



## What leaders at winning companies know—and what you need to learn

What are the leaders of top-performing companies doing better than everyone else? As part of an ongoing research effort into the characteristics that distinguish top-performing organisations, PwC analysed the survey responses of more than 2,000 global executives. The study found that respondents at top companies are more likely than those at other companies to say they have executives with:

- strategic foresight,
- a tight focus on activities that drive performance,
- and a commitment to enterprise-wide transformation coupled with a bias toward action.

Top 20% companies in the survey captured a performance premium—the combined effect of profit margin and revenue growth in industry-adjusted terms—worth more than 13 times that of their industry peers.

### Pairing foresight with focus

Our study found that these three interrelated dimensions correlate highly with company outperformance:

- Business ecosystems.
- Managed services partnerships.
- New technologies.

The top 20% companies get more revenues from ecosystems, invest more deeply (and strategically) in their relationships with managed services partners, and go further when it comes to technology. All of this takes strategic foresight. Respondents at the top companies were far more likely than peers at lower-performing companies to say their leaders recognise opportunities and threats in each of the three dimensions—and to say those leaders spearhead initiatives that address them.

### Becoming a better leader

Becoming a better leader is probably best summarised as “leading under uncertainty.” One theme that weaves through the discussion has to do with making the most of your own human thinking and capitalising on the ever-emerging strengths of AI—while recognising the inherent flaws in both.

The following recommendations aim to help you become aware sooner of changes, and better equipped to act:

- Look for weak signals and anomalies.
- Use technology for insight.
- Get the bugs out of your meatware.
- Embrace transformation.

### Look for weak signals and anomalies

Being well-informed drives your ability to recognise the opportunities and threats your company faces. One way to reinforce broad, generalist knowledge is to focus on so-called weak signals. To search for weak signals, start paying closer attention to edges and peripheries. These might be geographic peripheries, such as emerging markets; demographic peripheries, such as the behaviour of fringe consumer groups; or market or sector peripheries, where new entrants are pioneering business models.

Meanwhile, try to explore anomalies, which can help you. In the words of cognitive psychologist Gary Klein, “see what others don’t” when analysing data. Most people drop the outliers when it comes to data analysis, but Klein recommends investigating rather than eliminating unexpected events, behaviours, or outcomes.

### Get the bugs out of your “meatware”

Even a sophisticated use of technology can’t entirely overcome the human flaws that in a software setting are typically called bugs. In some cases, technology can further amplify these flaws.

Research shows humans (the meatware in our system) can rely on experience or intuition only when making decisions in a high-validity environment, which is one where their previous experiences have relevance and where they have had numerous opportunities to learn from those experiences. Because leaders face an uncertain future and are contemplating novel moves, they more often operate in low-validity environments, in which their experience and intuition are of little value.

Furthermore, humans are naturally inclined to cognitive biases—mental shortcuts and prejudices that influence their judgement and decision-making. Leaders can turn to process-based remedies to help their companies de-bias decision-making.

### Embrace transformation

“Transformation” is on the lips of most executives these days, and for good reason. PwC’s latest Global CEO Survey found that 45% of CEOs think their organisation will no longer be economically viable in ten years if it continues on its current course.

The top 20% companies in our survey are heeding the call for reinvention. For example, more than three-quarters of respondents at top-performing companies say that transformation was already a priority three or more years ago, compared with about half of respondents at other companies.

Besides, top performers appear to be putting their money where their strategy is. Top-performing companies are nearly four times as likely as other companies to have increased their investment by 30% or more in that same three-year time frame across the areas we studied—business ecosystems, managed services partnerships, and new technologies.

Leaders should also look more broadly at the future workforce. Understanding the wants and needs of younger workers can provide a clear talent advantage.

### Conclusion

Our research shows that companies with strategic foresight, focused execution, and unwavering commitment to transformation are much more likely to have accelerated company performance. Leading this type of company requires making the most of your own ability to sense and respond to opportunities and threats, while capitalising on the ever-emerging strengths of AI. Doing so will help you become aware sooner of what’s coming at you, and better able to respond once it does.

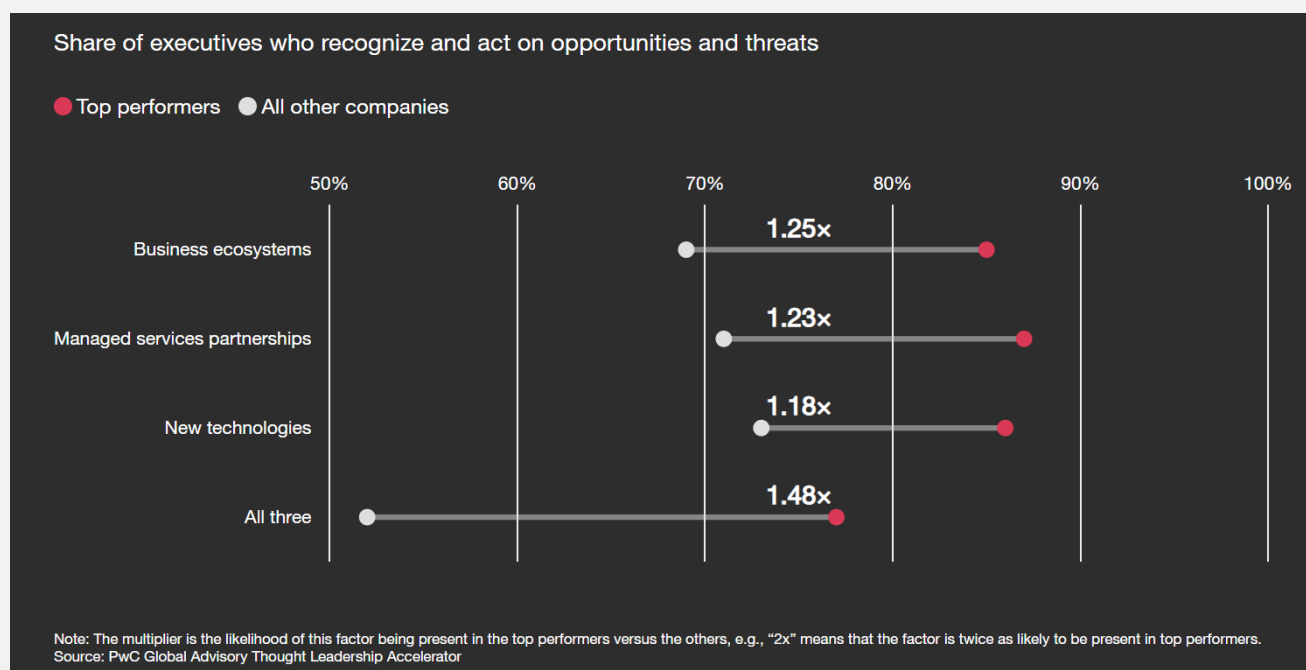
**Note:** This article is an excerpt from a PwC publication of the same title accessible via our website: [www.pwc.com/gx/en/issues/transformation/what-leaders-at-winning-companies-know.html](http://www.pwc.com/gx/en/issues/transformation/what-leaders-at-winning-companies-know.html)

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Moreover, respondents at top-performing companies were 1.5 times as likely as others to say their leaders focused on all three key areas—business ecosystems, managed services partnerships, and new technologies—at once.



In addition to having strategic foresight, 84% of respondents at top-performing companies say the organisation focuses only on the distinctive activities that drive performance, versus 68% of respondents at other companies.

This suggests that rather than seeking to be a jack-of-all-trades, leaders at top-performing organisations are prioritising the places where their company can add unique value in the world.

### Use technology for insight

Now that you’re paying attention to weak signals and anomalies, you need to complement being well-informed by making the most of the data you’re acquiring. For the human mind, the interactions and co-occurrences of diverse information sources can be opaque. But the right AI engine can help make sense of them.

Using proprietary or vendor-provided AI platforms and engines, leaders can harness the power of technology to analyse data, discern patterns, and perform predictive modelling. They can consider information from such diverse sources as industry news, patent filings, investments and innovations by competitors, research publications, clinical trials, and search trends.

Non-technology executives looking to make the most of AI should first acquire a foundational understanding of AI concepts and terminology—and its potential applications in their industry. One way to do so is by using generative AI, which can help speed the process of understanding AI more broadly.