



POWERING UP YOUR PROFITABILITY: EFFICIENCY OVER EXPANSION

HLB SURVEY OF BUSINESS LEADERS 2025





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KEY FINDINGS

LEADERS ARE CONFIDENT, BUT CAUTIOUS

46%

believe the rate of growth will increase this coming year

85%

are confident in business growth despite economic concerns

25%

increase in environmental/ climate risk between 2020 and 2025

EMERGING TECHNOLOGY DRIVES PERFORMANCE

69%

rate AI as the most important technology over the next 5 years

71%

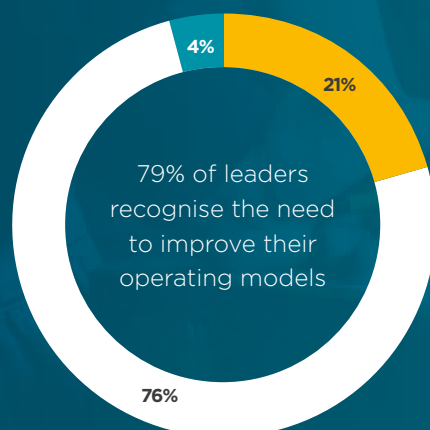
of leaders focusing on predictive analytics are using AI to track future trends

55%

are using AI to improve business agility

THREE PROFIT LEVERS

Operations



■ At optimum
■ Needing improvement
■ Ineffective

People



■ High-performing and engaged
■ Productive, depending on circumstances
■ Missing targets and disengaged

Innovation



■ Successful
■ Variable
■ Hard to make happen

CEO FOREWORD

Profitability is essential for the growth and sustainability of any enterprise, particularly amid challenging market conditions that demand greater agility and innovation. It enables businesses to navigate uncertainties with confidence. In this year's research, a shift in focus is evident: profitability takes centre stage over high growth rates.

With borrowing costs remaining high and capital less accessible, we see many businesses turning inward. They're refining operations, empowering their people, and enhancing innovation capabilities to fuel growth. Emerging technologies promise high returns but often on a delayed timeline, prompting leaders to balance ambition with pragmatism.

Our 2025 HLB Survey of Business Leaders, gathering insights from over 1,200 leaders across 50+ countries and enriched by expert interviews, sheds light on what drives profitability today.

The findings are compelling. The most profitable companies—those with profit growth of 5% to 10% or more—stand out for their agility and technology focus. Among these, 37% consider their operating model optimal as compared to less than 15% of their peers, underscoring the value of adaptability. Over the past decade, agile organisations with empowered teams have consistently outperformed their peers, demonstrating a unique ability to pivot quickly and capitalise on emerging opportunities.

Technological advances, such as the doubling of computer processing power every four years, are also accelerating innovation cycles. Leaders increasingly see artificial intelligence (AI) as a game-changer for the next five years. Many have refined their approach, transitioning from broad experimentation to targeted strategies aimed at enhancing human performance, analytics, and ultimately profitability. Notably, 44% of highly profitable companies are ahead on the AI maturity curve.

Beyond technology, cultural transformation is key. Profitable businesses are intentional about fostering a culture of innovation—breaking silos, encouraging collaboration, and leveraging AI and data analytics to understand market trends and customer behaviour. These actions create fertile ground for sustained profit and growth.

I would like to thank everyone who contributed their insights to this year's research. It is our hope that this report offers valuable guidance to business leaders navigating the complexities of today's market. If any of the findings resonate, we welcome the opportunity to discuss them further.



Marco Donzelli

Global Chief Executive Officer, HLB



BUSINESS PERFORMANCE IN FOCUS

Business leaders refuse to be complacent. In a world of constant disruption, companies have fine-tuned their approach: staying risk-ready while making calculated financial moves to safeguard profitability. They persist with modernising their operating models to enable new ways of work, new customer-facing offerings, and technology-driven innovation. Following the successful transformations, **85% feel confident in their company's ability to grow revenues in 2025.**

Market performance instils further optimism. Contraction in the EU economy has bottomed out, with GDP growth set to pick up to 1.5% in 2025¹. US GDP growth is expected to be 2.5% in 2025². China achieved a 4.9% headline real GDP growth in 2024, thanks to strong export figures³. In 2025, the regional GDP growth in APAC may reach 4.2%⁴. LATAM economies continue to show strong resilience with real GDP growth of 2.2% expected in 2025 in most markets⁵. As inflation declines and GDP accelerates, optimism increases. 46% of business leaders believe the rate of global economic growth will increase this coming year.

To fully capitalise on the improving market conditions, leaders still need to address operational weaknesses and future-proof their business models against persisting and emerging risks.

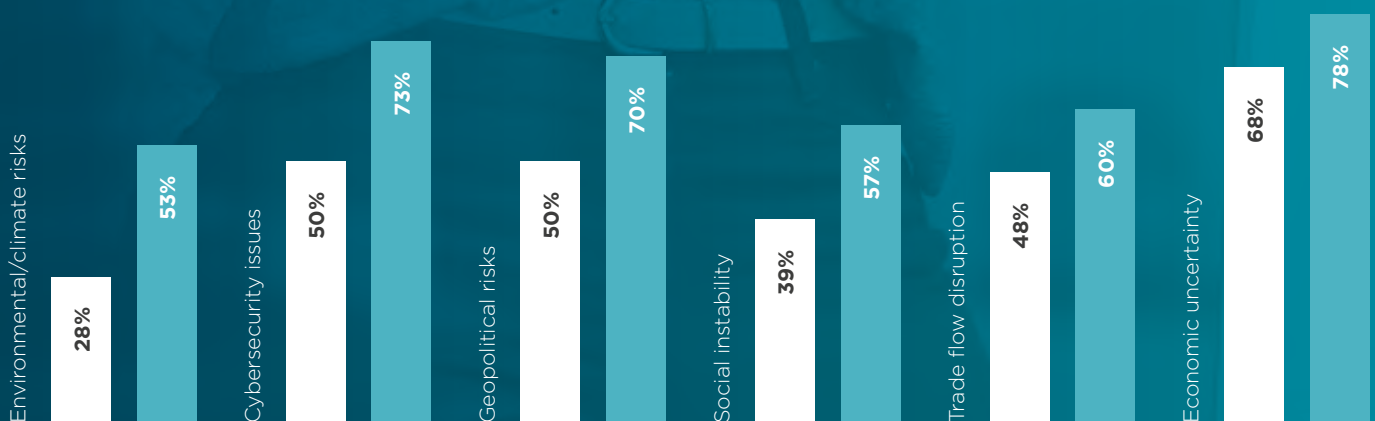
LEADERS CONFIDENT BUT FACE MOUNTING RISKS

With the current pace of change and the global nature of doing business, it is difficult to predict what the future holds. Information is instantly available and easily hyped, often creating a knee-jerk reaction on the markets. Cumulative risk concerns are at the highest level, up by 58% since we launched our survey 6 years ago. Economic uncertainty continues to remain the primary concern, followed by cybersecurity concerns, up 23 percentage points since 2021. Environmental and climate risks are up 25 percentage points from 2020. Misinformation, regulatory change, and evolving consumer behaviours are other rising risks.

The natural reaction to any danger is fight-flight-freeze-or-fawn—and the most successful organisations choose action over inertia. “There’s a lot of fear of further disruption, driving the desire to bake agility into the organisation’s DNA to pivot as these disruptions happen,” says **Colin Nelson, Chief Innovation Consultant, HYPE Innovation**. “Life cycles of organisations are reducing over time and that then creates a compelling reason to act in terms of protecting the future of the organisation”.

THE FASTEST GROWING RISKS TO BUSINESSES

Q: To what extent do the following risks to your business concern you? (showing ‘concerned’ and ‘very concerned’ combined responses)



THREE PROFITABILITY LEVERS: OPERATIONS, PEOPLE, AND INNOVATION

The business landscape of the 21st century is anything but predictable. New technologies emerge in a blip. Supply chains are reshuffled, and operational challenges arise in response to new consumer desires and changing societal expectations. Despite the disruptions, the fundamentals of building a high-performing organisation still hold true and this is reflected in our data.

This year, we asked how business leaders will both drive growth and power up their profitability—and three distinctive imperatives have emerged: high operational efficiency, engagement-driven people strategy, and customer-centric innovation.

Companies that reported a moderate or significant increase in profit margin over the last year are 3X more likely to rate their operating model as optimal, 1.3X more likely to have high-performing and engaged employees, and 1.9X more likely to rate its innovation as successful, than their peers. This report explores how others can optimise their operations, build future-ready teams, and adopt innovations thoughtfully.

ACTIONS LEADERS ARE TAKING IN 2025



OPERATIONS

65%

plan to improve operating efficiencies

54%

plan to adopt new technologies

50%

plan to spend more on automation and digitisation of core processes



PEOPLE

51%

plan to invest more in their people

32%

plan to address gaps in talent acquisition

55%

focus on training and development to encourage continuous learning



INNOVATION

45%

encourage a culture of innovation

71%

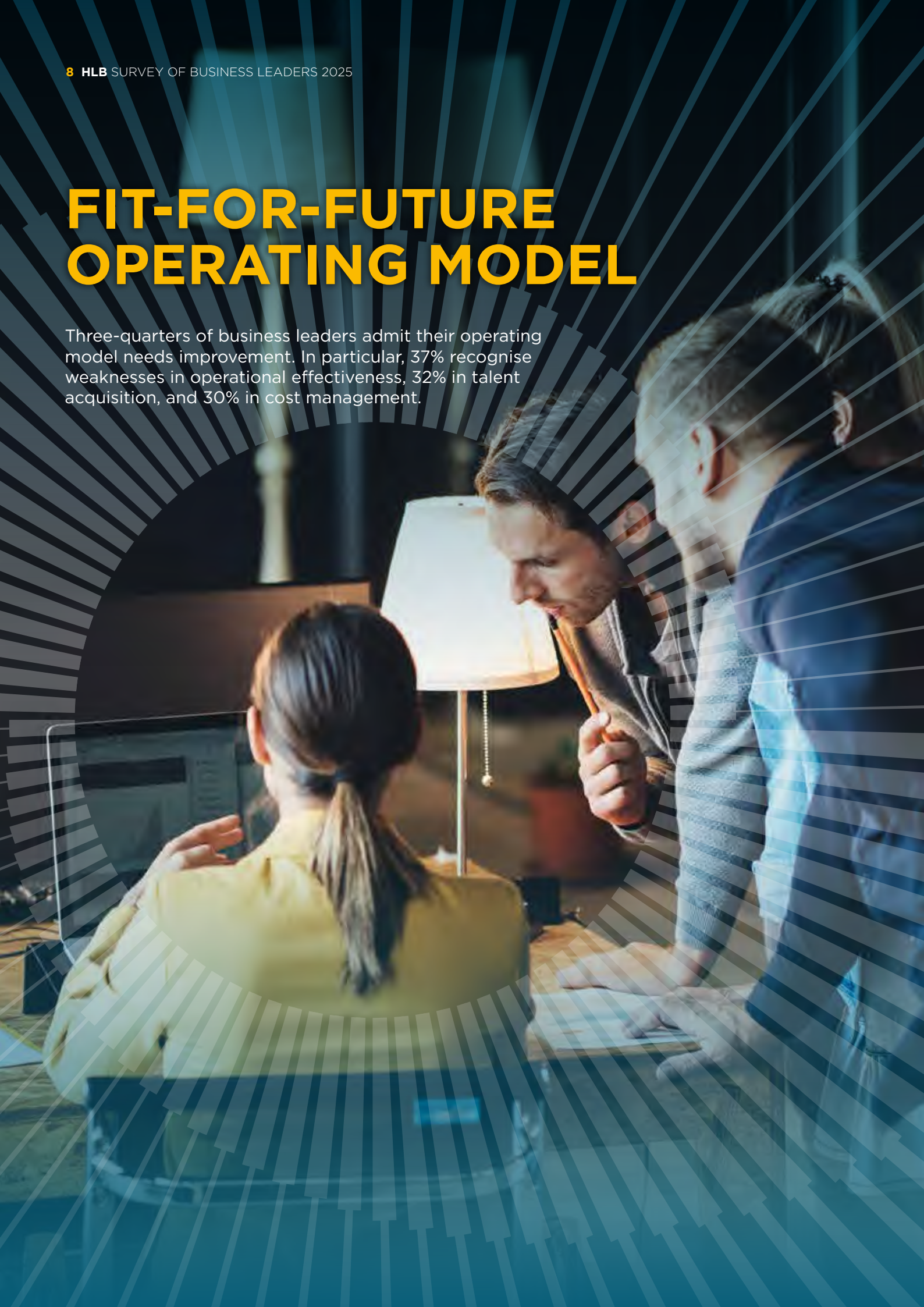
use predictive analytics to track future trends

67%

leverage AI to set up their innovation labs

FIT-FOR-FUTURE OPERATING MODEL

Three-quarters of business leaders admit their operating model needs improvement. In particular, 37% recognise weaknesses in operational effectiveness, 32% in talent acquisition, and 30% in cost management.



Internal operational excellence thus emerged as leaders’ primary aim in 2025. 65% are pursuing operational efficiency improvements and 51%—cost reduction, ahead of launching new services (46%) or seeking joint ventures (28%). To optimise their operating model, leaders are pursuing foundational, large-scale improvements. Almost half (46%) plan to streamline processes, including standardising and eliminating redundancies. An equal number plans to improve organisational structures.



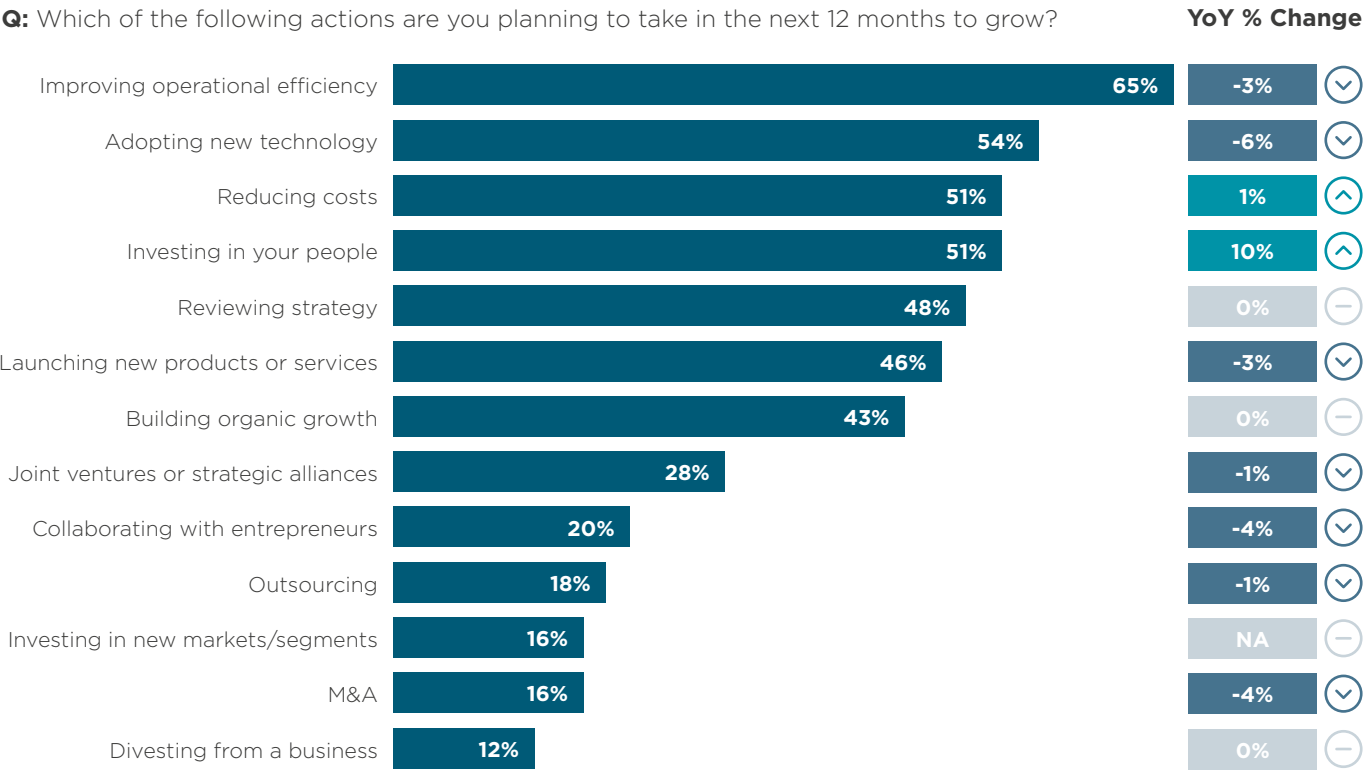
“We’re constantly looking at how we can do things better. There is that constant pressure to be reinventing yourself and improving the way that you work”.

Desiree Botica, CEO of New Zealand/Australia at Sysdoc

Sanjeevan Bala, Former Group Chief Data & AI Officer at ITV plc (a British media company) believes business leaders need three components to improve their effectiveness: horizon scanning, lean capital allocation, and faster learning cycles. Horizon scanning helps ITV to keep pace with emerging sector capabilities, technologies, customer behaviours and business models which appear in the market.

Yet, knowing what is happening in the marketplace isn’t enough—leaders must act upon this knowledge with agility. “A lot of companies have annual planning cycles,” says **Sanjeevan Bala**. “In the era we’re approaching, that could be too slow. So how do you adapt how you think about capital allocation and asset allocation [towards new priorities]?” The last dimension of effectiveness is learning cycles. “Can you sense the market? Can you adapt in terms of capital allocation and can you tighten these learning cycles?”—these are the keys to operational success, according to Bala.

TARGETING OPERATIONAL EXCELLENCE



TECHNOLOGY REMAINS THE CORE DRIVER FOR TRANSFORMATION

Beyond process improvements, the quest for efficiency and revenue growth is also supported by new technology adoption. 47% plan to upgrade existing technology systems and 40% want to enhance their data analytics capabilities. Of those taking action, over half are now using AI to support their efforts. Particularly 69% of those who are working to enhance data analytics capabilities are using AI to support efforts, as are 57% of those doing systems upgrades and 55% of those targeting improved business agility. “We’re looking at how we can accelerate service delivery and development for our clients through AI”, shared Desiree Botica. “The other thing we are very focused on is being more efficient and streamlining the way that we work.”

Leaders see artificial intelligence (AI) as the most important technology over the next five years—and have a growing number of tools in production. “We have used AI to enhance our recent recruitment journey,” shared a COO from the manufacturing sector. “Job descriptions, offer letters and new starter checklists were all generated by AI as a starting point and then edited by our team. This has saved hours of work in the last few weeks alone”.

A retail company, in turn, uses “AI tools to build a new customer relationship management system. It reduces admin time for the sales team, so they can be more engaged with customers.” A CEO of a LATAM energy company says they’re using AI to perform “specific survey and analysis of legal frameworks in Argentina, North America, Europe, Asia and Oceania”.

Overall, companies further on the AI maturity curve have found the technology value in improving operating processes and accelerating their R&D capabilities. In contrast, AI conservatives—21% of respondents who are cautious or doubtful about AI impacts—are more focused on function-driven automation, deploying AI primarily for customer service, employee training, and customer analytics tasks.

Desiree Botica, CEO of New Zealand/Australia at Sysdoc, (a business transformation consultancy)

believes that to maximise the value of AI, companies need to have really solid business processes, which is not always the case. Then apply AI as an extra ‘layer’ to accelerate and improve existing workflows. “In response to the current economic climate, companies are looking for cheaper ways to solve problems. AI can play a big

part in that,” she says. However, Botica also cautions about the possible risks. “We still need experts who can make sure that the information delivered to the customer is high quality because AI is certainly not safe for everything”.

PROFITABLE COMPANIES AIM FOR A DIGITAL OPERATING MODEL

Modernising your operating model can increase your profit margins by a significant amount. Profit Accelerators, representing 25% of total respondents, have seen their profit margins increase by 5% to 10% or more. Profit Stabilisers, representing 52% of total respondents, had their profit margins remain stable or grow at less than 5%. Profit Defenders, representing 14% of total respondents, have seen their profit margins decline between 5% to 10%+, over the past year. 9% preferred to not disclose the information.

37% of Profit Accelerators say their operating model is at optimum. In contrast, 85% of companies whose profit margins declined by 5% or more say their operating model needs improvement.

Although improving operational efficiencies remains the top priority area for Profit Accelerators, it’s less of a nuisance compared to others. Unlike Profit Defenders, of whom 66% focus on cost reduction and 58% on strategy reviews, Profit Accelerators aim for action. 61% plan to adopt new technologies to grow this year and 56% invest more in their people.

Profit Accelerators are also more technology-driven when it comes to operating model transformation. 69% plan to spend more on enhancing their cybersecurity and IT infrastructure. Three quarters of those who are targeting improved data analytics and 71% of those seeking improvements to business agility are using AI to do so.

French pharma company Sanofi, for instance, adopted AI to accelerate drug discovery and regulatory approvals. Algorithms help identify disease mechanisms, design new molecules with fewer side effects, and optimise clinical trial processes. The company identified 90 new therapeutic intervention targets with AI and applies algorithms to 75% of the small-molecule drug discovery portfolio. Gen AI has also helped automate about 60% of report generation for regulatory approvals, saving clinical teams about 40% of productive time.

PROFIT PERFORMANCE SEGMENTATION

Q: Over the last financial year, how did your profit margin change?

Profit Accelerators: Businesses with greater than 5% profit growth (n=313)
Profit Stabilisers: Businesses with -5% to +5% profit change (n=641)
Profit Defenders: Businesses with greater than 5% profit decline (n=170)



Profit Defenders are more operations-centred, prioritising process improvements and organisational structure improvements over technology system updates. Similar to Profit Accelerators, 64% want to leverage AI for better data analytics and 39% also see it as a tool for streamlining risk management. Interestingly, only 39% of Profit Defenders are considering AI as an option for streamlining workflows, which may be an oversight.

“AI technologies are increasingly providing a role in profitability increases because we can simply do things that we couldn’t do before,” **says Colin Nelson.** “I

suspect the biggest wins will come in places like the services sector where we can start to shift people away from low-value tasks to much higher-value tasks and to automate those that would have taken a lot of time and cost in the past”. Indeed, process automation is the top AI use case among Profit Accelerators, followed by ‘customer analytics’ and ‘customer service’—traditionally labour-intensive processes.

Yet, neither AI nor any other technologies can transform an industry on its own. To be operating at optimum, leaders need to have their people on board, both in terms of mind and skill sets.

PRODUCTIVE AND EMPOWERED WORKFORCE

The importance of investing in people has jumped this year by 10%. 51% of leaders are taking action on this to grow. Technology evolution calls for new workplace competencies. According to LinkedIn, about 25% of skills required to perform at work have changed, and by 2030 another 65% will further change⁶. Without sufficient workforce investments, leaders risk losing the tech-enabled growth momentum to pervasive skills shortages and high staff attrition rates.



"I feel that people's investment has become a causality of economics," shared **Melissa Clark-Reynolds, Director at Atkins Ranch Inc.** "What I am seeing now is that staff have become almost another commodity. More employers expect people to hone their skills on their own and there's not enough long-term investments in people's goals." This leads to ongoing imbalances in the labour markets.

IT skills shortages will remain a problem for at least 90% of businesses globally until 2026⁷. Similarly, only 1 in 8 workers today have one or more 'green skills' related to sustainable design, renewable energy, and energy efficiency⁸. Such an hourglass market dynamic with a hollowing out of the middle of the workforce and limited highly skilled talent availability poses substantial existential risks to businesses. They may soon find themselves even more pressed by labour and consumer market forces. Social instability risks have grown by 19% since 2020, misinformation and polarisation concerns increased by 8 percentage points since 2023.

To future-proof their workforce, 55% of leaders are investing in training and development to encourage continuous learning. Internal initiatives can help companies secure the skill sets which are in demand, especially around AI. "I would say AI is definitely an area where leaders are currently lacking not just in capacity, but in capability as well. Many don't have the skills to even know where to start," observes **Desiree Botica**. Learning and development (L&D) investments are key to cultivating these capabilities. TE Connectivity, a sensor and electronics manufacturer, launched a four-tier training program, covering everything from baseline digital literacy and AI usage at the workplace to acquiring specialised IT and model development skills. Overall, 47% of business leaders plan to increase spending on upskilling and reskilling programs in 2025.

By progressively upskilling their talent, leaders can also instil another important idea that "change is normal,



"There's an imbalance of digital skills, there's more demand than there is supply, and that also creates quite a lot of structural challenges in the market".

Sanjeevan Bala, Former Group Chief Data & AI Officer (CDAIO), ITV & FTSE NED

disruption is normal," notes **Colin Nelson**. "We want to ensure that people feel like they can challenge orthodoxies and challenge conventional ways because the business models that we've had in the past are probably not going to sustain us in the future".

Culture can be a major driver or inhibitor of efficiency and innovation. Especially, when the workforce not only lack the skills, but also an emotional connection to the company's mission, and thus motivation to support leadership ambitious initiatives.

Employee engagement rates are at historical lows and the slowdown in the job market is making workers more unhappy as many struggle to find a new opportunity or feel trapped in an unfulfilling role.

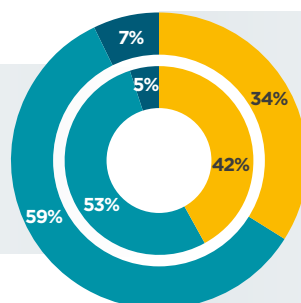
Among respondents, only 37% rate their workforce as highly performing and engaged, while 57% view their people as mostly productive depending on circumstances. However this varies by sector, 43% of organisations in the technology sector have high engagement rates vs 34% in retail and construction. Interestingly, small and medium businesses (SMEs) with revenue of under \$99 million are more likely to face workplace engagement issues than enterprises.

EMPLOYEE ENGAGEMENT VARIES BY COMPANY SIZE

Q: In your opinion, are your people generally ...

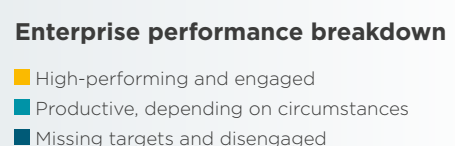
SME performance breakdown

- High-performing and engaged
- Productive, depending on circumstances
- Missing targets and disengaged



Enterprise performance breakdown

- High-performing and engaged
- Productive, depending on circumstances
- Missing targets and disengaged



BUILDING AN ENGAGED WORKFORCE

To increase workforce productivity and engagement, organisations plan to focus on improving staff training and development programmes (55%), company culture and purpose (47%), performance management (44%), people engagement and internal communications (44%), and workplace wellness (42%).

“When we talk about culture, first we need to think about behaviours,” stresses **Colin Nelson**. “There is no cultural change without behavioural change”. According to Nelson, many organisations still struggle to articulate how the wider changes will affect employees, reinforcing their confidence not just in corporate vision, but in how the company will remain a good place to work and to build their career.

Engagement is an important pillar of talent retention. Businesses aren’t necessarily short on people, but often face talent droughts in the middle, especially when it comes to retaining talent with in-demand, digital skills. Low morale, ongoing stress, and lack of a ‘buy-in’ for the company’s vision can result in attrition.

People had to power through the pandemic, adapt to remote, and now hybrid work, and get comfortable with cloud technologies, more advanced data analytics, and lately AI systems in several years, oftentimes with insufficient support from the leadership. Subsequently, two-thirds of employees are experiencing change fatigue⁹.

Emerging technologies like AI can help leaders better understand their people’s capabilities and needs and link these to wider organisational goals. Although not the top focus areas for improvement, of those leaders working to improve workflow and workload management, half are using AI to support this. For those looking at staffing models and skills audits, AI is supporting 47% and 45% of these businesses respectively.”The algorithmic ability to process large amounts of data and engage in more complex scenario planning can help leaders make more informed workforce management decisions.

Lucerne Cantonal Hospital recently deployed an AI-powered scheduling system to generate draft schedules that account for staff preferences and legal requirements. It reduces the planning efforts by two-thirds, while also promoting better employee wellbeing. JPMorgan Chase adopted an AI workplace assistant to monitor employees’ mental health and provide on-demand support. The chatbot offers advice on everything from improving sleep, reducing stress, and developing emotional intelligence. It also provides insights into employees’ anxiety, depression, and burnout risk. Since launching the programme, JPMorgan Chase reported a 22% decrease in anxiety and burnout levels and a 40% improvement in overall resilience.

TRAINING AND DEVELOPMENT TO ENCOURAGE CONTINUOUS LEARNING PRIORITY FOR IMPROVEMENT

Q: Which of the following areas are you focusing on to improve workforce effectiveness and engagement?





63%

of Profit Accelerators intend to increase staff remuneration and rewards in 2025

PEOPLE INVESTMENT CORRELATES WITH PROFIT GROWTH

Our data suggests a clear correlation between profitability and workforce engagement. Companies with high-profit margin growth are 1.3X more likely to operate with a highly engaged, productive workforce.

Profit Accelerators are more actively investing in their people. 64% plan to spend more on L&D. 50% are improving performance management and 47% are working on improving succession planning. A notable 63% of our respondents also plan to increase staff remuneration and rewards in 2025.

Companies whose profits declined last year appear less proactive about talent acquisition or retention. While 56% of Profit Accelerators plan to increase hiring budgets, this drops to 25% for Profit Defenders. Only a third of Profit Defenders plan to focus on nurturing future leaders and developing new career paths or improving workforce wellness and environment. Instead, the top focus areas are company culture and purpose improvements (49%), followed by L&D.

Sanjeevan Bala, however, cautions leaders against shifting budget away from investment in people. “I think the market felt technology was going to be a key piece [of profitability] and oversteered on technology investments,” he says. “But what many now realise is that none of the value gains will happen without changes on the people side.” Bala believes that the one big piece of greater profitability will be around “empowering leaders, once they’ve gone through an upskilling programme, with the right skills and tools to determine what’s going to drive value within their organisational area.”

Technology investments in support of managing your workforce are a means to an end. Deploying them in the right places ultimately creates the capacity for employees to implement and maintain improved processes, bridge their skill gaps and create learning opportunities which support a culture of curiosity and innovation.

IGNITING INNOVATION

Innovation has become a North Star metric for many businesses, especially incumbent ones, who feel the tighter squeeze from new competitors, eroding their market share. Yet, only 35% of business leaders stated that innovation is successful in their organisation. The majority, 53%, rate their efforts as variable. The degree of successful innovation decreases to just 18% among Profit Defenders.



“[Some companies], haven’t normally had to innovate or survive”, says **Colin Nelson**. “So they don’t necessarily have that innovation engine which gives them that natural agility that you might see in other sectors”. However, developing one is now critical because of the wider changes in the market conditions and customer demands. “We’ve had credit crises, we’ve had global pandemics, we’ve had wars and these disruptions are getting more regular. At the same time AI technologies are emerging and there’s a move towards a more sustainable economy,” **Nelson** adds. This makes innovation vital for agility and ongoing prosperity.

To rev up their innovation engine, 45% of leaders plan to encourage a culture of innovation. But what does it mean in practice? **Sanjeevan Bala** says there are three typical phases of innovation: Ideation, where leaders come up with loads of ideas. Then experimentation, where companies try something new. The third phase is dispersion — where you develop capabilities to scale innovation sustainably across the entire company. “And that is where a lot of companies fail,” Bala says.

To avoid such scenarios he encourages leaders to think about the ‘why’. Does your company want to pursue this opportunity because of an existential threat to the business model, a shift in the market, or due to some internal need? “The second thing from there, once the why is very clear, is focusing on a value generative strategy—one that will either drive top line or bottom line growth in terms of margins,” Balla says. He recommends leaders map value cases, rather than use cases, for each considered idea to prioritise them and measure their impacts. “Once you have the value maps, it’s easier to set the right objectives and KPIs to drive new organisational behaviours.”

In addition, 37% of leaders want to encourage better cross-functional collaboration — a goal, also supported by wider improvements in organisational structures and workflows. Sanjeevan Bala agrees this is an important step as many leaders often develop a very insular view about specific business problems because they have been in the same sector for years. “Leaders need to develop a growth mindset—a way to cast an outside perspective on the finance function, for example, or the marketing function. It’s really important to look beyond the same area you’re working within and bring in some external ideas to [stay innovative].”



“Where’s the highest yield? Where’s the highest value to a customer? How do we make sure that we get the highest possible return? I think you see companies struggle when they try and do both. You have to pick one of those and be incredibly good at it”.

Melissa Clark-Reynolds ONZM, ChFInstDm,
Director, Atkins Ranch Inc.

CUSTOMER-CENTRICITY; KEY DRIVER

Customer behaviour data collection and analytics is a capability 35% of leaders want to improve to become more innovative. “Over the last ten years, our organisation has moved from being very product-led to being very customer-driven, which is driving our innovation,” **shared Melissa Clark-Reynolds**. From her experience, the most successful transformations started with a deep understanding of customer value and its subsequent alignment with the business model.

AI has dramatically increased the speed, breadth, and depth of customer analytics businesses can run to inform their strategy. Australian retailer Kmart adopted a new customer data platform to better engage with its addressable customer pool through multiple channels (email, web, and mobile). Using better analytics and consolidated data, the retailer gained a deeper understanding of customer behaviour, programmed more personalised product recommendations, and introduced dynamic offers — all leading to a 20X improvement in engagement rates, and ultimately profitability.

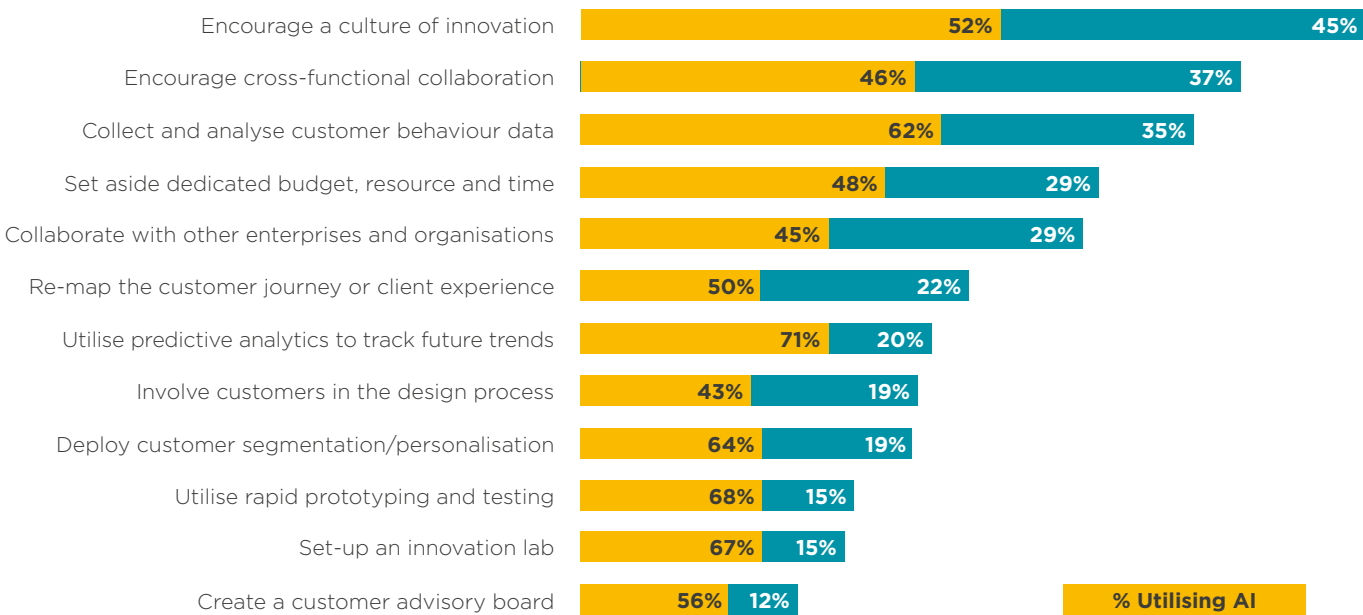
Apart from optimising their current capabilities, leaders are also using AI to gain better operational foresight and move at faster speeds. Although not in the top focus areas for innovation improvements, AI is being used to support those business leaders making efforts to track future trends using predictive analytics (71% are using AI to support this), as well as in support of rapid prototyping and testing (68%) and in the setting up of an innovation lab (67%).

“I would focus more on setting up an Innovation Lab,” encourages **Desiree Botica**. “I think leaders must be more deliberate about encouraging innovation because it doesn’t just happen magically. We need to establish

projects, we need to have budgets, we need to have project plans, and we need to have a very clear set of actions to ensure that we get to where we need to from an innovation perspective”.

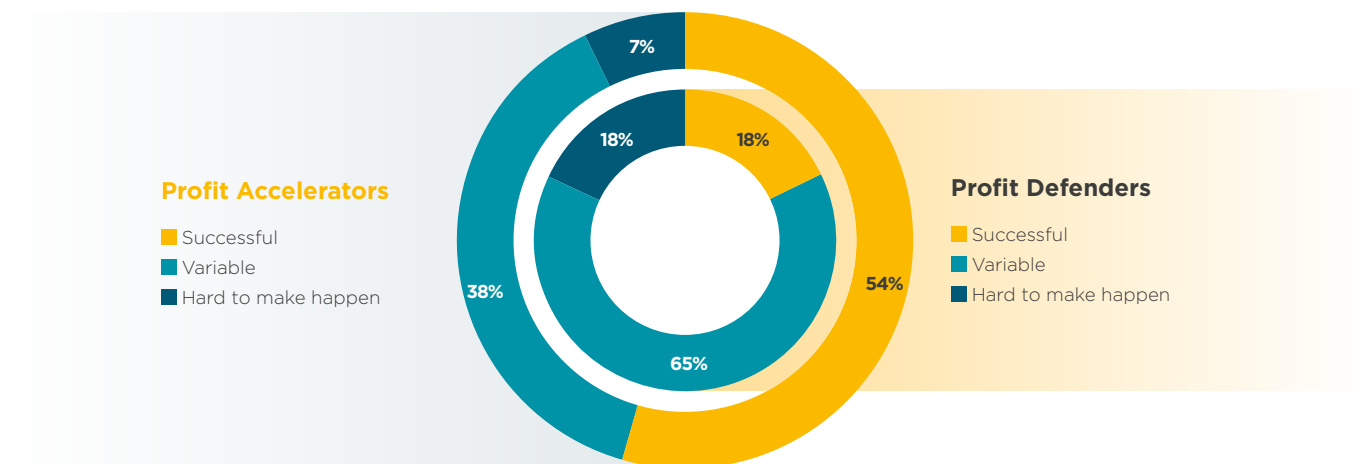
AI IS BEING DEPLOYED TO GAIN FORESIGHT AND INCREASE INNOVATION AGILITY

Q: Which of the following actions are you taking this year to improve how your organisation innovates?



PROFIT ACCELERATORS: EMBRACING TECH — POWERING INNOVATION

Q: How would you describe innovation in your organisation?



TECHNOLOGIES DRIVE INNOVATION

Over half of Profit Accelerators rank their innovation as successful. They are more inclined to adopt new technologies and more eager to invest in new market and segments.

Curiously, Profit Accelerators and Profit Defenders share a similar appetite for launching new products or services—50% vs 42% and building organic growth at 50% vs 47%. However, they appear to have different approaches to these objectives.

Of the 22% of Profit Accelerators who are setting up an innovation lab to improve their innovation capacity, 81% are using AI to do so. Perhaps to become more intentional with time, effort and funding allocation towards R&D activities. **Sanjeevan Bala** agrees that AI can give many businesses a competitive advantage. But its adoption also requires “process change and culture change to happen for leaders to go through the flywheel of learning in faster cycles,”—and that’s what profitable companies appear to be doing. ‘They are early twice as likely to use AI for rapid prototyping than Profit Defenders. A larger proportion of leaders are setting up a customer advisory board and deploy AI-powered segmentation and personalisation models.

Profit Defenders appear to be certain that greater operating efficiencies will lead them to a profitability path. But they’re slightly less likely to set aside a dedicated budget, resource, and time for innovation. Without this deliberation, progress will likely stall as your teams would be more inclined to deal with short-term, immediate priorities.

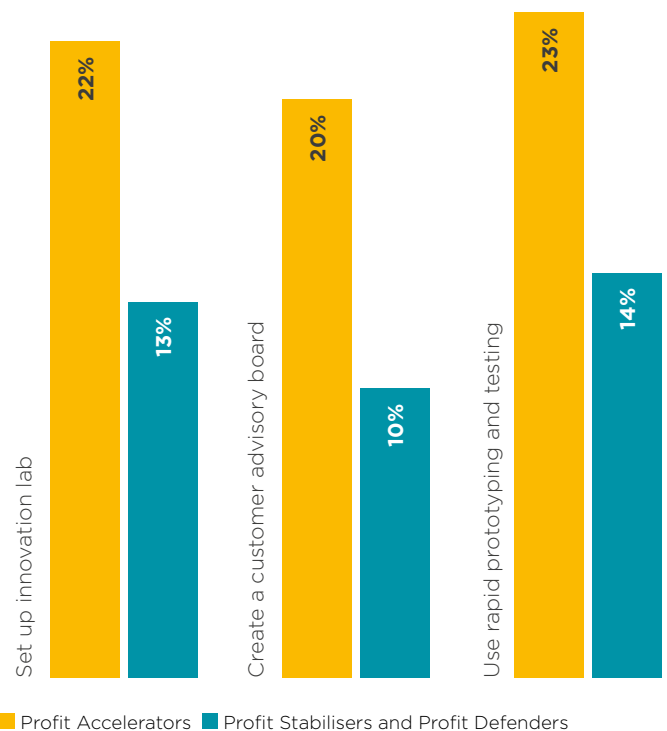
Finding extra resources, however, can be challenging. Especially, when early pilots did not fully deliver on the expected results. “The reality is there are always some areas of digital transformation that perhaps didn’t deliver what you expected or they’re not very user-friendly or they’re not that efficient,” says **Desiree Botica**. “I think AI allows you to target those areas and incrementally improve where perhaps another approach like a digital transformation didn’t quite deliver.”

81%

of Profit Accelerators setting up an innovation lab are using AI to enhance their efforts

PROFIT ACCELERATORS ARE MORE LIKELY TO BE SETTING UP A INNOVATION LAB AMONGST OTHER MEANS TO INNOVATE

Q: Which of the following actions are you taking this year to improve how your organisation innovates?





“What I see is a move towards more network business models, where we are one part of an overall system and we organically shift the partners and the organisations we work with to deliver a capability, as new needs emerge”.

**Colin Nelson, Chief Innovation Consultant,
HYPE Innovation**

Profitable companies also realise that innovation is a joint effort, often leveraging their partners' strengths to gain the missing capabilities or capacities for production. They are more likely to collaborate with other organisations. Strategic partnerships can help companies become 'asset lighter' by channelling more resources into core areas, rather than spreading themselves too thin across multiple. This approach is working for NVIDIA, whose gross profit margins are among the highest in the semiconductor sector—75% against 46% of Intel or 40% of Advanced Micro Devices Inc. High demand and innovative design are certainly part of higher profitability, but so is the fact that NVIDIA uses strategic partners to manufacture its high-performance computer chips.

The equivalent of NVIDIA's 'fabless' approach, one where companies focus only on hardware design and sales, rather than manufacturing, is also present in other industries. Automotive companies focus on vehicle design and software development while using partners to produce new battery components. In the services sector, more businesses are building partnership ecosystems to expand their service portfolios and acquire missing capabilities.

POWERING UP YOUR PROFITABILITY: THE FORMULA FOR SUCCESS

Businesses have fought a hard comeback from multiple and interrelated crises. They face heightened performance objectives and will need to raise their sights and power up their profitability. To remain successful business leaders are maintaining a relentless focus on the customer, streamlining operating models and investing in improving the effectiveness of their people.

If this wasn't enough, businesses are busily working out where and how to deploy new technologies—now the critical differentiator. Finding the right balance between these competing priorities will be essential to achieving higher performance objectives required to compete and succeed in the new hyper-competitive business landscape.

Reviewing the intentions of the most profitable companies in our sample provides us with valuable insight into which priorities are delivering the best performance outcomes: the highest margins and confidence in future growth. Granted, the 313 Profit Accelerators have a slightly higher representation of larger business entities than our overall sample of 1,242 respondents. However, representation across regions and sectors is fairly similar between the two segments. So, something else must be at play?

Our Formula for profit acceleration provides more detail on the differentials. It's clear that these entities are more forward-looking, technology-driven, and talent-centric. 67% plan to increase their budgets on digital transformation and technology adoption in 2025, while also investing more in their people and improving their ability to innovate.

Compared to peers, they're more committed to strengthening their risk management, improving sustainability, and optimising supply chains as part of their operating model transformation (numbers indicate the difference in the percentage of respondents focusing on each area). More advanced uses for AI technologies from data analytics, system upgrades, and support for sustainability capabilities appear to be delivering a competitive edge.

Equally, the most profitable cohort is more active in supporting their people through upskilling, performance management, and better succession planning, allocating more funds to higher employee compensation, new L&D initiatives, and extra hiring. At the same time, they're effectively deploying AI to support new staffing models, conduct internal skills audits, and optimise workload management.

Subsequently, companies that report a moderate or significant increase in their profit margin over the report higher levels of confidence in business growth in 2025.

A FORMULA FOR PROFIT ACCELERATION

What can you learn from the Profit Accelerators to fuel your success? We've summarised their 2025 growth actions, key focus areas across the three profitability levers, and their approach to deploying AI.

OPERATIONS

TOP ACTIONS PROFIT ACCELERATORS ARE ACTING TO IMPROVE OPERATING MODELS

- 1

Upgrade technology systems
- 2

Improve organisational structure
- 3

Strengthen risk management

USING AI TO POWER-UP OPERATIONS

- Data analytics capabilities
- Improve business agility
- Systems upgrades

PEOPLE

TOP ACTIONS PROFIT ACCELERATORS ARE ACTING TO IMPROVE WORKFORCE

- 1

Training and development to encourage continuous learning
- 2

Performance management
- 3

Succession planning, future leaders and career paths

USING AI TO POWER-UP PEOPLE

- Staffing models (incl contractors and gig workers)
- Workflow and workload management
- Skills audits

INNOVATION

TOP ACTIONS PROFIT ACCELERATORS ARE ACTING TO IMPROVE INNOVATION

- 1

Encouraging a culture of innovation
- 2

Encouraging cross-functional collaboration
- 3

Collecting and analysing customer data

USING AI TO POWER-UP INNOVATION

- Setting up an innovation lab
- Rapid prototyping and testing
- Predictive analytics to track future trends

WHICH OF THE FOLLOWING ACTIONS ARE YOU TAKING IN THE NEXT 12 MONTHS, IN ORDER TO GROW?

- 64%

Improving operational efficiency
- 61%

Adopting new technology
- 56%

Investing in people
- 50%

Launching new products
- 50%

building organic growth

313 LEADERS ARE
PROFIT ACCELERATORS*
(25% OF TOTAL RESPONDENTS).

WHAT SETS THEM APART:

OPTIMISED OPERATING MODELS

37% of Profit Accelerators are running operating models at an optimum vs 14% Profit Stabilisers and Profit Defenders

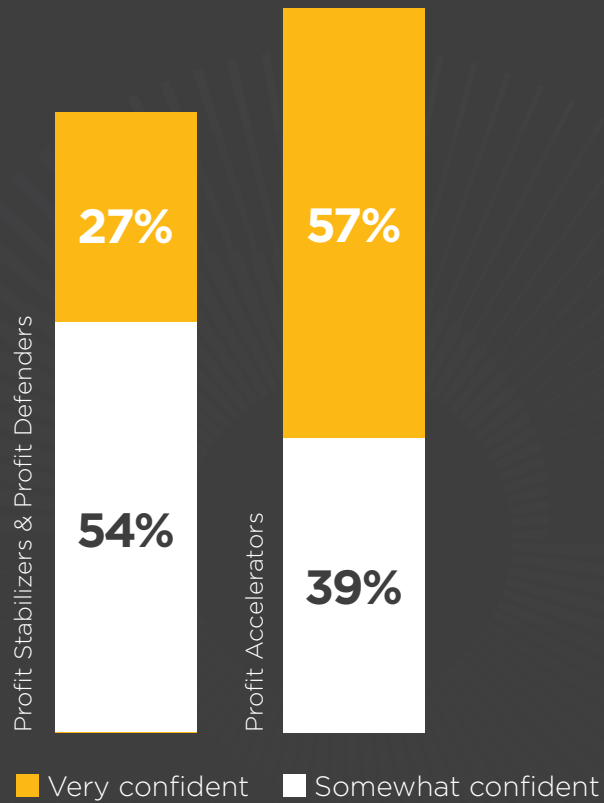
HIGH PERFORMING TEAMS

45% of Profit Accelerators report having a high-performing and engaged workforce vs 33% Profit Stabilisers and Profit Defenders

OPTIMISED OPERATING MODELS

54% of Profit Accelerators are successful innovators vs 28% Profit Stabilisers and Profit Defenders

HIGHER CONFIDENCE IN COMPANY'S ABILITY TO GROW REVENUE IN 2025



* Profit Accelerators have greater than 5% profit margin growth (many sporting 10%+ growth in margins)

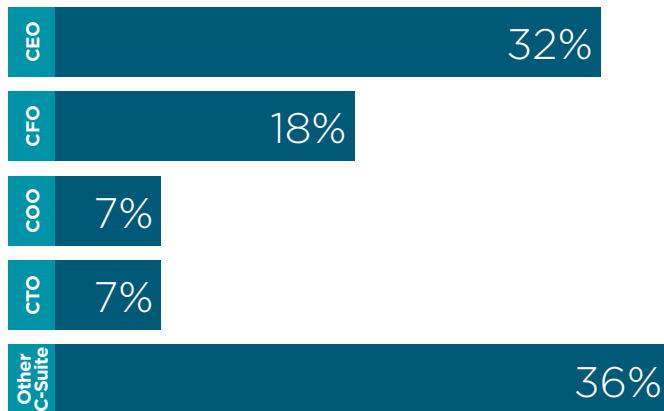
RESEARCH METHODOLOGY

Between September and November 2024, HLB has collected **1,242 survey responses** from business leaders across **55 countries** and a broad range of industry backgrounds. Responses were collected via an online survey tool or telephone interview. The research sample was selected and controlled via HLB firms from their CRM data and supplemented with external market responses. In addition to the quantitative data, **four in-depth interviews** were conducted via video calls with various subject matter experts. The base for all figures is 1,242 unless otherwise indicated.

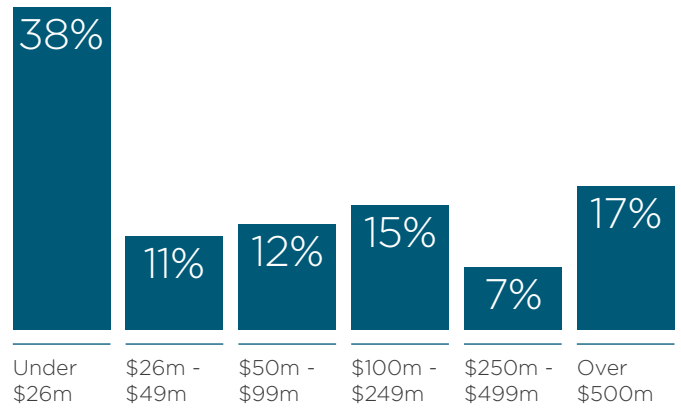
Note that not all figures in this report sum up to 100% as a result of rounding percentages, excluding neutral responses or when respondents could choose more than one answer. More data and information about this survey is available upon request. Please contact:

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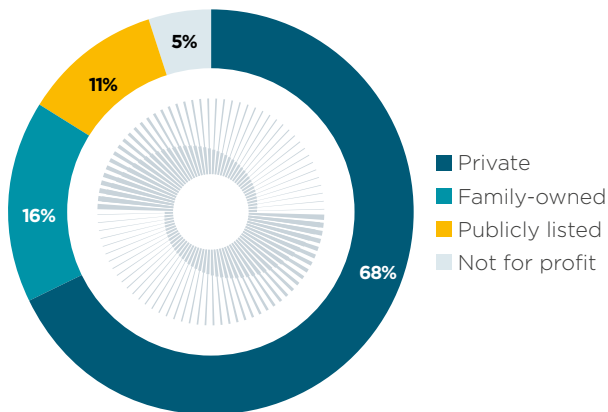
RESPONDENTS BY TITLE



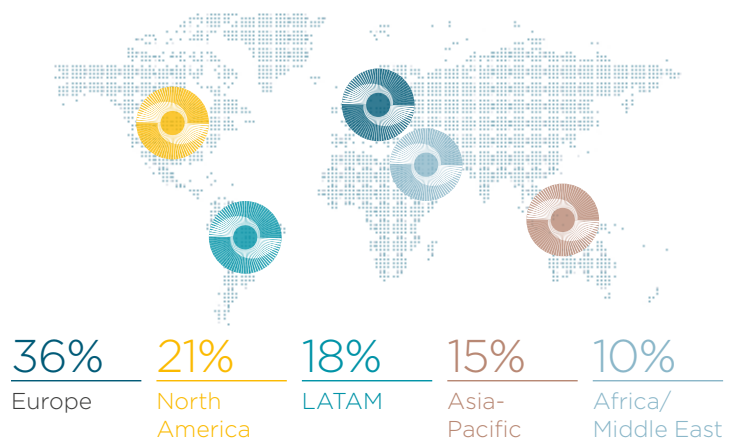
COMPANY SIZE BY ANNUAL REVENUE US\$



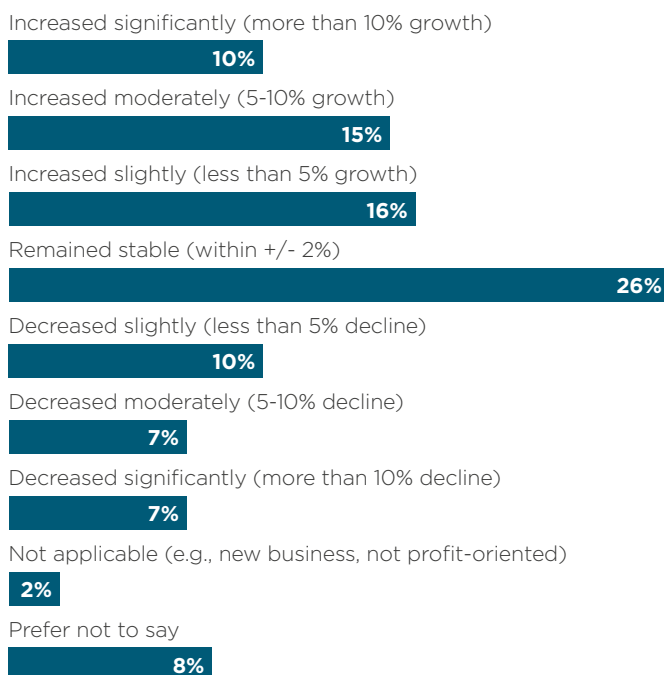
RESPONDENTS BY COMPANY TYPE



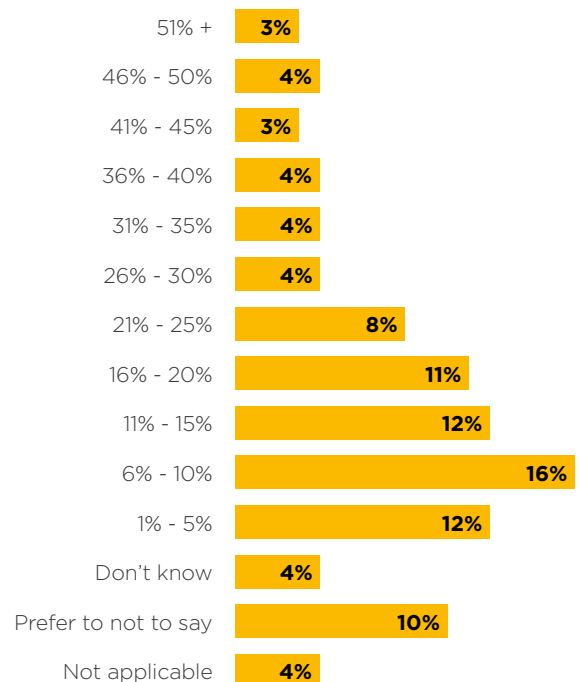
COMPANY HEADQUARTERS



PROFIT MARGIN CHANGE



PRE-TAX PROFIT MARGIN PERCENTAGE



IN-DEPTH INTERVIEWS



In addition to our quantitative research, this year we interviewed four subject matter experts on the topics of AI, digital transformation in business and people. Each 45-minute interview was conducted in late November. The findings from the survey were shared with the interviewees for their feedback and perspective.



Melissa Clark-Reynolds ONZM
ChFInstDm, Director, Atkins Ranch Inc.

Melissa is a certified futurist renowned for her expertise in technology, innovation, and entrepreneurship. Recognized with the Officer of the New Zealand Order of Merit in 2015 for her contributions to technology, she has advised governments, Iwi, Fortune 500 companies, and startups on navigating uncertainty and fostering innovation. Based in New Zealand, Melissa combines a global perspective with a background shaped by her upbringing and education in both the United States and New Zealand.



Colin Nelson
Chief Innovation Consultant, HYPE Innovation

Colin brings over 20 years of experience in corporate and community innovation, starting as an intrapreneur in the technology sector before transitioning to consultancy. A social scientist at heart and a thought leader in collaborative innovation, he has been instrumental in helping organizations and communities harness collective intelligence to drive meaningful impact.



Desiree Botica
CEO - New Zealand/Australia, Sysdoc

Desiree is a founding member of Sysdoc and has played a pivotal role in the organization's growth over the past 33 years. Appointed CEO for New Zealand and Australia in 2016, she leads the regional leadership team and serves on the global board. In her role, she oversees Sysdoc's business operations, drives the company's strategic direction, and ensures operational excellence across the organization.



Sanjeevan Bala
Former Group Chief Data & AI Officer (CDAIO),
ITV & FTSE NED

Sanjeevan is a visionary leader in data strategies with executive experience across industries including retail, healthcare, financial services, media, and technology. He has held senior international roles driving growth through innovative, value-driven data initiatives and serves on multiple advisory boards. Twice appointed as a FTSE board member, he teaches AI to GEMBA students at INSEAD and is recognized globally as a leading AI thought leader, earning numerous awards for innovation and diversity.

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Pablo Kaplan

Manoj Kumar

Jude Lau

Coco Ke Liu

Natalia Lizaran Perez

Pablo Maldonado

Yusuf Malik

Ralph Mitchison

Renato Sella

Shannon Smith

Susanna Spada

Nikola Verespejova

Bart de Volder

ENDNOTES

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HOW HLB CAN HELP

With technological advancements evolving at an ever-accelerating speed, businesses are looking to understand the competitive advantage new digital technologies such as AI can offer them. Our findings suggest significant differences in potential business outcomes between businesses embracing AI technologies and those more cautious about adoption. A structured approach is needed to effectively reduce risk and gain ROI from digital transformation efforts. If you would like to explore the findings in this report and how they inform your next phase of transformation and growth, we would welcome the opportunity to discuss these with you.



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