

Gartner Research

# **The Ability to Execute Influences Growth, Margins and Competitiveness**

Mark McDonald

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## The Ability to Execute Influences Growth, Margins and Competitiveness

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Initiatives: Business of High Tech

High-tech leaders often succeed based on their ability to execute. Gartner has developed reference data and ways to measure ability. High-tech leaders should base their growth ambitions, business strategies and goals on knowing their abilities, and how they compare with those of their peers.

### Quick Answer

**How can you measure and compare a company's ability – i.e., its capacity to deliver on its ambition and strategy?**

Ability explores how well a company works. It provides a common basis for comparing company capacities against others. Gartner has developed and tested a method for assessing ability in high-tech firms. This method concentrates on how well an organization works to achieve its external revenue plans and its internal operational plans. Gartner updated its database in late 2022 with ability measures from 195 high-tech firms.

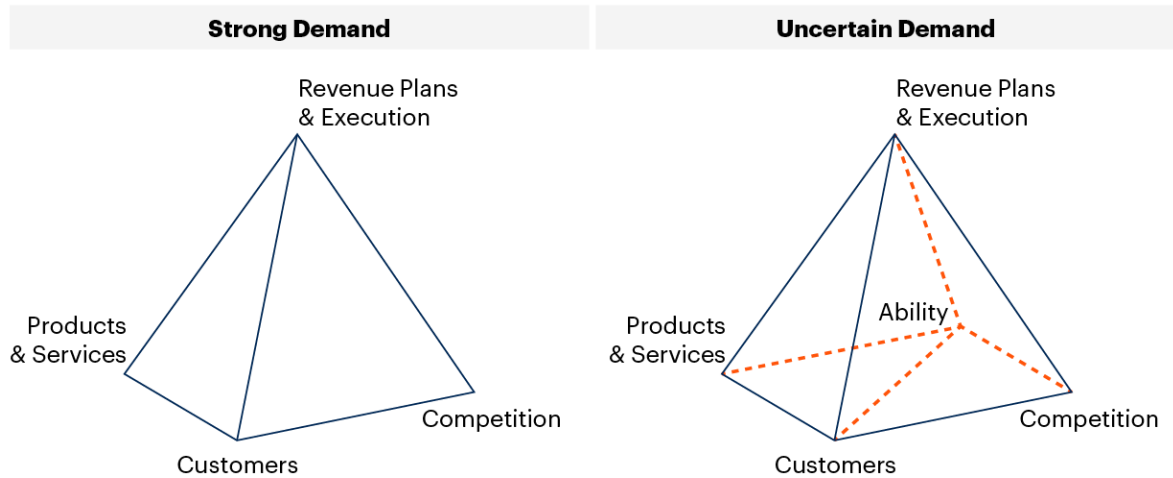
Ability allows leaders to compare their operations against their revenue ambitions and their peers. Gartner validates ability scores by comparing them with firm competitiveness, revenue growth, margins and other characteristics. Analysis found that high-tech companies with higher ability are more aggressive in their revenue goals, expect higher margins and are more competitive than their peers.

### Why Is Ability Important?

The ability to execute describes how well a company delivers on its revenue plans and achieves its overall strategy and goals. When demand for technology is strong, leaders set their revenue goals based on customer, competition and product factors. In this situation, ability remains hidden, as shown in the pyramid on the left of Figure 1.

Figure 1: Revenue Planning in Times of High Demand and Uncertainty

**Revenue Planning in Times of High Demand and Uncertainty**



Source: Gartner  
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In uncertain times, revenue plans and execution benefit from additional support. High-tech companies responding to multiple surveys indicate that a company’s ability level influences its revenue plans, product margins, customer experiences and competitiveness. These relationships raise the value of applying ability as an additional vector revenue planning and execution. The pyramid on the right of Figure 1 illustrates this support.

Analysis of the past three General Manager Surveys indicates that ability influences ambition, strategy and performance (see Table 1). The high-tech firms with greater ability are more likely to seek growth from new customers and products, expand their product revenue margins, and attract talent. (See Competitiveness and High Tech Ability for an analysis of the relationship between ability and competitiveness.)

**Table 1: Performance Comparisons Between Above- and Below-Average High-Tech Ability**

<b>Business Aspect</b> ↓	<b>Sample Metric</b> ↓	<b>Above Average Ability (N = 98)</b> ↓	<b>Below Average Ability (N = 102)</b> ↓
Revenue Plans	Percentage of revenue from new customers and products	34%	25%
Products and Services	Projected product margin increases	43%	25%
Customer Experience	Strength of customer experience, compared with peers	82%	72%
Competitiveness	Percentage expecting to outperform their competitors in terms of revenue growth	58%	36%

Source: Gartner (February 2024)

Ability provides a balance with a company’s revenue ambition. A balance sets strategy on market needs and execution capacities. The better the balance, the more effective an organization can be. Company revenue plans are at risk without that balance, because ambition will be greater than ability. Enterprises in that situation can expect to work harder, face higher costs and experience more employee churn, etc., than firms that are better balanced.

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*High-tech ability is an independent measure that brings a different perspective to issues, such as competitiveness, product growth and margin.*

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## How Do I Measure Ability?

Ability describes the capacity of an organization to act. Ability describes how well an organization works. Ability assessments are qualitative – for example how authority is distributed effectively across the organization. Ability does not measure the validity of a company’s plans, only their execution capacity.

Since 2020, Gartner has measured ability through questions in its annual general manager surveys. Participant responses, 200 in 2024, provide a basis for measuring ability and comparing a company to the market. We do this through a tool called the High-Tech Ability Assessment. These questions focus on two areas: achieving revenue plans and achieving internal goals and plans.

Gartner assesses ability according to a firm’s success in the market, based on achieving or exceeding original revenue plans in these areas:

- Attracting new customers (new logos) ahead of our competitors
- Retaining and growing our revenue with existing customers
- Attracting partners and alliances ahead of our competitors
- Launching or updating products or services

Gartner assesses ability in the following areas relative to achieving their goals and plans by having the right:

- Talent and skills
- Funding and other resources
- Authority
- Access and understanding of customer needs
- Products and services created to meet those needs
- Market value proposition to beat the competition
- Sales teams with the capacity to win in the marketplace
- Alignment across the organization

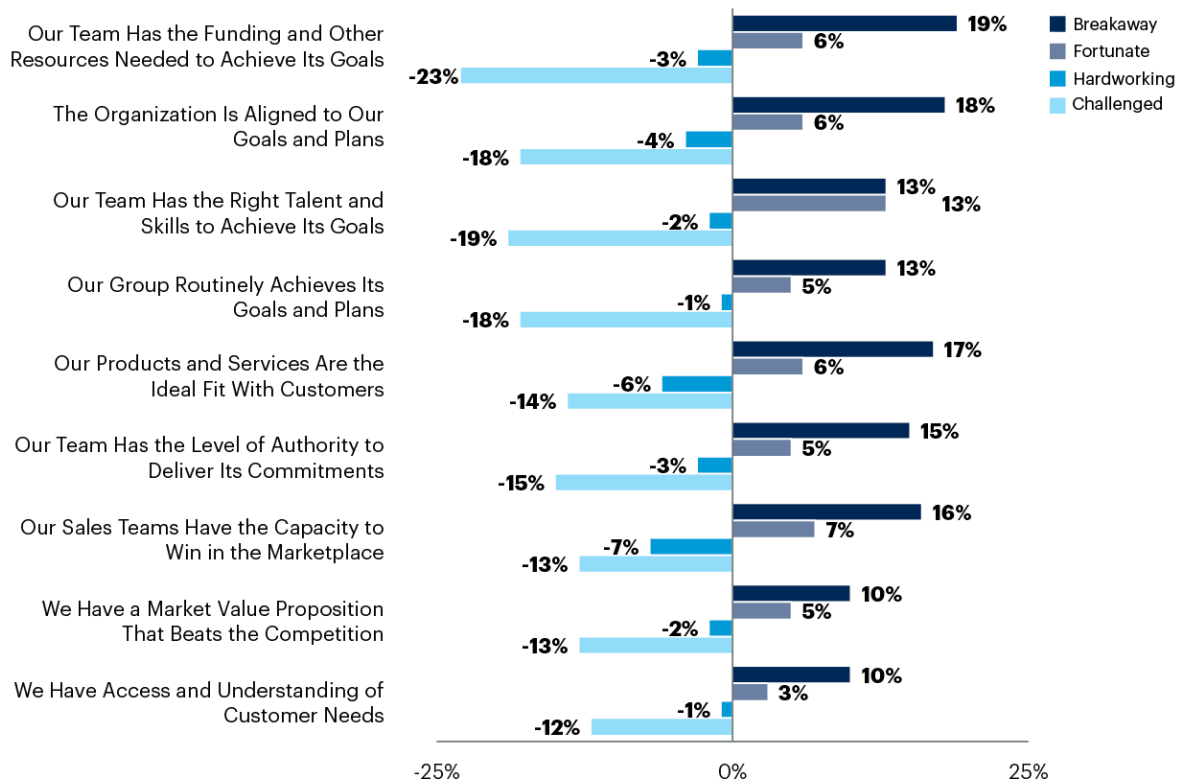
High-tech ability is an independent measure that brings a different perspective to such issues as competitiveness, product growth and margin. Firms are assigned ability groups, breakaway, follower, hardworking or challenged, based on their score compared with all of the scores for that year.

- **Breakaways are the top performers.** They represent 16% of this year's survey responses. These firms perform at the top of the group, greater than one standard deviation about the average.
- **Followers represent the next tier, representing 33% of the population.** These firms perform above average, but within one standard deviation of the group.
- **Hardworking firms, which are 34% of the group, perform below the average.** However, they are within one standard deviation below that average.
- **Challenged firms** are those with the lowest level of performance. They are below one standard deviation, making up the remaining group (18%).

Figure 2 highlights the range of differences in ability, based on the results of the 2024 General Manager Survey.

Figure 2: Revenue Planning in Times of High Demand and Uncertainty (2024)

Revenue Planning in Times of High Demand and Uncertainty



n = 37 (breakaway), 53 (fortunate), 67 (hardworking), 38 (challenged)

Q. Please indicate your level of agreement on these statements related to your product or service team?

Source: Enterprise effectiveness index (Ability)

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Each group has a distinct performance level. These differences and the overall ability score provide a measure to compare ability among companies, as well as the relationship between ability and competitiveness, profit margins, etc.

Ability Provides an Indicator for Focusing Management Attention

High-tech ability provides an indicative score regarding how well the organization works. High-tech ability is not a performance benchmark, nor is it an assessment of individual performance levels. High-tech ability will not tell you that your product costs are too high or which new marketing program you should choose. Detailed decisions require greater context and expertise. High-tech ability provides indicators on where to focus attention on improving operations and where there could be an opportunity to expand plans and goals. The process outlined in Table 2 offers an approach to incorporating high-tech ability into improving how well your teams work.

**Table 2: An Approach to Using High-Tech Ability Measures**

(Enlarged table in Appendix)

Step	Description	Actions
Identify	Evaluate your progress against original plans.	<ul style="list-style-type: none"> <li>Describe your current progress and characterize your challenges. If you are working harder with limited effect, then consider looking at improving your abilities.</li> <li>If you are confident in achieving plans without change, then stop.</li> <li>If progress requires making normal adjustments to actions and plans, then stop.</li> <li>If deeper changes should be considered to achieve plans, go to assessment.</li> </ul>
Assess	Generating your High-Tech Ability score to understand how your ability compares to peers.	<ul style="list-style-type: none"> <li>Take the High-Tech Ability Assessment remotely or in a working session with your team.</li> <li>Consider having leaders from different groups take the assessment to get a broader view of your ability.</li> </ul>
Analyze	Evaluate your ability scores to identify opportunities for raising results through raising ability.	<ul style="list-style-type: none"> <li>Compare scores against the database and against specific performance aspects.</li> <li>Determine whether you need to raise ability overall or in specific areas to raise performance — for example, specific actions to improve competitiveness.</li> <li>Scope actions required to achieve desired improvements.</li> </ul>
Mobilize	Building the case and the direction of changes intended to raise ability and results.	<ul style="list-style-type: none"> <li>Identify resources and actions to take to raise ability and its associated outcomes.</li> <li>If leaders will not support changes or do not believe the actions will produce results, then stop.</li> <li>Set measures or indicators that highlight progress regarding the desired outcome.</li> </ul>
Monitor	Evaluate progress and address opportunities for improvement.	<ul style="list-style-type: none"> <li>Measure progress toward the desired outcome.</li> <li>Adjust as necessary.</li> </ul>

Source: Gartner (February 2024)

See specific research regarding applying high-tech ability to the following leadership concerns:

- Competitiveness and High-Tech Ability
- Recession, Revenue and Risk — 2023 TSP Snapshot
- Reorganize Resources to Raise Your Company’s Ability to Execute

**Actions for Raising Overall Ability**

Analyzing the relationships among individual effectiveness questions highlights the connections and actions for raising overall high-tech ability. Although funding represents the top gap (as was shown in Figure 2), investing more does not guarantee greater ability. Before asking for greater funding, product leaders should concentrate on raising their ability in these areas to drive better performance:

- The alignment of the organization to common goals and plans
- The reallocation of authority to better reflect the allocation of commitments and responsibilities
- Raising the capacity and capability of sales teams
- Using all three of these areas as a focus for building the right talent to achieve your goals

Analysis shows that all four of these areas are related to getting funding and are related to each other. The recommendation to product leaders, based on this data, is to act first to align the organization on goals and invest them with the right authority before asking for more funding.

In addition, technology and service providers/product leaders should:

- Compare their ability against their revenue plans. How does your ability to execute compare to your revenue ambition? Can any gaps introduce risk? What can you achieve if you focus on raising your ability?
- Determine whether there are opportunities to exploit abilities with existing or new customers, particularly where abilities are greater than revenue ambition.
- Determine where leaders should focus their internal investments and management attention. Ability is related to revenue ambition, creating a reason to focus on ability, as well as the revenue plan.

## More Detail

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### Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

[How Tech GMs Can Lead in the Middle Between Recession and Recovery](#)

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