

Time to Recharge Before a Year of Action

Each year, the holiday season provides us with an opportunity for rest, reflection, and renewal. Behavioral scientists, led by Daniel Kahneman, have shown us that when we are worn down, we tend to get more conservative in our decision making—more likely to default to the status quo and to see the cost of action as disproportionately higher than the cost of inaction.

That's why we think the chance to recharge our batteries and reinforce our convictions is particularly important as we head into 2025, a year when boldness will matter more than ever. We'd like to highlight five areas where this is especially true, cutting across most sectors and geographies:

Capturing AI Value at Scale. Business leaders were first exposed to the enormous power of generative AI two years ago, and the technology has continued to rapidly advance. But our research suggests only about [one-quarter of companies have been able to capture substantial value from these powerful advances](#).

Over the past two years, we've supported thousands of companies on their journey to translate AI's potential into business value at scale. [This short document](#) explores the impact of a wide range of client examples, highlighting eight areas: sales, customer service, price and revenue management, marketing, manufacturing and supply chain, field services, R&D, technology functions, and the back office. We hope these real-life vignettes can serve as an inspiration for you so you can go further and faster in the year ahead.

Reshaping Your Portfolio. [Deals are becoming an important part of what it takes to run—and transform—many companies](#). Our

research, spelled out in a [recent Weekly Brief](#), reveals just how important.

- Transactions valued at more than \$10 billion have delivered a 2.9% relative TSR since 2020, significantly outperforming smaller deals.
- Watching and waiting can be a costly choice in rapidly evolving markets, leading companies to miss out on opportunities to grow as well as acquire talent and new capabilities.

Building Geopolitical Muscle. With this year's elections and political challenges, 2025 will likely be a highly dynamic year of global politics. For example, President-elect Trump's tariff plans, as well as potential reactions (including retaliation) from trade partners, means leaders must understand the potential risks and opportunities for their business. To prepare, they can focus on the three dimensions [we described in a Weekly Brief last month](#):

- **Bringing deeper insight**, including opportunities and risks throughout the supply chain, assumptions embedded in investment priorities, and dependencies in cross-border operations
- **Conducting risk management**, including scenario-based planning on geopolitical outcomes, acting on no-regret moves, and strengthening competitive advantage in a new landscape
- **Building geopolitical muscle**, including investment in capabilities that can anticipate, and where appropriate, influence the external environment

Accelerating Innovation. We are entering an extraordinarily exciting period for innovation, fueled in part by GenAI but also the rise of AI agents, synthetic biology, climate tech, quantum computing, advanced material science, and more.

Now is the moment for CEOs to make sure their organizations have the innovation prowess to take advantage of these advances. But [our research shows that many are falling short](#). They need to develop a strong alignment between business strategy and innovation strategy and avoid missing opportunities to enable new products, services, or business models.

Navigating the Rapids of Climate and Sustainability. With

so much else to do, it would be easy to let climate and sustainability slide from the top of the agenda. That's not an option. The average global temperature increases are currently on track to rise by 2°C by 2050, compared with preindustrial times—with larger and faster rates of increase in the US and Europe.

In this highly politicized environment, we will have to talk about climate and sustainability carefully, making the links to business value clear. But the urgency to act is growing. Our [new annual report with the World Economic Forum highlights the cost of inaction](#) and offers a playbook for CEOs.

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We hope this holiday season gives you time with family and friends, as well as the chance to catch your breath and reflect on the journey ahead. We believe boldness—tempered, of course, with pragmatism—will be essential to create competitive advantage in 2025 and beyond.

We want to thank you for being a part of our community. Whether you're a client, colleague, alum, or simply a friend, we're grateful you've placed your trust in BCG.

All the best for a joyous holiday season,

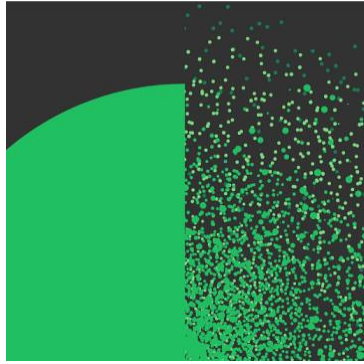


Christoph Schweizer
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Further Insights



Executive Perspective: AI Unlocked

This guide cuts through the hype about AI and lays out the key factors to executing a successful transformation that leads to real profit.

TURN AI INTO PROFIT



Mastering the Megadeal: The New Rules for CEOs

Every corporate merger is a leap into the unknown. But for leaders contemplating a megadeal, certain rules do apply. Here's what CEOs need to know.

UNLOCK THE NEW RULES



Economic Statecraft Is Back. Here's Why It Matters

As geopolitical tensions rise and multilateralism declines, nations are increasingly using trade and economic policies to advance foreign policy goals, complicating the global business landscape.

NAVIGATE GEOPOLITICAL CHANGE



Innovation Systems Need a Reboot

Companies have never placed a higher priority on innovation—yet they have never been as unready to deliver on their innovation aspirations.

REVAMP YOUR STRATEGY



The Cost of Inaction: A CEO Guide to Navigating Climate Risk

The BCG-WEF report explores how companies can gain competitive advantage by turning the net zero challenge into a business opportunity.

LEAD THE NET ZERO TRANSITION