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## 2024 MarginPLUS study

Refocusing amidst uncertainty

With less clarity in the view ahead, companies take more precise control of their margin improvement efforts

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# Executive summary: Refocusing amid uncertainty

Margin improvement and transformation efforts are taking place at nearly every large company around the world—not only in reaction to known pressures, but also as a way to address widespread uncertainty. Business leaders are not strangers to uncertainty, but our 2024 survey findings showed—amid inflation, global conflict, new regulations, and high interest rates—many of them changed their approach to it.

Before, the prevailing approach was to address cost and margin across a wide front. The urgency of the moment called for bigger, bolder, faster responses—but their outcomes did not always live up to the hope. In contrast, Deloitte’s 2024 MarginPLUS study of more than 300 business leaders shows a new focus on more specific moves that target fewer, but more strategic, parts of the business.

Nearly every executive in the survey confirmed taking on some level of growth initiative or cost transformation. However, executives have reported that their programs are increasingly underachieving. In response, we have found companies are shifting their approach to cost reductions and transformation programs, with an added focus on generative artificial intelligence (GenAI)—mainly driven by an increased interest in overall GenAI capabilities.

The survey aimed not only to learn where companies are focusing their efforts, but also to determine which strategies have worked—and which ones have fallen short. Here are some of the most prominent things they told us.



Business leaders are not strangers to uncertainty, but our 2024 survey findings showed—amid inflation, global conflict, new regulations, and high interest rates—many of them changed their approach to it.





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# Six key findings from the study



**Declining growth expectations and increased pressure on input costs drive the need for margin improvement.**

99%

Of surveyed executives are planning to implement some form of margin improvement program.



**Companies are increasingly falling short of their targets.**

82%

Of companies said they missed their cost-reduction targets, up from 72% a year ago. This is the highest failure rate Deloitte has ever recorded since starting this series in 2008.



**Failure rates are driven by challenges in adapting to rapid shifts in demand and rigid legacy technologies and cost infrastructures.**

50%

Named “challenges with technology infrastructure” as the chief internal barrier to cost control. Consumer demands and talent challenges remained high on the list as well.



**Companies are becoming more focused in cost-control efforts and being strategic about areas they are targeting.**

57%

The average company is now focusing on three margin improvement areas, compared to an average of seven from our previous study.



**Companies are clearly embracing GenAI both as a tool to enhance their transformation outcomes and as a catalyst that drives their transformations.**

79%

Of respondent companies are embracing GenAI and machine learning (ML) to drive efficiency, innovation, and improve customer and employee experiences.



**Companies plan to change how they run margin improvement efforts, requiring increased leadership, accountability, purposeful initiatives, and flexibility.**

83%

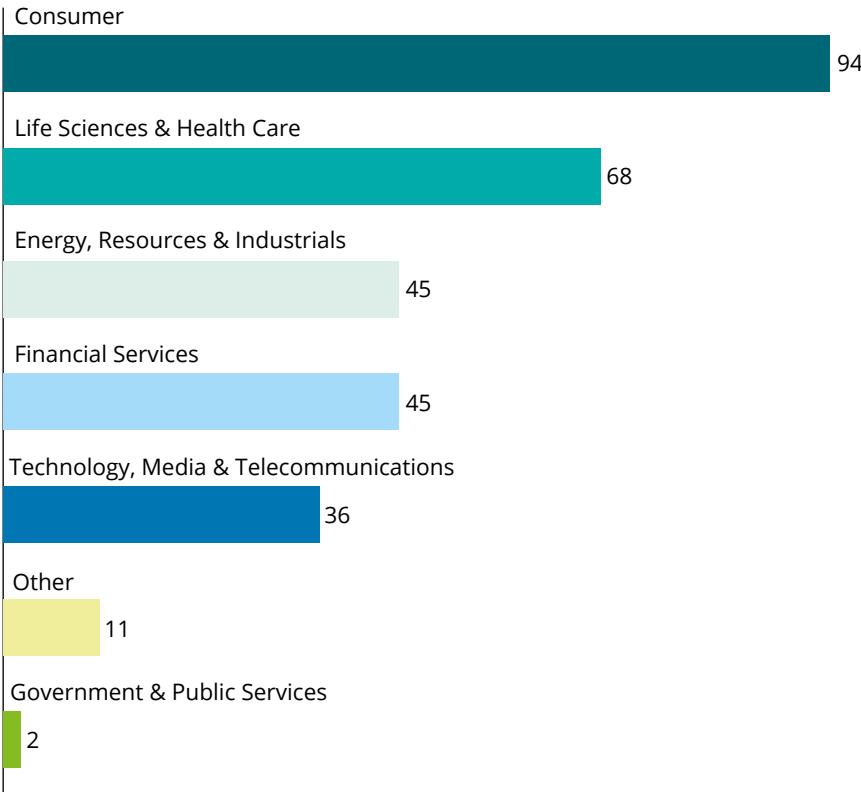
Of companies are looking to change how they run their margin improvement efforts, with nearly half saying that a robust tracking and reporting process is a key driver of success.

What do these findings tell us? The pressure is on across nearly every industry to preserve margins and this will require new approaches—a firmer reliance on technology, investment, innovation, and (as margin efforts become more targeted) renewed leadership accountability.

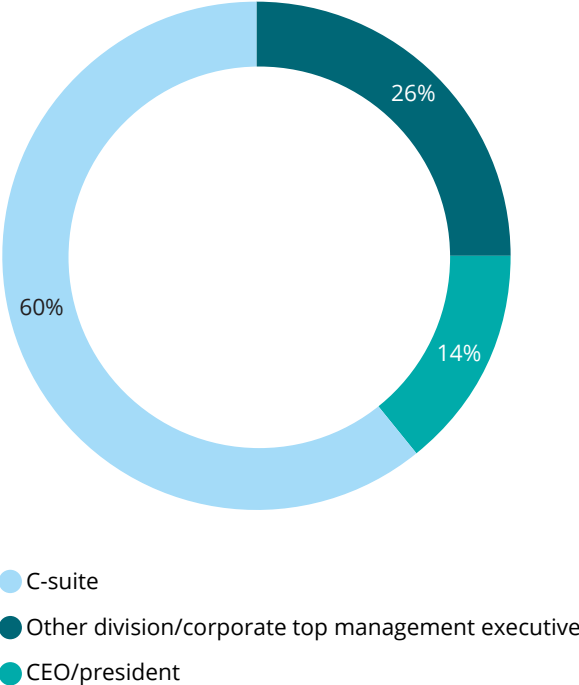
# Survey demographics

Deloitte surveyed more than 300 business leaders whose companies represent a variety of geographies and industry sectors. Fourteen percent occupied CEO or president roles in their organizations, while three out of five (60%) resided elsewhere in the C-suite. Twenty-six percent were in other high-level corporate or divisional management roles.

## Industry sectors



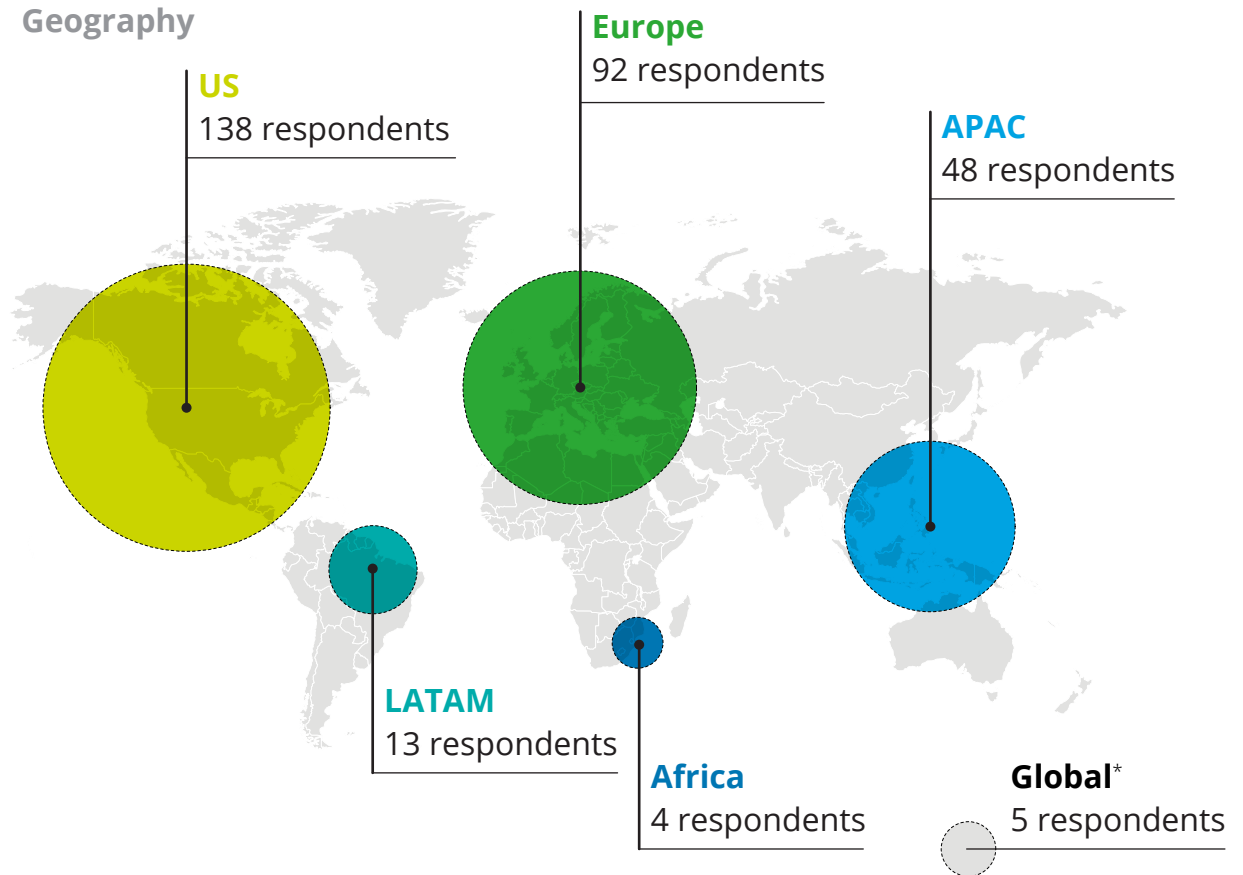
## Executive levels



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## Survey demographics

This year's survey reflects a global array of viewpoints, with respondents from every economic region. The responses we received indicated that many cost control and transformation priorities are common among regions of the world.



\*Companies self-identified as global in survey response.



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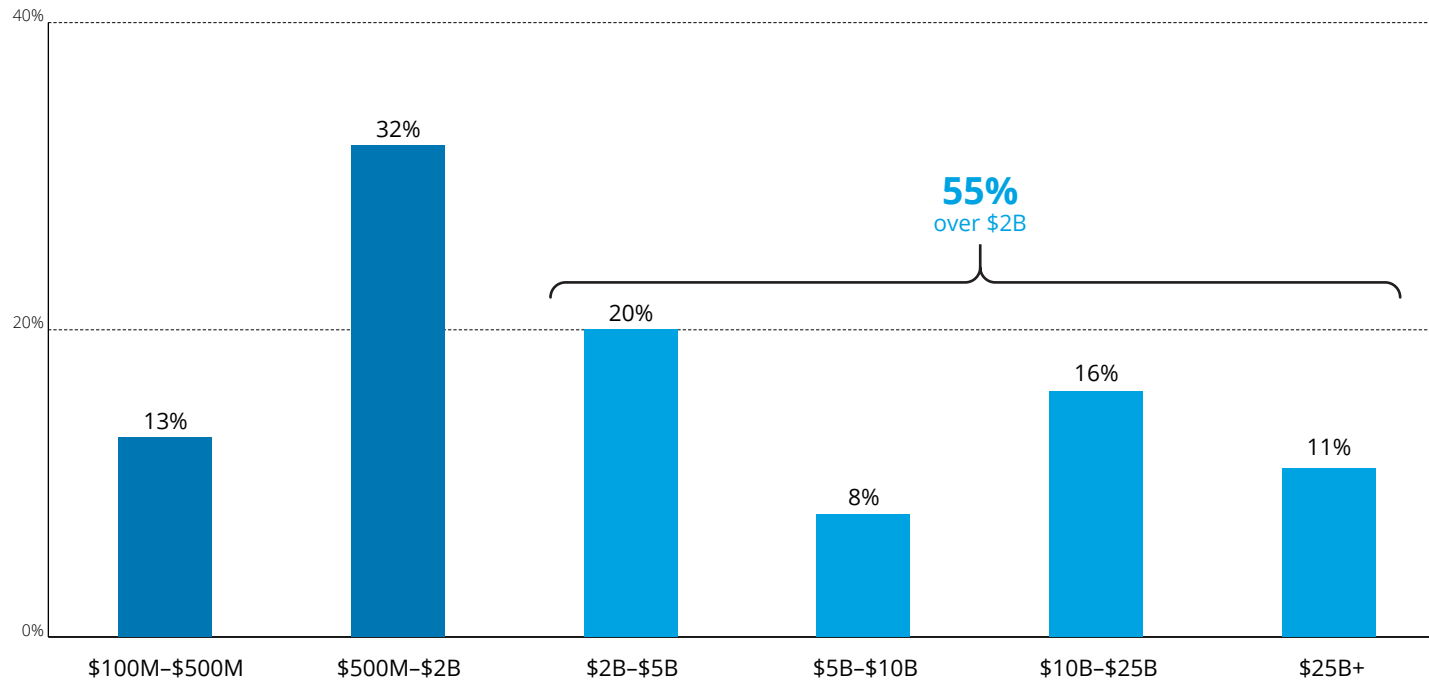
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## Survey demographics

### Respondents by revenue



More than half of the executives (55%) came from organizations with revenues in excess of \$2 billion; however, companies with annual revenues between \$500 million and \$2 billion represented the single largest segment of respondents.



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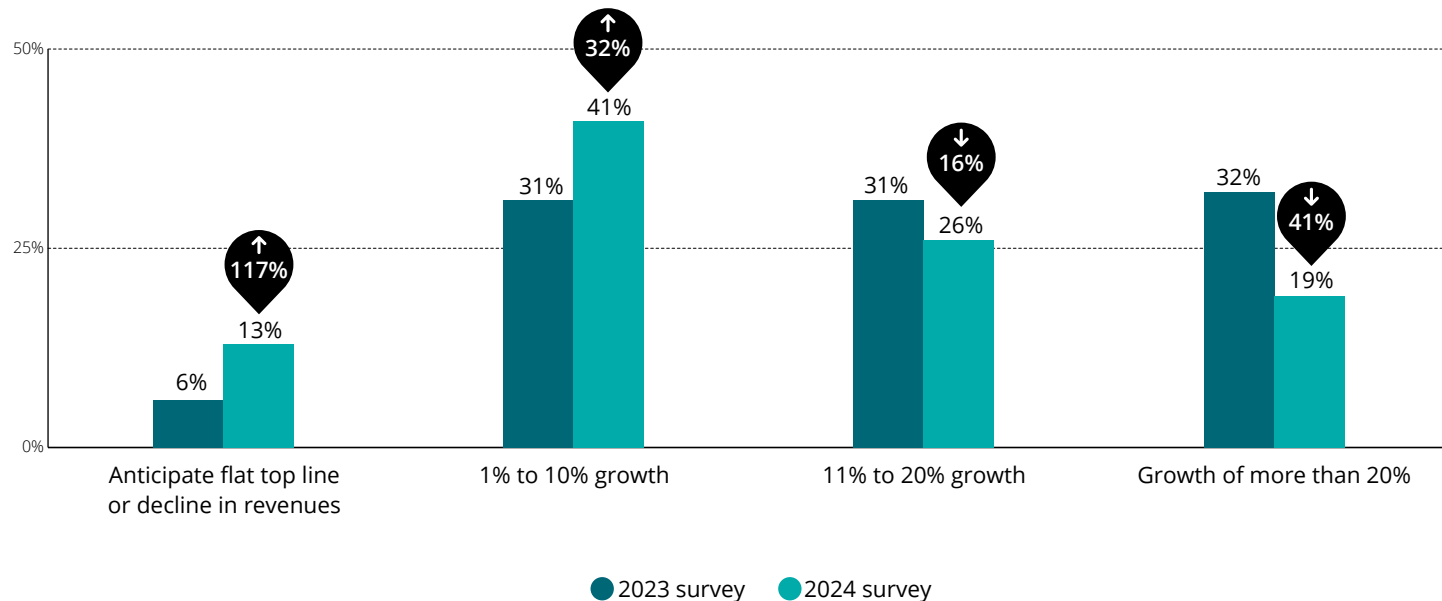
# Key findings

Declining growth expectations and increased pressure on input costs drive the need for margin improvement.

## Companies are expecting a slowdown in growth, with the majority expecting either single-digit growth or a decline in revenues

Companies are less optimistic about the coming year than reported in last year's survey, with 41% fewer companies seeing growth over 20%. More companies are now expecting to see declines, having tripled in percentage relative to last year's survey.

### Business outlook



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# Key findings

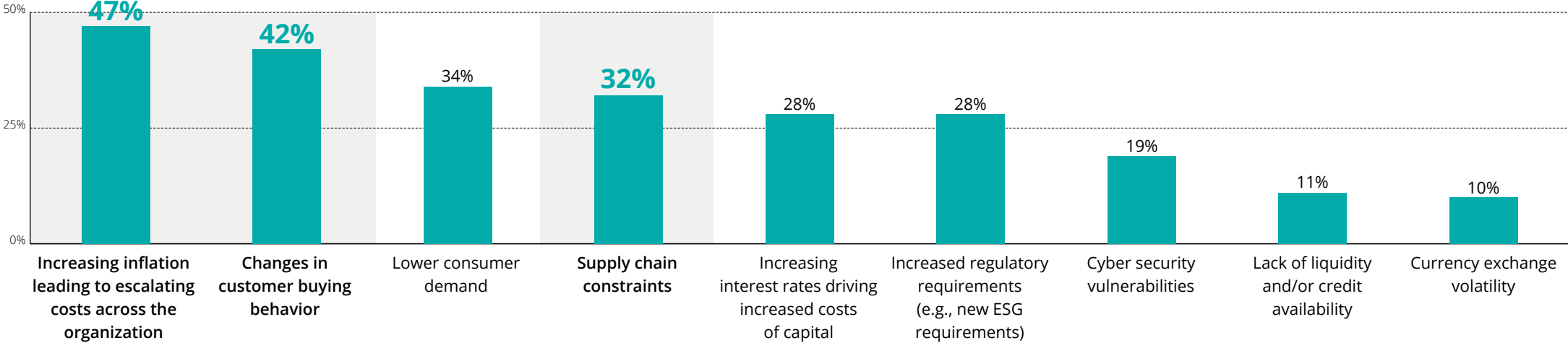


## Decreased optimism is driven by external risks and barriers

Companies are concerned about the economy, including the risk of greater inflation (47%) and changes in consumer buying (42%). Consumer demand overtook supply chain constraints as the number-three cited margin risk compared to a year ago.

### External risk and barriers for success

2024 survey



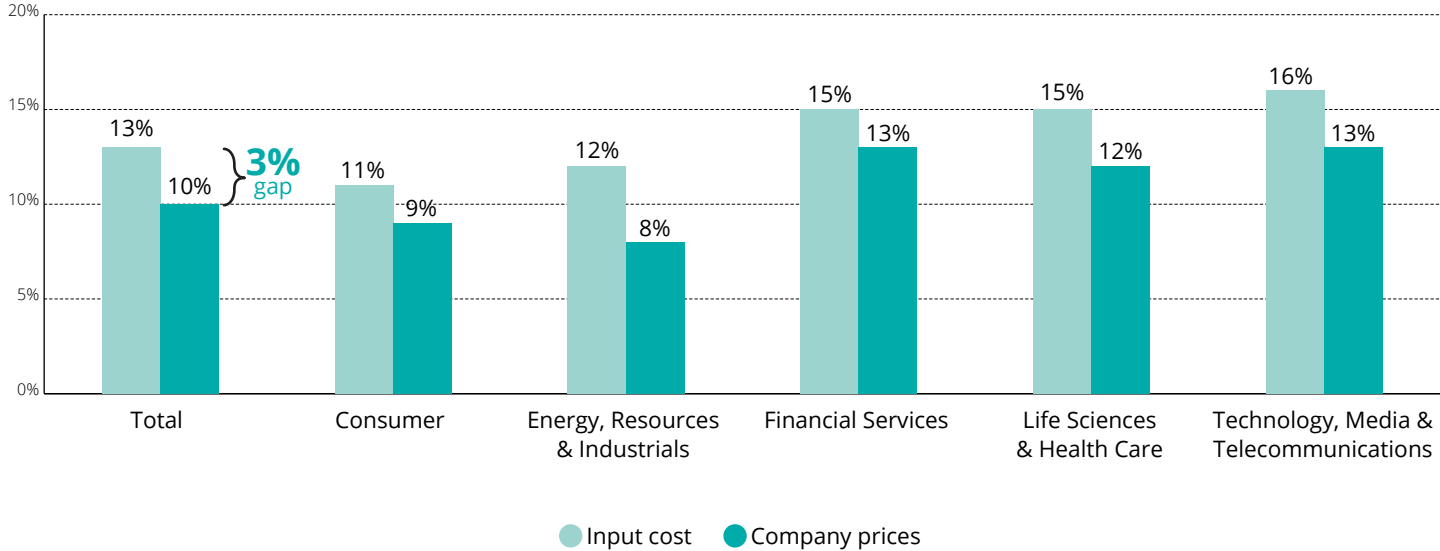
● Top 3 risks in 2023 survey

# Key findings

## Input costs are squeezing margins

The average respondent reported a 13% increase in input costs this year and those costs have risen more quickly than their ability to pass through to consumers through increased prices.

### Change in input costs and company prices 2024 survey



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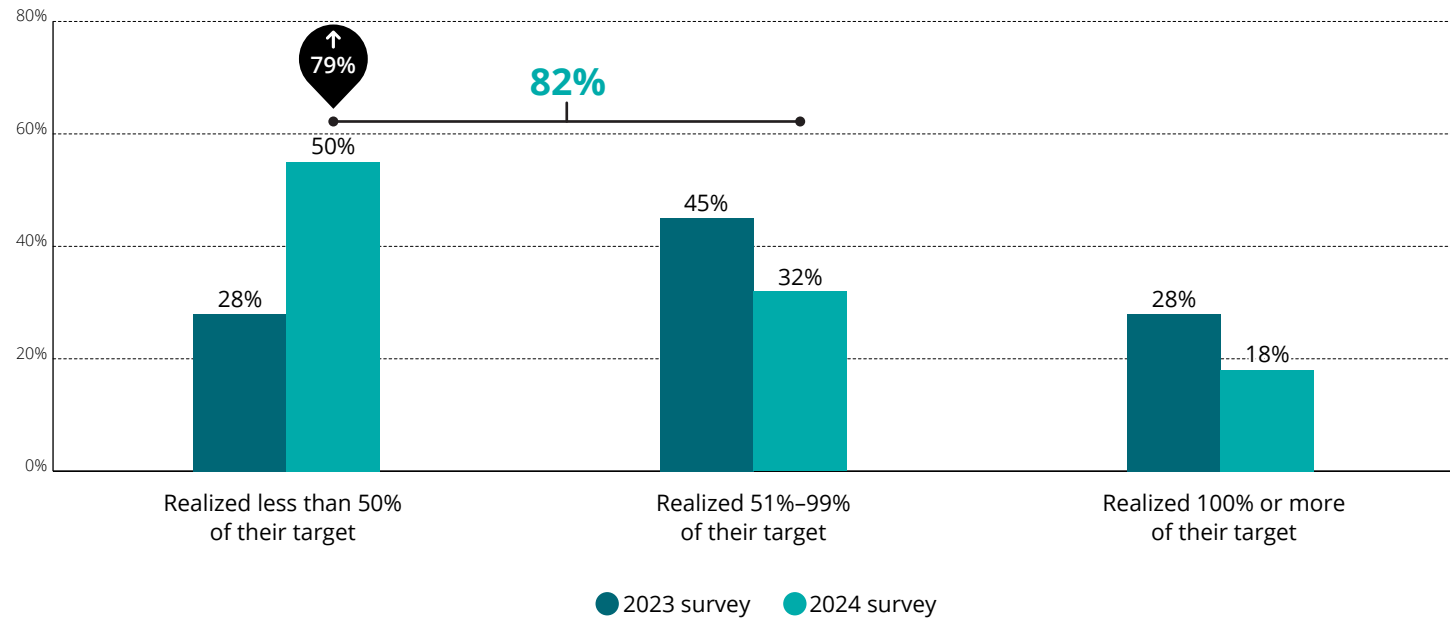
## Key findings

Companies are increasingly falling short of their targets.

### More than four out of five companies failed to achieve their cost-reduction targets

Eighty-two percent of companies fell short of their cost-reduction targets, a significant increase from the previous year's 72%. Notably, half of these companies achieved less than 50% of their set targets, a 79% increase relative to our previous survey.

#### Amount of cost-reduction target realized



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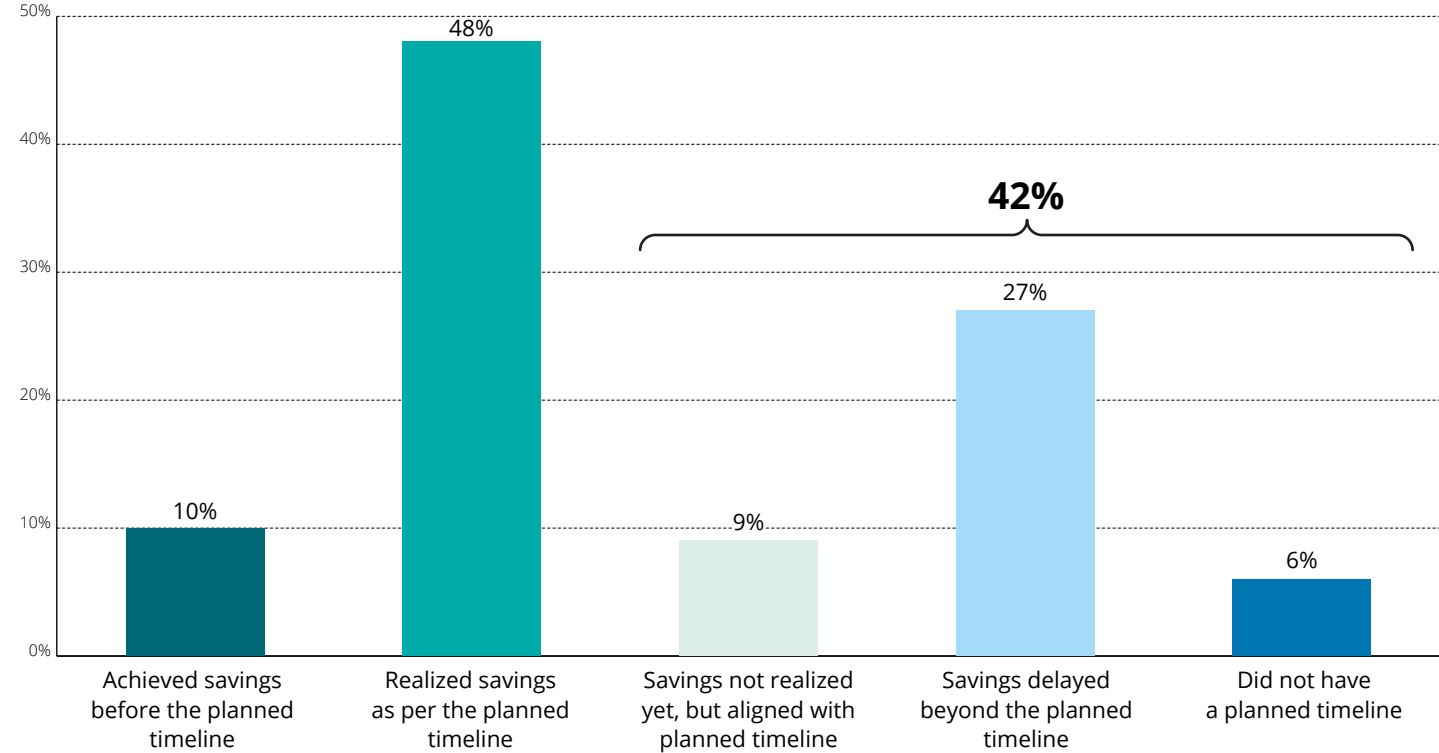
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# Key findings

Even among companies that met their cost-reduction goals in the past year, meeting their timelines has been a challenge, with 42% of them failing to do so.

### Timing to realize cost-reduction targets






Failure rates are driven by challenges in adapting to rapid shifts in demand and rigid legacy technologies and cost infrastructures.

**What are the obstacles that have so many companies falling short of their cost-reduction targets?**

Fundamental challenges, such as legacy technology infrastructure and rigid operating cost structures, were at the core of failure rates. These frequently limited the effectiveness of margin improvement initiatives and their impact on the bottom line. Unfortunately, this may only get worse, with uncertainty as a constant and the push for GenAI and data across enterprises.



From structural change to shifting consumer demand to legacy technology, cost-control initiatives need to surmount a variety of obstacles.



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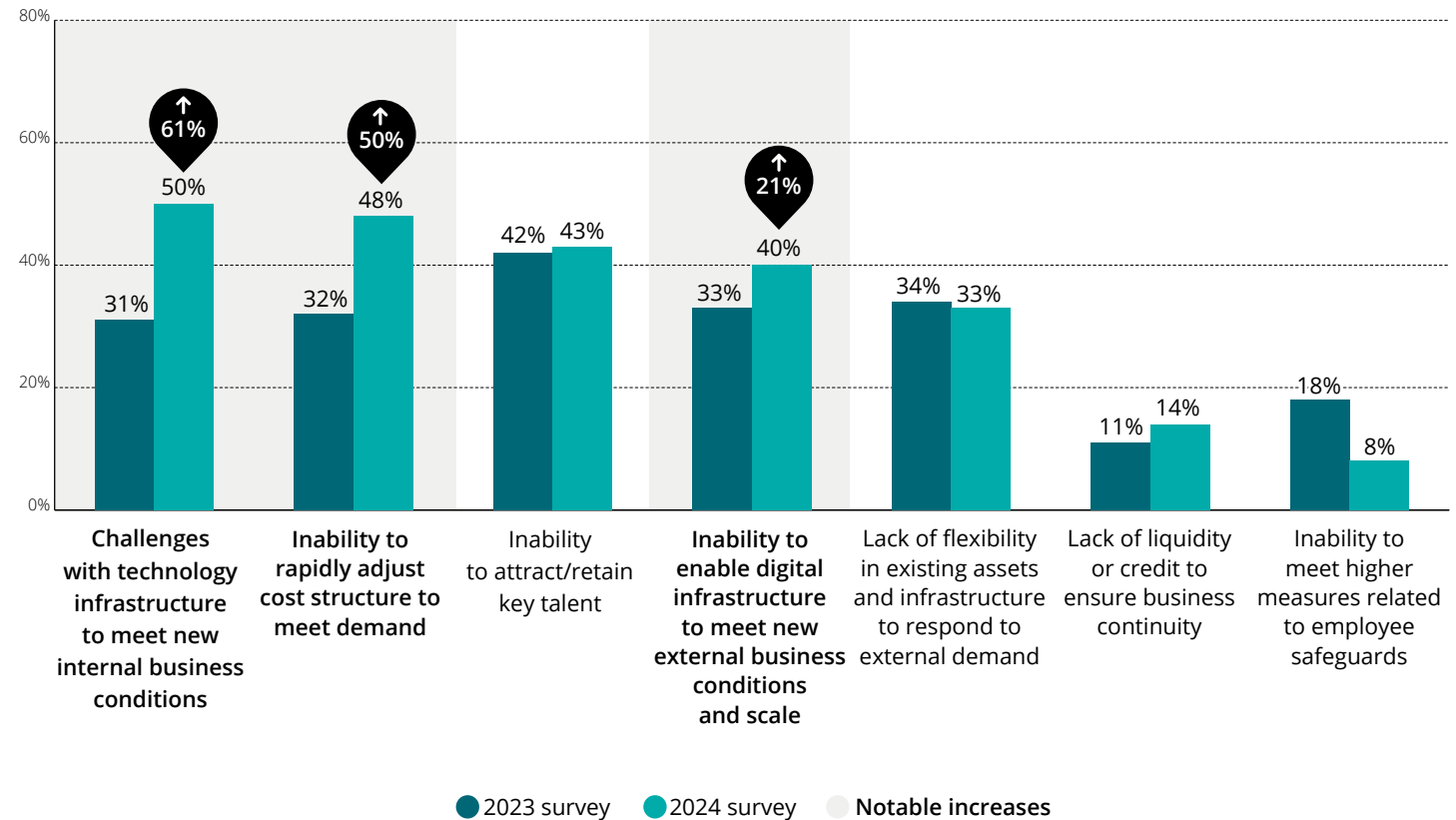
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## Key findings

Reported barriers to cost control have shifted in the last year. Compared to our previous survey, more business leaders said challenges with technology (61% increase), inability to adjust cost structures rapidly (50% increase), and difficulty adapting digital infrastructure (21% increase) stood between them and cost goals.

### Internal risk and barriers to success



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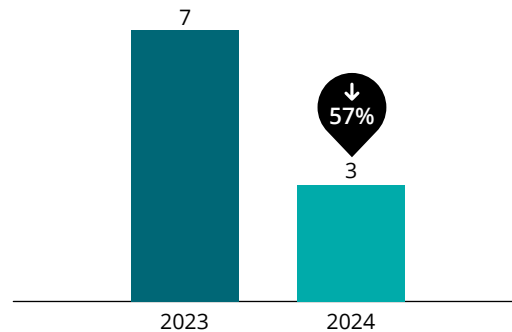
## Key findings

Companies are becoming more focused in cost-control efforts.

### Cost control is an aim, but can it be aimless?

The average respondent in this year's study elected three levers; last year, the average was seven, indicating businesses are concentrating their efforts in targeted areas.

Average number of levers selected per respondent



Broad-based cost-reduction efforts have begun to give way to initiatives that focus on specific lanes.



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# Key findings



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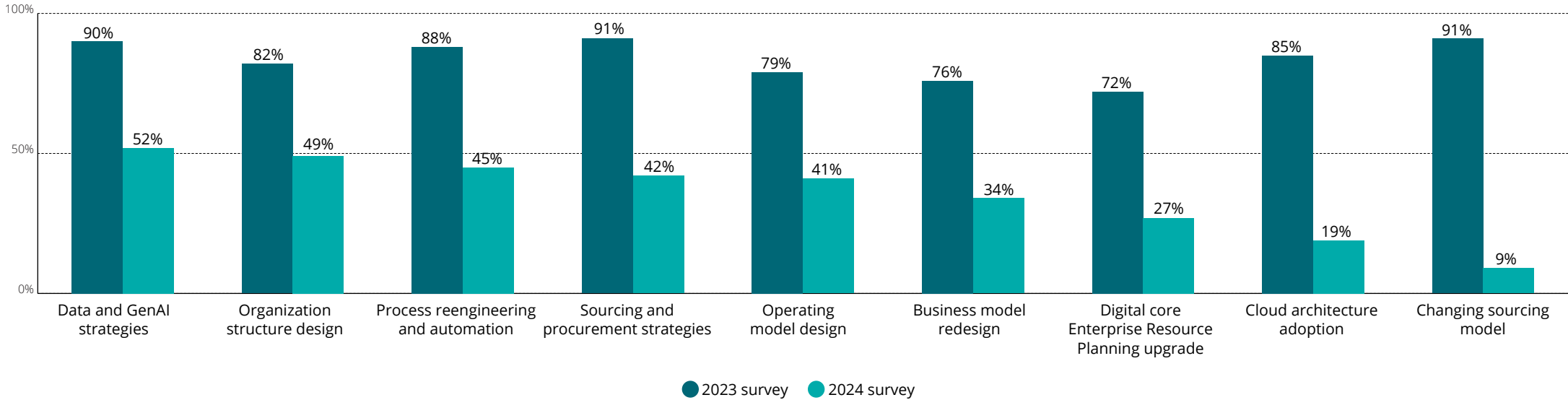
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There are several levers companies can pull as part of their margin improvement strategies and, previously, it was more common to see companies try to use many of them at once. Now, companies are pulling fewer of them. Of nine levers we asked about, only three—data and GenAI (52%), organization structure design (49%), and process reengineering and automation (45%)—made the lists of more than 45% of respondents. Last year, all nine levers appeared on at least 72% of respondents' lists.

## Levers considered for the coming year

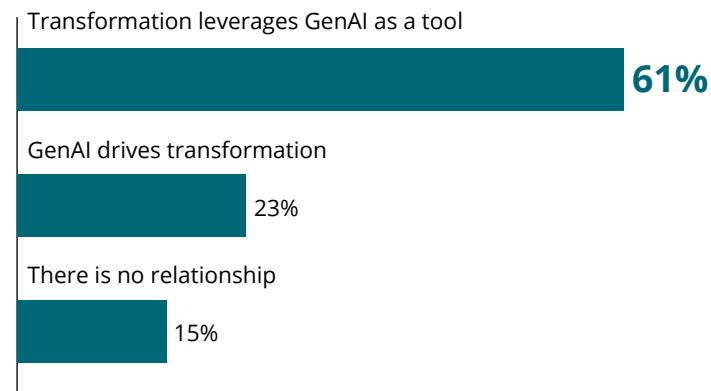


## Key findings

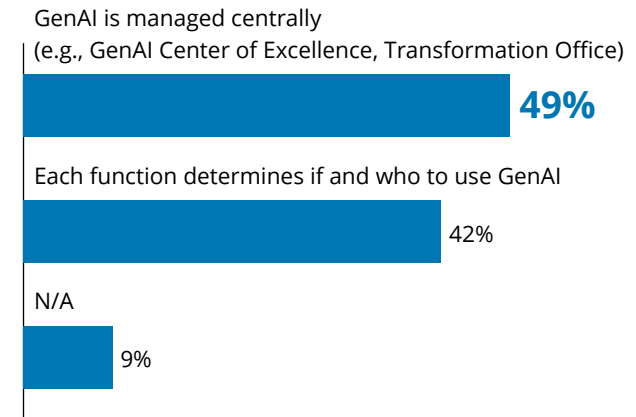
Companies are clearly embracing GenAI both as a tool to enhance their transformation outcomes and as a catalyst that drives their transformations.

The fast embrace of GenAI we reported (only 21% have not used it yet) is the tip of a larger technology spear. To become more scalable, agile, and resilient, many are applying GenAI as a tool either to support transformation (61%) or to take the lead in driving it (23%). GenAI is more likely to be managed centrally (49%) than on a function-by-function basis (42%).

### What is the relationship between transformation and GenAI in your organization?



### Is there an organization or function within your company that oversees GenAI Strategy centrally?



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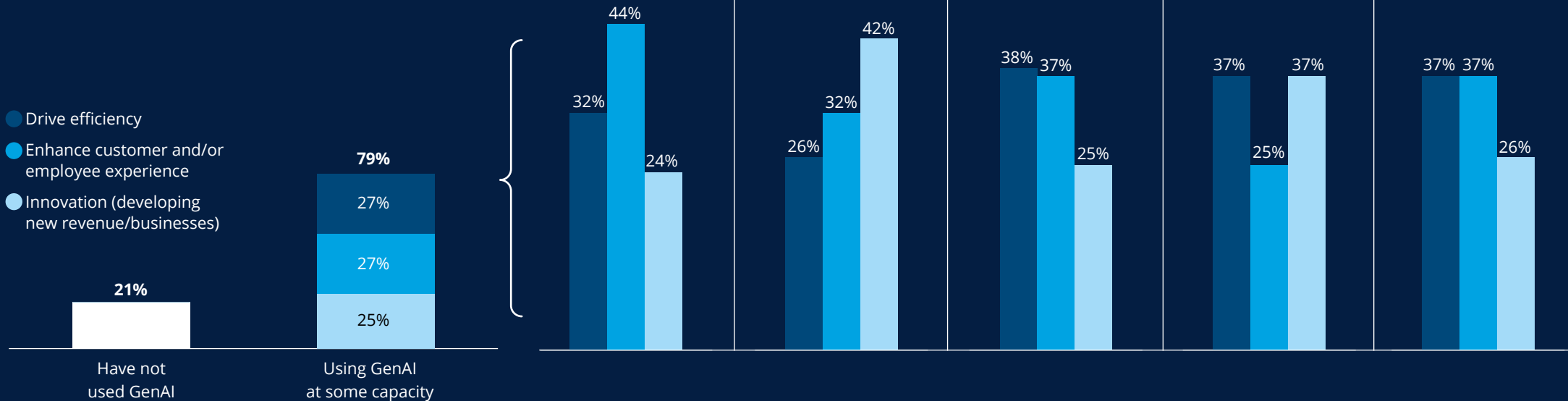
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# Key findings

## GenAI usage

GenAI is gaining widespread traction across industries, but each illustrates different goals and priorities for its use. And short of wholesale transformation, businesses are using GenAI to drive efficiency (27%), enhance customer or employee experience (27%), or develop new revenue or businesses (25%).



The Consumer industry leads the way in GenAI for customer and employee experience.



Technology, Media & Telecommunications is more likely than others to use GenAI to drive innovation.



Energy, Resources & Industrials focuses on driving efficiency through GenAI.



In Life Sciences & Health Care, GenAI efforts are evenly distributed toward efficiency and innovation.



Financial Services also splits the GenAI load, with efficiency and experience as the dual focal points.



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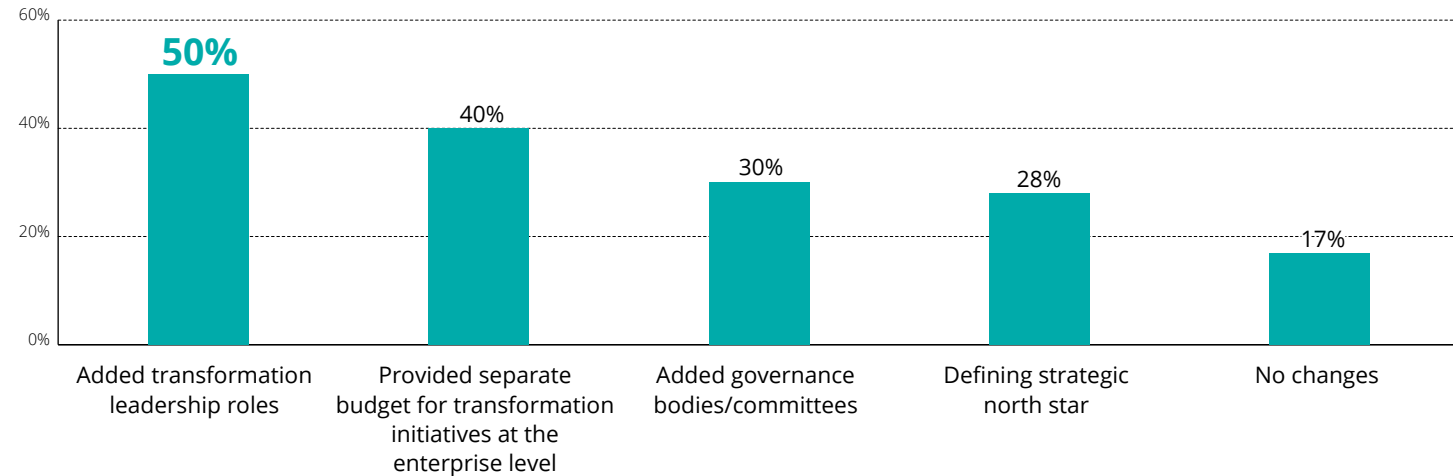
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## Key findings

Sustaining and improving margins will require leadership, management accountability, purposeful initiatives, and flexibility.

Transformation efforts cannot run on commitment alone, and leading practices to support them include more defined roles, structure, and funding. To create these foundations, half of respondents (50%) say they are adding leadership roles dedicated to transformation, and many are budgeting separately for transformation (40%) and adding governance bodies (30%).

Changes to transformation management  
2024 survey



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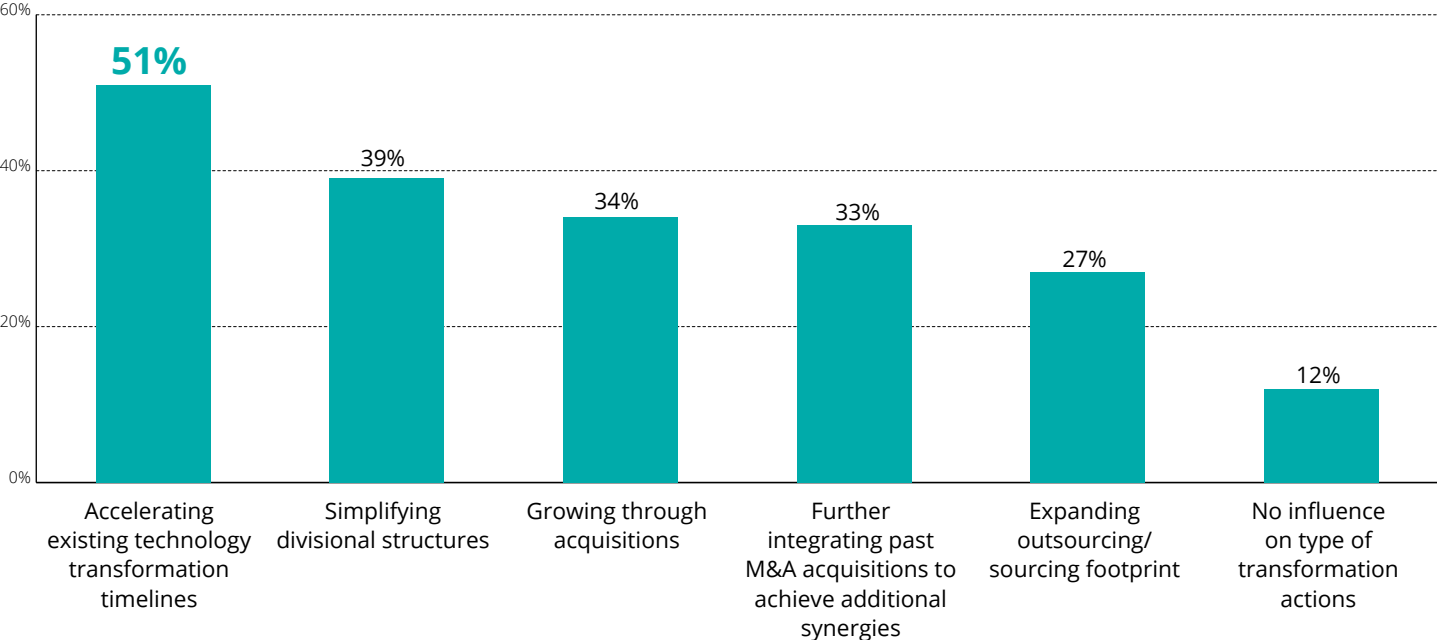
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# Key findings

Companies are taking actions to better manage their transformation programs. More than half are accelerating their technology transformation timelines (51%), while others are simplifying divisional structures (39%), growing through acquisition (34%), and seeking new synergies by pushing harder on the integration of past acquisitions (33%).

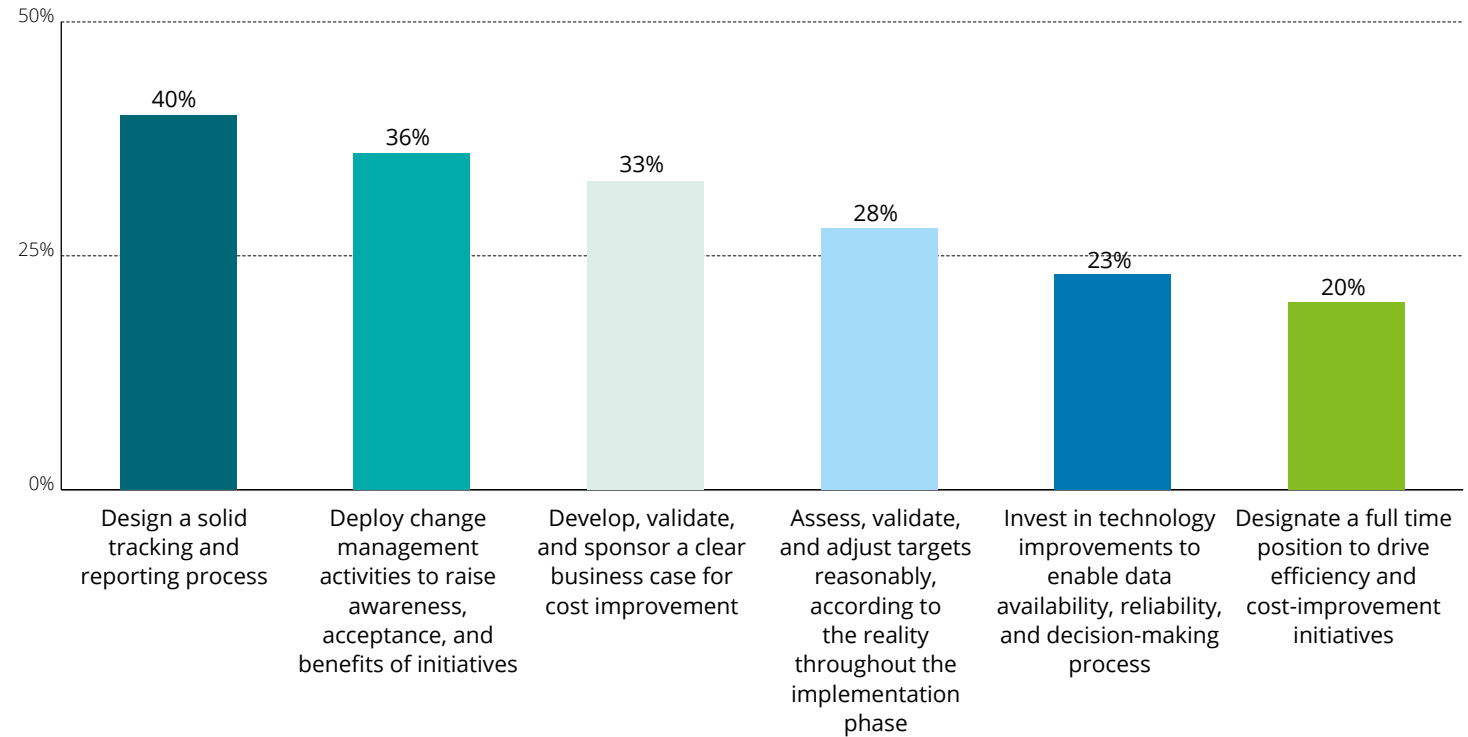
**Actions undertaken**  
2024 survey



## Key findings

Based on efforts to date, the most common factor companies have used to underpin cost-cutting efforts has been to add a robust tracking and reporting transformation process (40%). Management moves to cement awareness and buy-in (36%), sponsorship of clear business cases for cost improvement (33%), and making mid-process target adjustments based on reality (28%) are also popular tactics.

### Lessons learned 2024 survey



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# Taking action: Their lessons, your move

**When we say that executives are meeting today's uncertainties by "refocusing," it does not mean merely a shift from one view to another. It means a keener vision, an openness to new tactics, and a moment-to-moment awareness of what their companies and the markets around them are doing.**

That is a thread that ties together their switch from generic to targeted cost-cutting programs, their mounting acceptance, use of AI, and GenAI as not only tools but also transformation drivers, and their renewed commitment to putting a structural and governance base underneath the margin and cost crusade.

Today's uncertainty will likely reveal some enduring truths. The truth that is already apparent is that too few margin improvement efforts reach their goals—and the failure rate needs to change soon. The constraints that make it a tough road ahead come mostly from outside the company and outside its control. But the traits that can help a company overcome those obstacles mostly come from within—like technology innovation, governance, and leadership.

No matter what the road ahead looks like, the relationship between margin and growth never changes. And the job never gets easier. Many of the capabilities that go into sustaining and enlarging margin are different from the core capabilities a business brings to each day of creating, assembling, selling, or serving. That is why it is important to look up from the daily pulse of business to take stock of what is at stake. Protecting and building margin is not something an organization can afford to look past, much less take for granted, even when other concerns take up so much of leaders' attention. But with resolve—and focus—there is a path to growth that can help a company stand apart.



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## Taking action

Impact on board of directors: A fiduciary duty to drive value amid uncertainty

Boards have a constant fiduciary duty to oversee value creation for shareholders. As such, these failure rates are troublingly high.

50%

Of companies realized less than half of their margin improvement target.

82%

Missed their target.

So, what should you as a board member do? Executives have reported taking mitigation steps, including rescoping programs; enhancing tracking mechanisms; and investing in leadership, management accountability, purposeful initiatives, and flexibility amid uncertainty. It is essential for board directors to stay vigilant in light of the increasing failure rate, as effective board governance may be able to identify and mitigate issues and keep the strategy intact.

As your management team finalizes the transformational strategy, consider probing on the following questions:

- *Is there a clear business case for the margin improvement effort?*
- *Is a solid tracking and reporting process in place for the margin improvement effort?*
- *Is the management team agile in assessing, validating, and adjusting targets reasonably, according to the reality throughout implementation?*
- *Are you proactively investing in technology improvements to enable data availability, improve reliability, and facilitate decision-making?*
- *Are change management activities deployed to raise awareness, acceptance, and benefits of initiatives?*
- *Are leadership roles and budgets distinct for the margin improvement efforts?*



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# About the study

## Deloitte's MarginPLUS approach

Deloitte's MarginPLUS is a platform that merges deep strategy, restructuring, and analytics capabilities with advanced cognitive tools. It is designed to help companies capture value, effectively reinvest the savings, and make margin improvement built-in and sustainable. The MarginPLUS approach helps clients streamline their business, improve performance, and build cash reserves to fund investments, thus positioning them for long-term growth.

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## Acknowledgments

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Deloitte Consulting LLP's MarginPLUS study would not have been possible without the leadership and contributions of the following individuals:

Cesar Alfonzo, Alex Lucken, Sarah Allen, Parvathy M, Megha Agrawal, Ankit Luthra, Kanishka Jain, and Raturaj Solanki



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