BCG

Weekly Brief

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Beating the Cycle by Not Riding the Cycle

How can you best increase resilience in a world that can feel increasingly unpredictable?

In 2001, many business leaders sensed we were at the edge of disruptive change, but not one of them could have foreseen the September 11 attacks. That edge felt imminent again before the 2008–2009 financial crisis, but we didn't have the data to predict the magnitude of the downturn. And we sure didn't plan for the COVID-19 pandemic as we headed into 2020.

Unfortunately, the norm is to sprint when things are good and dramatically downshift when they're not. But with so much geopolitical, societal, macroeconomic, environmental, and technological change—and the next massive unknown potentially around the corner—business leaders need to learn how to keep their footing through both peaks and troughs.

Gerry Hansell, the global leader of BCG's growth strategy and value patterns work and someone I've worked with for decades, has been focusing on this topic with a great team, and they recently released the output of their research. They studied the approach of companies in cyclical sectors—mining, agribusiness, oil and gas, construction, and more—whose performance tends to rise and fall in line with industry specific ups and downs. In these sectors, unpredictable turbulence from commodity prices, recessions, wars, supply outages, and the like is a way of life.

The companies in cyclical sectors that consistently outperform aren't the ones trying to predict every twist of the cycle. Instead, they've mastered a steadier approach: preparing for volatility, absorbing shocks, and investing with discipline. And since today's landscape has created cycles in sectors that once felt stable, we can all learn from their approach.

Interestingly, the research reveals that for family businesses, often built to endure for generations, the same patterns apply. Families that thrive through decades of change tend to resist the urge to overextend in booms or overcorrect in downturns, and they invest beyond the next quarter. These families succeed not by avoiding turbulence but by accepting it as part of the journey.

So what separates the high performers? The research points to a few common practices:

- **Conservative Balance Sheet Management.** The most successful companies avoid overleveraging during expansions and maintain their liquidity to stay flexible when conditions tighten. Their balance sheets reflect prudence as much as ambition; "to finish first, you have to first finish."
- **Continued, but Selective, Investment.** Instead of swinging between aggressive spending and complete pullbacks, they keep investing consistently through the cycle, focusing on areas such as productivity, innovation, and new markets where long-term growth is likely.
- **Fast and Decisive Operating Adjustments.** High performers use scenario-based planning to act quickly and decisively when cycles shift dramatically in either direction. They adjust capacity, reset costs, and redirect resources to where they're needed most—while still keeping long-term priorities in sight.
- **A Long-Term Orientation Anchored in Purpose.** Rather than chasing short-term trends and purely financial goals, these companies hold to a clear identity and strategy. That consistency helps them focus on winning in the core instead of overreacting to both upturns and downturns.

At BCG, we've learned some of these same lessons ourselves. We've experienced our own peaks and valleys throughout our history—times of intense growth and times of shock or high uncertainty. On average, we have achieved four decades of double-digit revenue growth, not by timing the market but by focusing on consistency: investing in people, nurturing relationships, and holding onto values even when the environment was shifting around us. I think that steadiness has helped us remain a trusted partner to clients through moments of global crisis even if it cost a bit of upside when markets were exuberant.

We know that turbulence isn't going away. If anything, it's becoming a defining feature of business life. It's unsettling, but it also creates opportunities to differentiate, win share, and shape industries in ways that aren't possible in more placid times.

Instead of trying to figure out when the next cycle will turn, we need to better understand where to be positioned when it does. The companies that will emerge strongest are the ones making those choices today—with courage, discipline, and a steady hand.

Until next time,

Rich

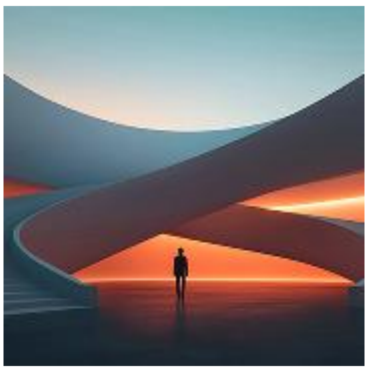
Rich Lesser
Global Chair

Further Insights

[How High Performers in Cyclical Sectors Navigate Turbulence]

By embedding long-term thinking into how they make decisions, manage debt, and allocate capital, executives can secure resilient value creation.

SEIZE MOMENTUM



[The C-Curve: A Strategic Framework for Low-Return Businesses]

Instead of attempting to grow their way out of underperformance, successful companies first shrink to an advantaged core, improve returns, and only then pursue expansion.

UNLOCK GROWTH

[The 2025 Value Creators Rankings: After a Decade of Growth, What's Next?]

Which industries and regions came out on top last year—and what will drive success in today's uncertain economic landscape?

EXPLORE THE RANKINGS