



Executive
Perspectives

The CEO's Guide to Costs and Growth

Strategic Priorities and Opportunities in 2024

January 2024



Introduction to this document

2023 was associated with challenges, particularly rising interest rates and geopolitical tension. Our 2023 research highlighted that cost management was a paramount concern for CEOs and a broader set of C-suite executives during this period.

We surveyed more than 600 global executives across various industries in November and December 2023 to understand leaders' perspectives on the macroeconomic outlook and strategic priorities for 2024, with a focus on cost management. In addition, we interviewed many BCG experts to support our findings.

This report highlights CEO and C-suite leaders' perspectives on the macroeconomic outlook and strategic priorities, with an emphasis on the success factors for achieving enduring cost management and strategic reinvestment in the business to fuel long-term growth.

In this BCG Executive Perspectives edition, we share CEO and C-suite executives' views on the 2024 macroeconomic outlook, with a focus on cost management and growth

Executive summary | Executives feel optimistic heading into 2024, with enduring cost management as their top priority

Encouraging shift in 2024 macroeconomic outlook

Optimism about the market outlook remains steady, with declining pessimism in 2024 relative to 2023

- ~**68%** of executives have enough visibility to make long-term capital investment decisions (6pp increase since 2023)
- ~**63%** of executives believe their companies are prepared for any additional global shocks in 2024 (12pp increase since 2023)

However, executives remain cautious about the **uncertain recession outlook, inflation, and rising interest rates**

2024 elections (namely in the US, India, and EU) will have far-reaching economic and geopolitical implications for business

Enduring cost management as a top priority for 2024, followed by growth

Amid this uncertainty, enduring cost management is the top priority for executives in 2024

- Globally, executives prioritize overall cost management, with a special interest in **supply chain and manufacturing costs** (65% of respondents rated these as very important versus 52% for labor/nonlabor overhead)
- Companies excel at meeting their cost savings targets; however, many **struggle to sustain cost savings** (35% of participants) and **limit the negative impacts on growth** (27% of leaders)

Following cost management, **growth is the next priority** for executives

- North America and Asia are focused on product line expansion, while Europe is prioritizing price management
- Globally, growth via geographic expansion is a priority, especially for consumer and infrastructure and logistics executives

Success factors for achieving enduring cost management and growth in 2024

Enduring cost management is achieved by going beyond once-and-done cost takeout and building a **culture of continuous improvement** that is embraced across the organization

Organizations should reinvest cost savings into **fueling strategic priorities** (e.g., digital and AI, climate, supply chain) to foster growth

BCG's **holistic cost management approach uses cost management as an accelerator to drive growth**, focusing on change management to enable clients to build competitive advantage and sustain lean cost structures

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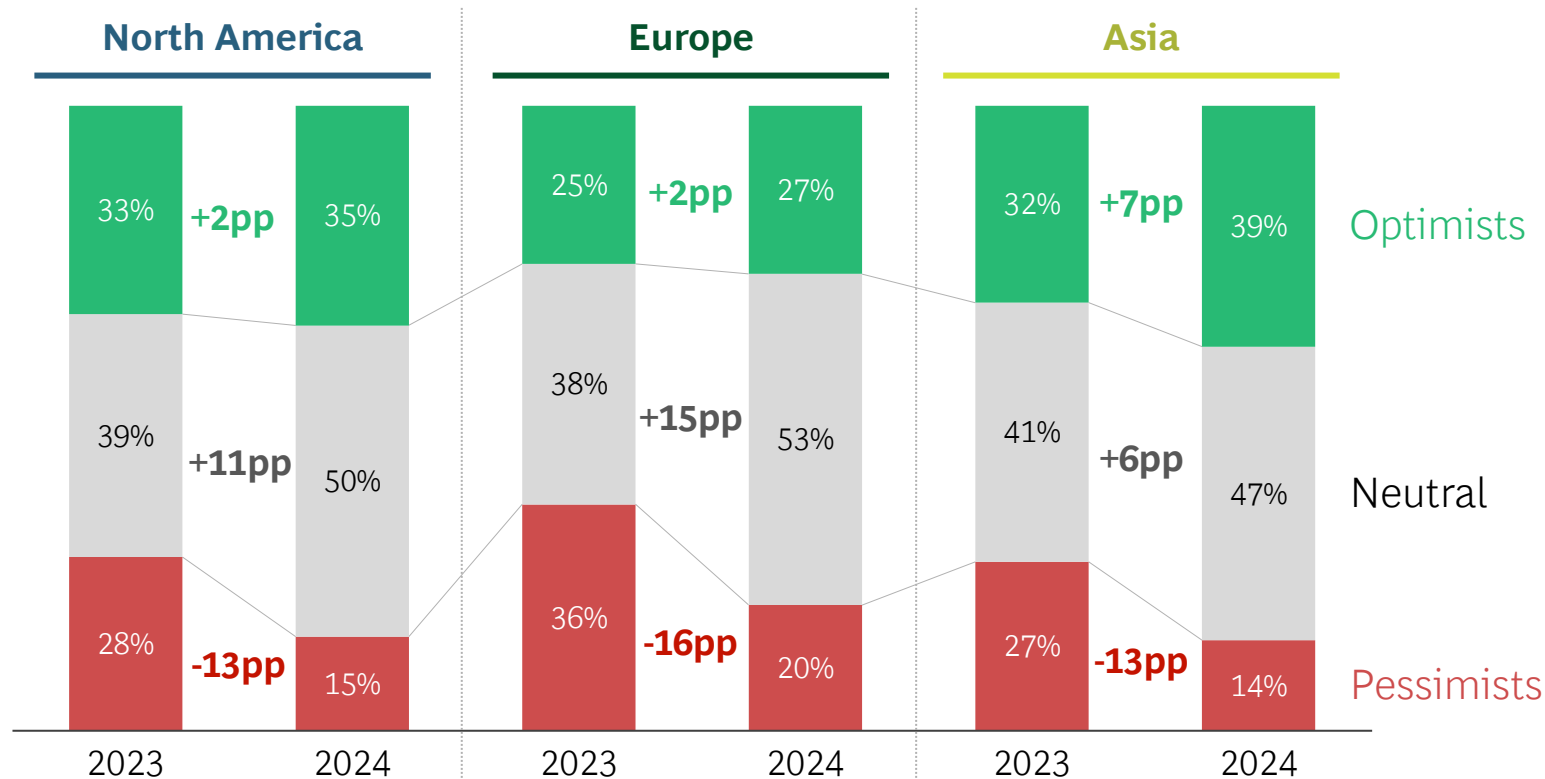
AGENDA

- ✓ **Encouraging shift in 2024 macroeconomic outlook**
- ✓ Enduring cost management as a top priority for 2024, followed by growth
- ✓ Success factors for achieving enduring cost management and growth in 2024

Globally, optimism remains steady, with pessimism shifting to neutrality in 2024 relative to 2023

How do executives view the stability of their end markets for goods and services in 2024 versus 2023?

% of survey respondents who selected each level of stability



Globally, optimism about the market outlook remained stable since 2023. Optimism grew the most in Asia, possibly due to expectations that foreign companies will continue to **capitalize on the tremendous growth in the region**

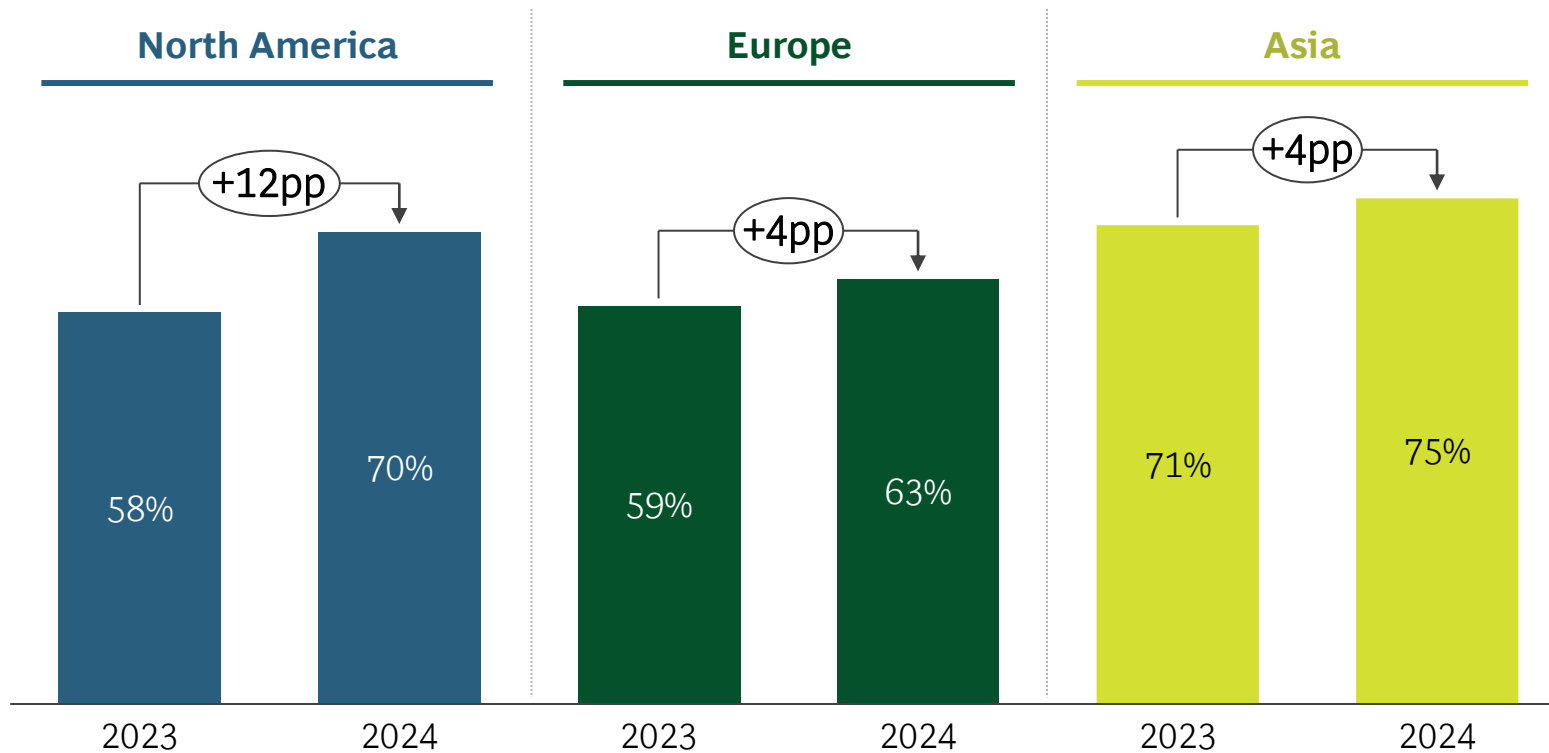
Pessimism is **shifting toward neutrality**, most notably in Europe, despite the impacts of **constantly evolving geopolitical and trade relations** with Russia and China

Pessimism shrank globally, most likely because a recession was avoided in 2023 and inflation is stabilizing in the US and Europe

The C-suite executives have more visibility to make investment decisions in 2024 than in 2023

How much visibility do leaders have to make investment decisions?

% of survey respondents who selected “Agree” or “Strongly agree” that they have visibility to make investment decisions



Despite ongoing headwinds, there is potential for M&A to pick up in 2024, driven by:

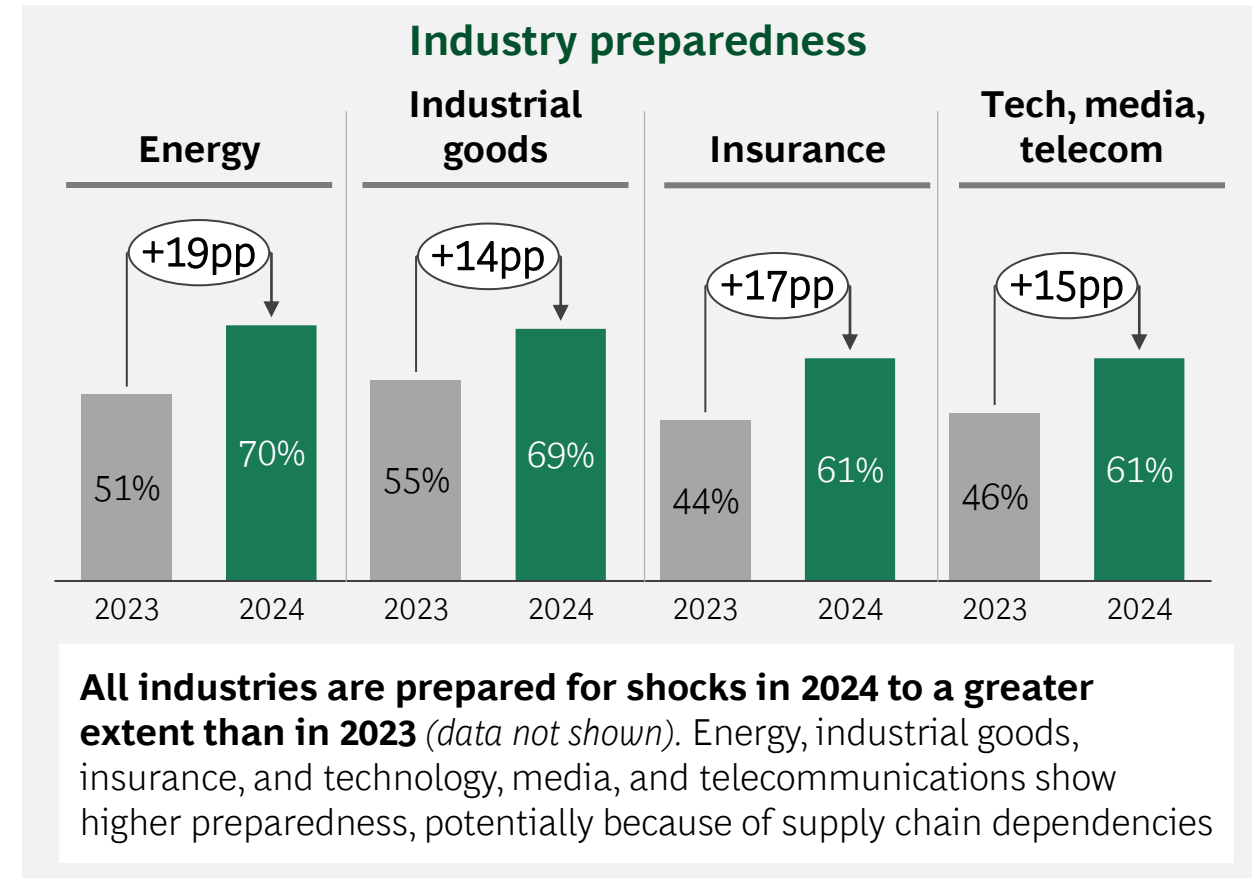
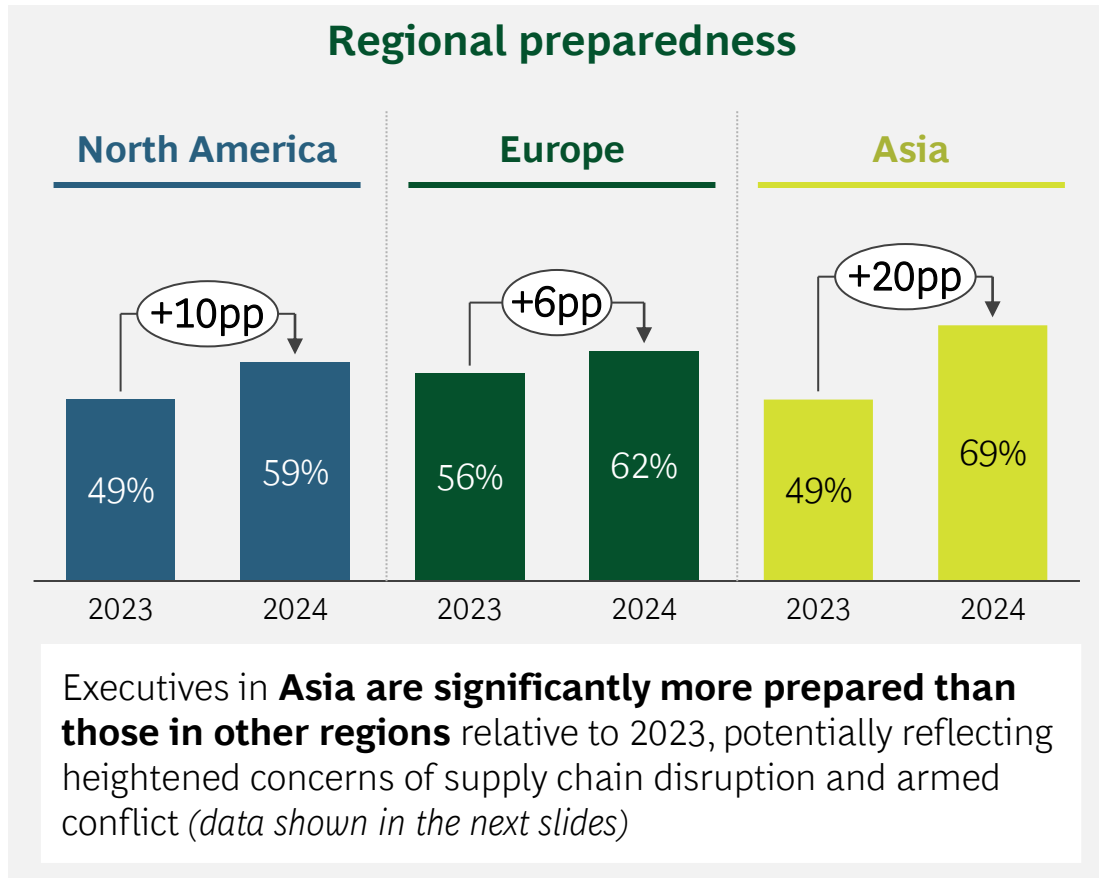
- More abundant available capital (compared with 2023)
- Converging price expectations
- Regulatory changes for foreign direct investment and sanctions
- Emphasis on building resilience
- Focus on environmental, social, and governance (ESG) priorities
- Increased attention on building technological capabilities

[Read more about M&A expectations by region here](#)

Executives are more prepared for any potential market shocks in 2024 compared with 2023, particularly in Asia and certain industries

To what extent are executives prepared for market shocks in 2024 versus 2023?

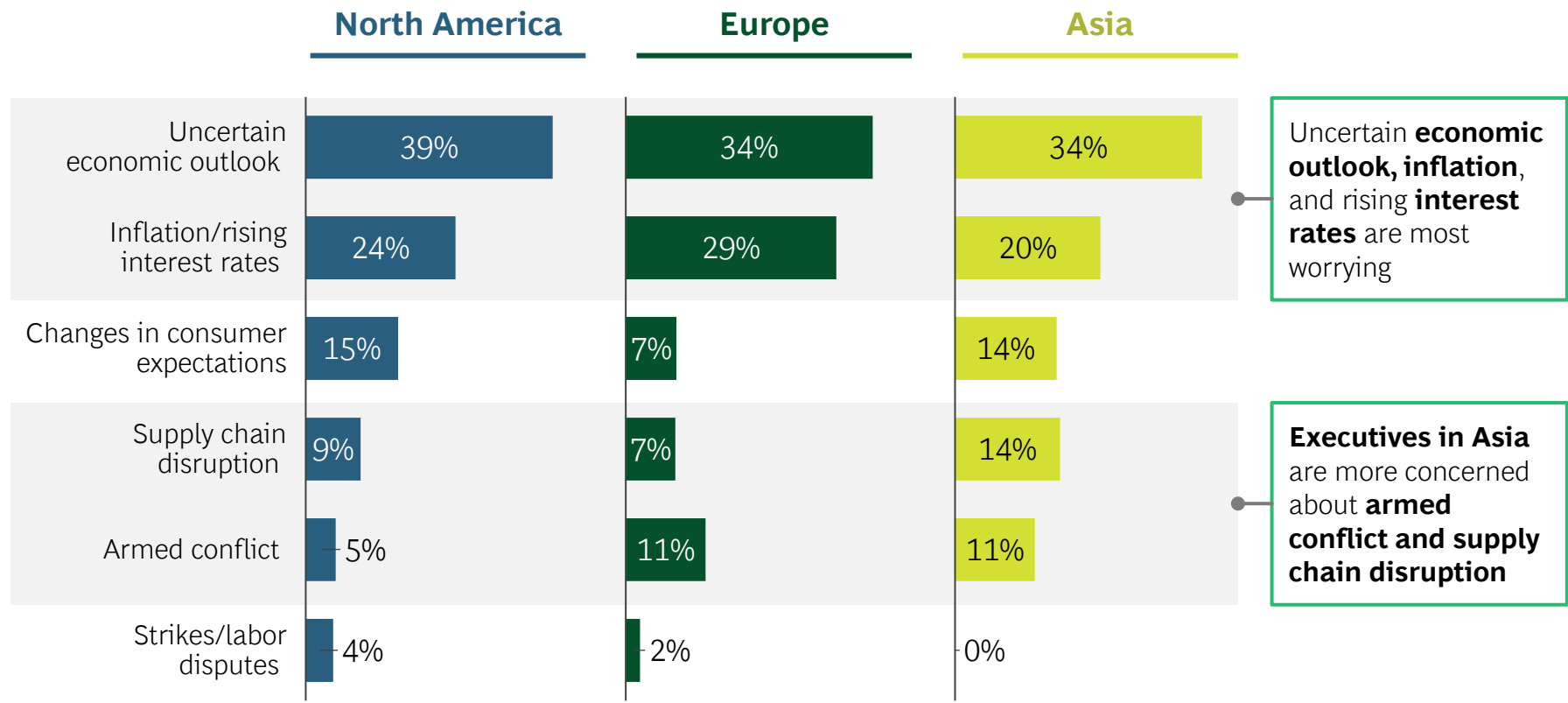
% of survey respondents who selected “Agree” or “Strongly agree” that they are prepared for additional global shocks



However, executives remain cautious about the uncertain economic outlook, inflation, and rising interest rates, especially in this historic election year

What macroeconomic factors are expected to impact company performance in 2024?

% of survey respondents who identified each item as their most worrying challenge in 2024



In addition, 2024 is a historic election year as more than 4 billion people will vote across 60+ countries

Elections in the US, India, and EU are expected to have the most far-reaching implications

Armed conflicts in the Middle East and Ukraine will both influence and be influenced by election outcomes, continuing to impact the world economy

Sources: BCG global C-suite survey on strategic priorities (N=600+) across industries, fielded Nov – Dec 2023; *Washington Post*; BCG analysis.

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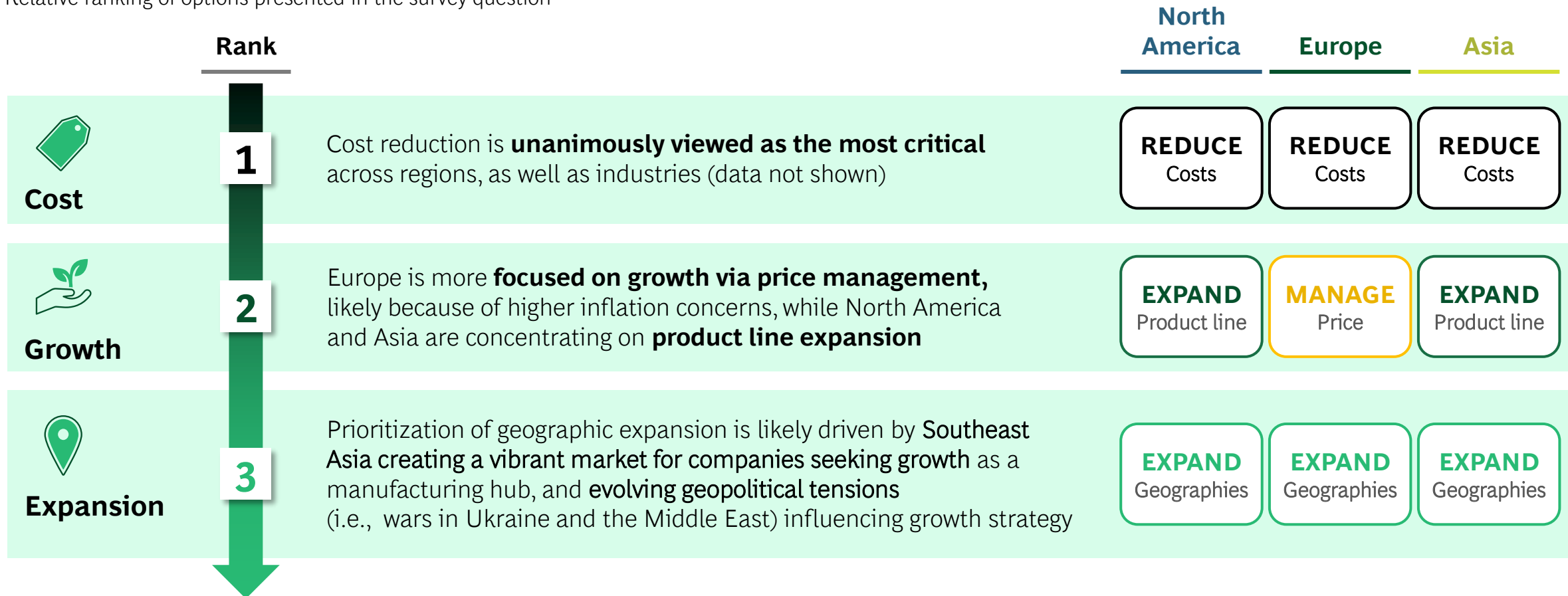
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In response to uncertainty, cost management is the top priority for executives in 2024, followed by growth

What are the top 3 strategic priorities for C-suite executives going into 2024?

Relative ranking of options presented in the survey question

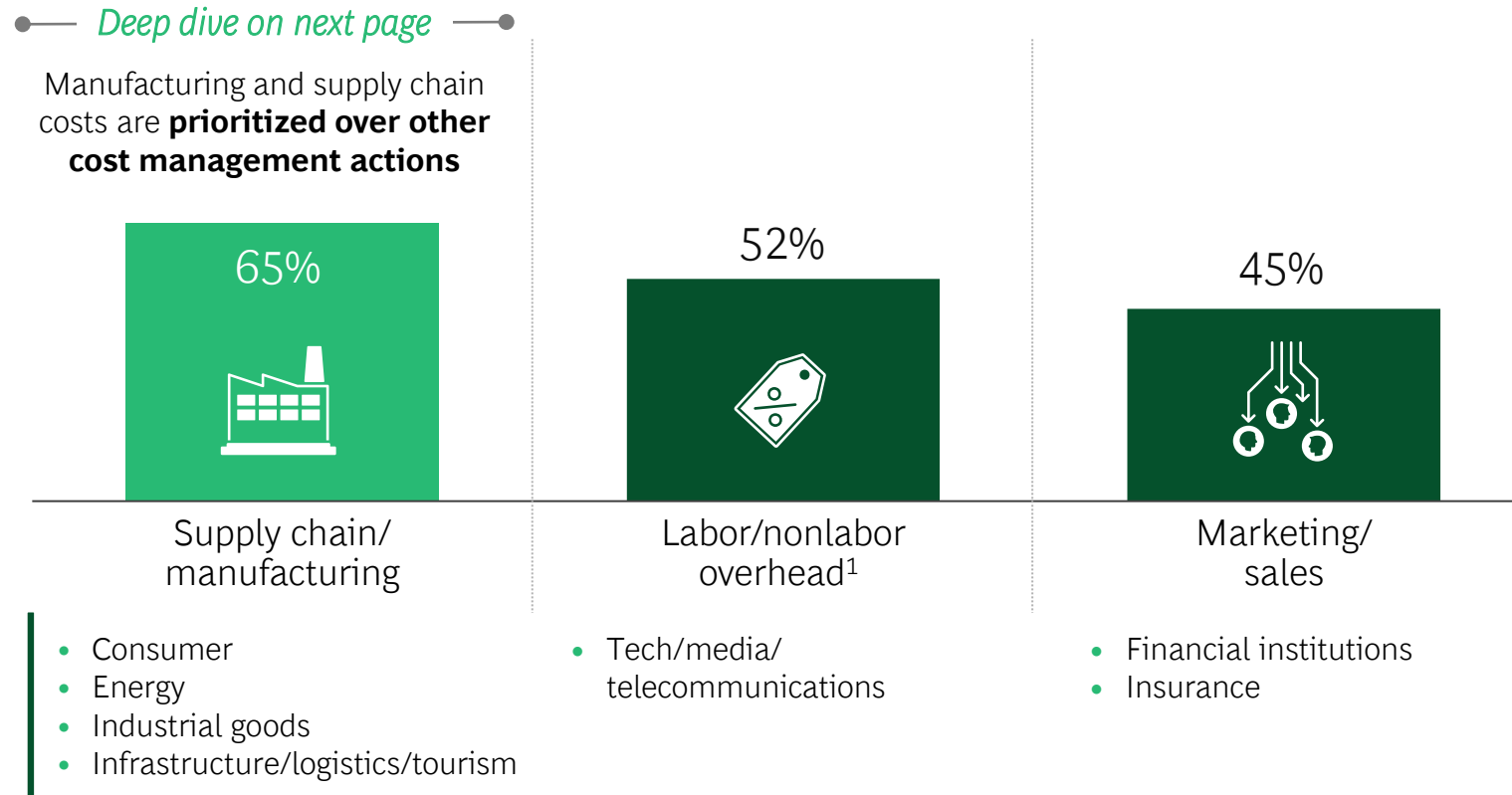


Sources: BCG global C-suite survey on strategic priorities (N=600+) across industries, fielded Nov – Dec 2023; BCG analysis.

Executives are focused on end-to-end cost management, though there is a specific interest in managing supply chain and manufacturing costs

How important are various cost actions to maintaining competitive advantage in 2024?

% of survey respondents who selected cost action as “Very important”



1. Labor overhead includes reductions in number or overall cost of employees. Nonlabor overhead includes spending reductions such as office expenses, insurance, and travel. Sources: BCG global C-suite survey on strategic priorities (N=600+), fielded Nov – Dec 2023 across industries; BCG analysis and experience.

The world has radically shifted since the COVID-19 pandemic. Companies should not only manage cost but also ensure that their cost base reflects today's world

Looking to 2024 and beyond:

- **Cost structures will rapidly evolve** as companies adopt disruptive technologies
- **Labor productivity will increase** as GenAI is embedded into workflows, reducing cost base

Deep dive | Although supply chain and manufacturing cost management levers vary for each organization, a few are highly relevant for most

Potential levers to manage supply chain and manufacturing costs



1

Direct and indirect procurement



- Build flexible sourcing capabilities
- Expand and enhance supplier relationships
- Identify alternative markets for raw materials



2

Digital lean manufacturing



- Invest in digitization of manufacturing (e.g., digital twin to identify bottlenecks/risks)



3

Integrated planning excellence



- Connect silos to leverage scale
- Advance demand forecasting
- Enable digital scenario planning
- Proactively monitor for disruptions



4

Logistics network optimization



- Rightsize network to meet demand
- Plan for shifting trends in consumer demand
- Explore node geo/capacity optimization



5

Distribution and warehousing



- Optimize for delivery speed
- Explore warehouse digitization
- Enable location tracking
- Find opportunities for automation

Deep dive | Supply chain cost management should be carefully balanced with investment in resilience as rising pressures are on the horizon

Trends placing pressure on supply chains



More frequent but shorter-duration supply chain crises



Scarcity in skilled labor, leading to increased digitization of E2E supply chain



Increasing geopolitical polarization impacting manufacturing and trade



Consumer demand for sustainable goods



Pressures to meet net zero commitments



Shifts in trade regulation impacting OEMs³



Mounting cost pressure from inflation, economic slowdown, and geopolitical conflicts



Emerging business models moving to a shared supply chain economy to reduce costs

Increasing geopolitical polarization will drive near-shoring and shift Russia's exports from the West to East^{1,2}

Overall, these geopolitical dynamics will test supply chain resilience in 2024, likely necessitating investment to stay resilient

Investment in digitization of the supply chain is one of the most significant drivers of resilience

[Read more about our view on global trade here](#)

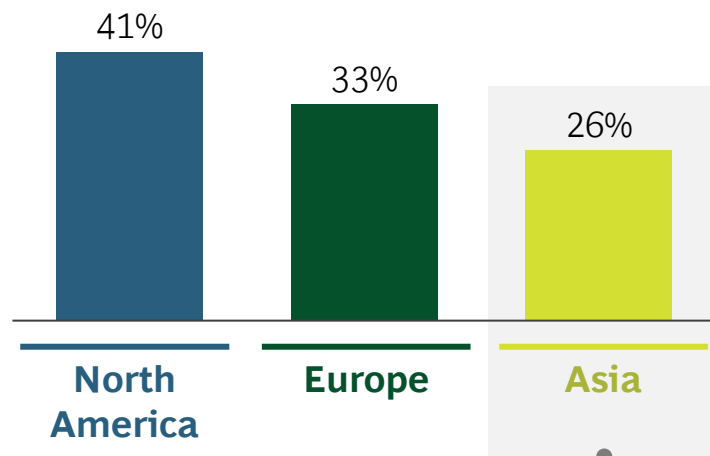
1. Geopolitical polarization includes Russia's relationship with the West and uncertainty in relations between the West and China; 2. Projected global trade trends through 2031 based on BCG's trade model; 3. OEM = original equipment manufacturer. Source: BCG analysis

Most companies excel in achieving initial cost savings targets yet struggle to sustain lean and agile cost structures over time

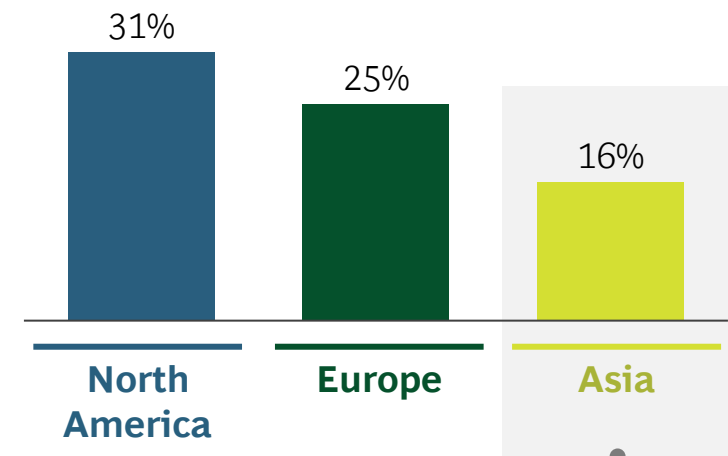
How effective were prior cost reduction efforts?

% of survey respondents who agreed or strongly agreed with each statement

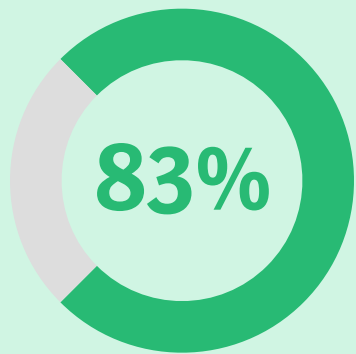
"There were cost reductions at the start, but the cost eventually crept back"



"There was a negative impact on my business or growth ambitions due to cost-cutting actions"



Executives in Asia report **greater success in achieving enduring cost management**. They achieve this by focusing more on **long-term** planning, **decentralizing** decision making, competing rigorously for **high-skill talent**, and demonstrating **agility** to navigate change



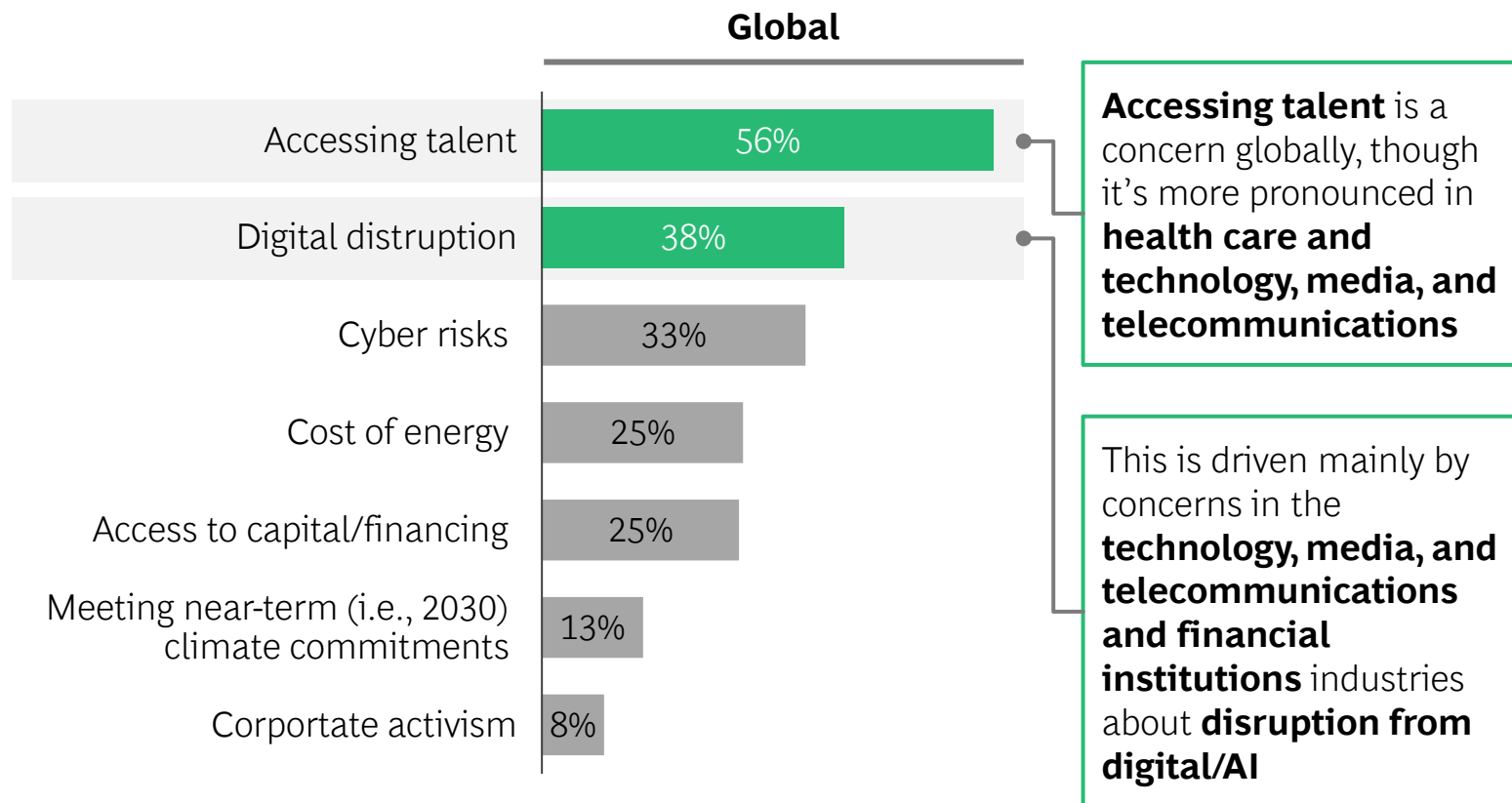
Of all executives note that their companies were **able to meet or exceed** their initial cost savings targets

Sources: BCG global C-suite survey on strategic priorities (N=600+) across industries, fielded Nov – Dec 2023; BCG research study on 2,000 public and private companies in China, India, and Southeast Asia.

Deep dive | While taking cost actions, executives see accessing talent and digital disruption as challenges that need to be addressed

What intra-company challenges are top-of-mind for executives in 2024?

% of survey respondents who ranked each challenge within the top 2 most concerning options



Companies should make long-term investments while navigating today's challenges

Specialized talent will be in short supply. To navigate this, companies should use data to guide talent planning, upskill/reskill the current workforce, and improve talent acquisition ability

[Read more here](#)

GenAI-powered tools will proliferate¹. Leading adopters will have the potential to reduce their cost base, reshape business functions, and invent new business models

[Read more here](#)

1. Including call center support, software writing, HR, legal, and personal assistants.
Sources: BCG global C-suite survey on strategic priorities (N=600+) across industries, fielded Nov – Dec 2023; BCG analysis; BCG experience.

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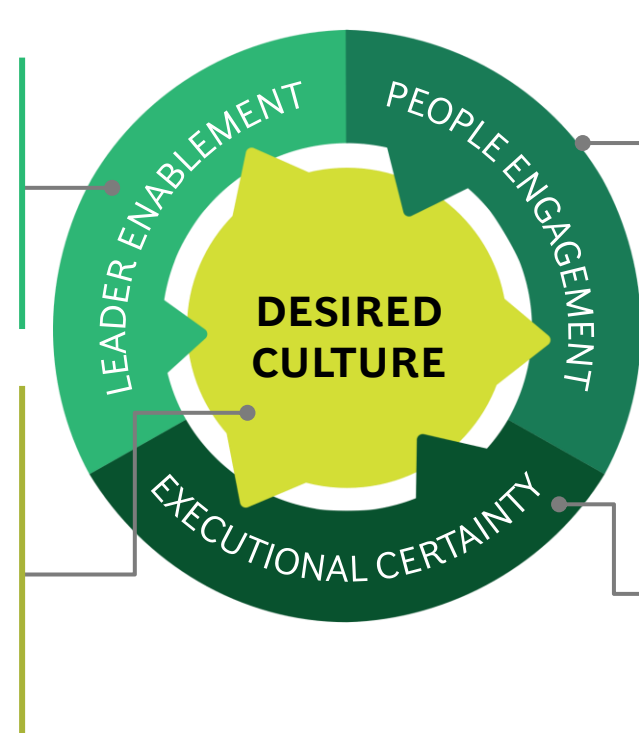
Enduring cost management is achieved by building a culture of continuous improvement that is embraced at all levels of the organization

Enduring cost management programs not only push for quick wins in cost takeout but also build a culture of continuous improvement that shifts HOW work is done

Primary areas where cost management programs can go wrong

- **Leaders:** Focusing too heavily on quick cost takeout
- **Execution:** Neglecting long-term cost management as a tool to maintain savings
- **People:** Underinvesting in employee engagement and change management
- **Culture:** Failing to position cost management as a positive force for growth versus a negative effort

- **WHAT:** Leaders are enabled to balance cost and growth ambitions
- **HOW:** Provide leaders with resources and decision rights to implement
- **WHAT:** Culture emphasizes continuous improvement and innovation. Setbacks are seen as learning opportunities
- **HOW:** Celebrate and reward wins. Socialize learning from setbacks without judgment. Support employees as they adopt new ways of working



- **WHAT:** Employees feel engaged and excited to be a part of the change
- **HOW:** Share company priorities and vision. Empower employees to join solutioning process; provide real-time feedback
- **WHAT:** Strategic priorities are broken down into actions to drive measurable progress
- **HOW:** Implement effective governance and tracking processes. Hold employees accountable for progress

Organizations should reinvest cost savings into fueling strategic priorities to drive growth, while enabling their employees to own the journey

Rapid tech developments, shifting macroeconomic trends, and evolving geopolitics **require organizations to evolve** to remain competitive

Cost savings are an important source of investment for fueling strategic priorities that build competitive advantage

Source: BCG analysis and client experience

Although strategic priorities vary for each organization, a few are highly relevant for most

Strategic priorities



Rationale

Although artificial intelligence has great potential, many companies are falling behind in preparedness and adoption. Success in AI comes from targeting high-value use cases, scaling fast, breaking data silos, and having a unified AI strategy [Read more](#)

Competition for talent will persist, and companies must enhance their talent advancement strategies to gain an edge. This involves data-driven hiring, continuous skill development, and leveraging AI in processes [Read more](#)

Growing demands for sustainability offer business opportunities. Early investments can boost revenue, reduce costs, and enhance brand reputation [Read more](#)

Supply chains have the potential to unlock value. Future-ready supply chains focus investments on adopting digital technologies, building resilience, and meeting sustainability targets [Read more](#)

As macroeconomic and geopolitical uncertainty persist, companies should consider investing in efforts to improve optimization across their value chain [Read more](#)

Exploring new markets and product/service segments can help unlock new sources of top-line growth amid shifting global economic and geopolitical dynamics [Read more](#)

Early applications of GenAI not only drive growth but also enable leaner cost structures

Not exhaustive

Companies commonly see AI as a growth driver but often overlook its tremendous potential to help in cost management

[Read more about how companies can leverage GenAI to drive performance](#)



How can companies use GenAI to drive cost management efforts?

Deploy GenAI in everyday tasks

Roll out GenAI tools to drive efficiencies in daily processes; high-impact use cases include:

- Create corporate communication materials (e.g., presentations, press releases)
- Summarize meeting minutes, help minimize staff on meetings by sharing crisp notes
- Supercharge emails to improve efficiency and clarity of communications



Reshape functions

Go beyond productivity improvements to reshape processes, including:

- Create personalized marketing campaigns to optimize resource use and boost engagement
- Streamline HR costs by crafting job descriptions and handling first-level communications
- Improve the efficiency of customer/IT call centers through automated chatbots/virtual assistants
- Use AI algorithms to extract insights on resource allocation (e.g., supply chain optimization)



Invent cost-efficient business models

Invent new ways of interacting with customers and building new revenue streams, while managing costs:

- Use AI assistants to provide personalized product recommendations (e.g., GenAI stylists)
- Monetize insights from data derived using GenAI

BCG uses cost as an accelerator for growth, partnering with your organization to craft a cost management program that creates enduring impact

We use our differentiators to go beyond finding cost savings and reshape your organization for long-term resilience



Cost efforts tied to strategy

We focus on building leaner cost structures without compromising—even doubling down on your growth



Change management

We enable building a culture of continuous improvement while bringing your employees along the journey to drive accountability



Deep industry knowledge

We bring deep industry expertise to create tailored cost management approaches that build a competitive advantage



Best-in-class digital/AI capabilities

We leverage our best-in-class digital/AI capabilities to embed cutting-edge tech in your daily operations



Unified teaming

We work with you to enable your leaders to design and implement cost management projects



Swift implementation

We develop quick and actionable steps to help you realize benefits from your cost management strategy

BCG Cost Experts



Paul Goydan
Managing Director & Senior Partner
Houston



Jacopo Brunelli
Managing Director & Senior Partner
Milan



Namit Puri
Managing Director & Senior Partner
New Delhi



Laura Juliano
Managing Director & Senior Partner
Houston



Karin von Funck
Managing Director & Senior Partner
Munich



Kevin Kelley
Managing Director & Senior Partner
Dallas



Riddhish Dubal
Managing Director & Partner
Detroit

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