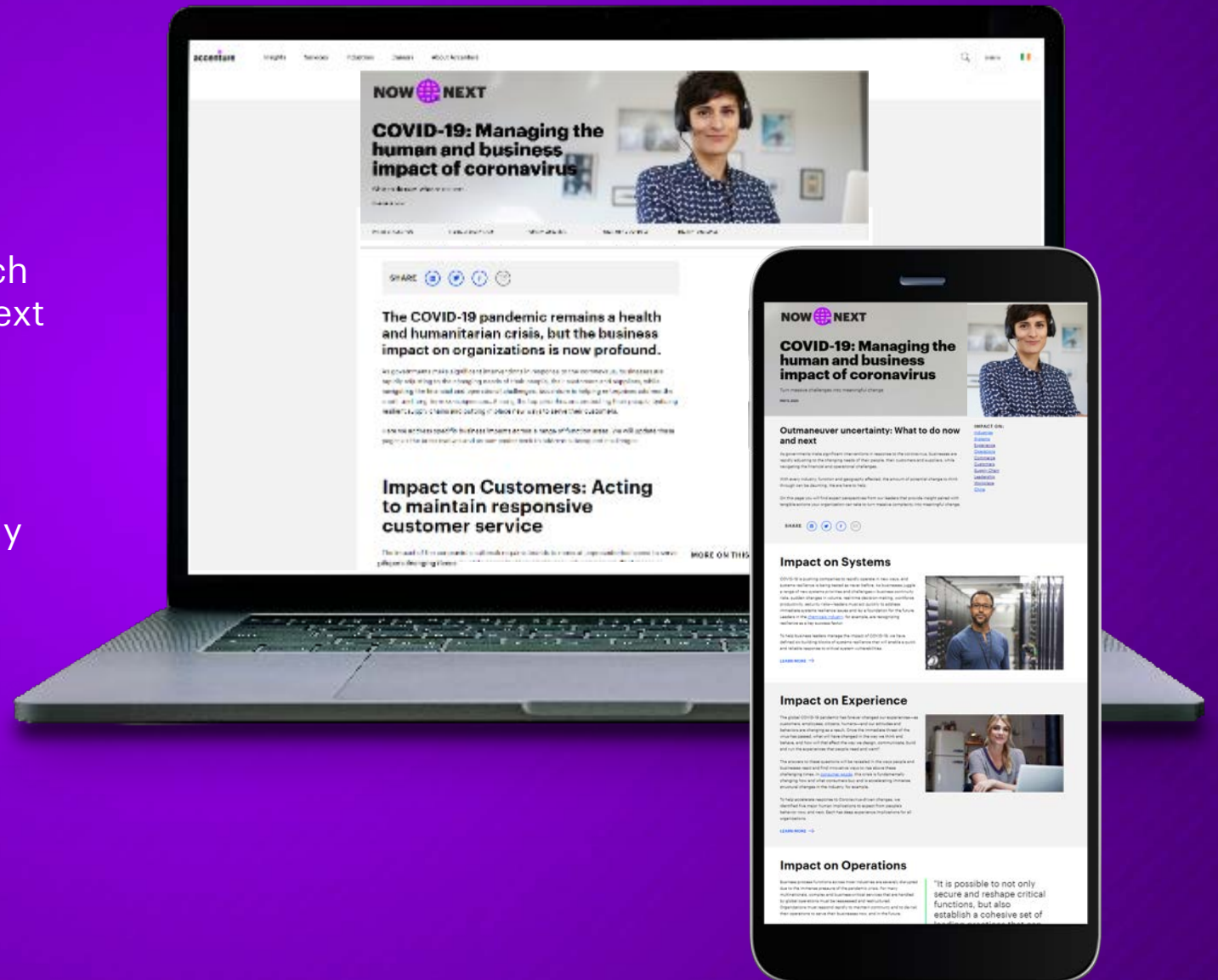
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To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

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