Leadership Insights That Endure

Highlights from Five Years of BCG's Weekly Briefs

Christoph Schweizer and Rich Lesser

BCG

In 2020, two months into the COVID-19 pandemic, I started sending out a weekly brief on current events, BCG's latest thought leadership, and other topics that I thought were worth sharing with clients, colleagues, and friends. In 2021, Christoph Schweizer, my successor as BCG's CEO, joined me as a regular author of the briefs. In total, Christoph and I, along with a few special guest authors, have written more than 230 of these executive memos so far.

To mark the fifth anniversary of this endeavor, we looked back over all the notes we've sent and found that some have significant staying power, rising above the news of the day. This collection includes 12 editions from the two of us that I believe illuminate lasting leadership principles.

Whether you're catching up on reading or recharging your thinking, I hope that these briefs will provide timely insights—and timeless guidance.

And what I wrote in the very first edition in 2020 still holds true: "As we all know, sometimes a conversation to talk through an issue is worth more than lots of emails and written perspectives. If you want to connect, please reach out to us. My colleagues and I value your trust in us and would be delighted to engage with you on the difficult and sensitive issues you are wrestling with. We may be apart, but we are in this together."

Rich Lesser

RICH LESSER
Global Chair, BCG

Authors

CHRISTOPH SCHWEIZER
Chief Executive Officer, BCG

RICH LESSER
Global Chair, BCG

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Principles of Leadership

Change Is Hard

July 2023

Christoph Schweizer

It’s often said that there are only two things people dislike: the way things are—and change.

Many of the people I talk to each day—CEOs, senior executives, public and social sector leaders—are great at changing. They have navigated new challenges, stretched their capabilities, and faced new responsibilities as they progressed in their careers. They are successful because they are good at change. And the more they have succeeded, the more adept at change they have become.

And yet many now lead organizations that struggle to change. BCG’s research finds that up to 75% of transformations and major change efforts fail to realize their intended value. The explanations I hear for these misses and disappointments are troublingly vague: inability to generate buy-in, lack of accountability, insufficient energy or momentum.

My colleague Julia Dhar, who leads BCG’s Behavioral Science Lab, describes two phenomena that help explain why change is hard:

- **Change Aversion.** Psychologists have shown that people hate a loss more than they love a gain of equal magnitude. It is much more painful to lose $5 than it is pleasurable to find $5 on the street. People view change in a similar way. We value what we have, despite all its imperfections, more than what we could have. In other words: people are change-averse.

- **Change Distance.** People who are closer to change decisions and have more seniority feel more favorably toward change than those who are further away or have less influence. The greater the distance between them and an initiative's center of gravity, the stronger this effect becomes.

While these two phenomena are different, the prescription for overcoming them is similar. Humans are complex beings with emotional reactions to change. Their reactions do not fit easily inside the rigid confines of a spreadsheet or Gantt chart, but they are valid. So what can we do?

Be empathetic. Imagine yourself as an employee in a cubicle farm, home office, shop floor, hospital ward, or retail store of your organization. How strong is the case for change from this new perspective? What can you as a leader do to address concerns? What channels can you create for stronger listening?

Encourage agency. Lay out the facts for employees and bring them along on the change journey. Employees are more likely to change if they are invested in the process. Jeanie Duck, BCG’s first change management consultant, used to say, “Insight discovered beats insight delivered.”

Train frontline leaders. One way to close the change-distance gap is to bring your frontline leaders into the circle of change. Frontline leaders are often first-time managers who oversee operations such as call centers, bank branches, or manufacturing shifts.

> “Frontline leaders often receive only basic management training. No wonder they struggle to effectively translate lofty change ambitions into language that makes sense for their people.”

They are your ambassadors and are in a critical position to explain the need for change to employees and convey employee concerns back to you. Frontline leaders manage up to 80% of employees at many organizations, but often they receive only basic management training and limited access to senior leaders. No wonder they struggle to effectively translate lofty change ambitions into language that makes sense to their people.

Offer authentic praise. Employees may be more willing to embrace change if they feel noticed. Our research has shown that the number one request that employees have of their leaders is for more appreciation and recognition.

To some extent, these are not new lessons—but they are relevant today, when the ability of large organizations to change is a great differentiator and a source of enduring advantage.

Beware the CEO Bubble

July 2024

Rich Lesser

One topic I often focus on when I meet with new CEOs and other leaders around the world is the inexorable growth of what I call the CEO bubble—and what to do about it.

When new in the role, CEOs and other leaders are generally surrounded by people offering frank views of the real situation, providing novel ideas and approaches as well as unfiltered appraisals of past decisions. But often, over time, the more challenging views become quieter and constrained, and the dialogue subtly shifts to what the leader wants—rather than needs—to hear. The focus on the leader's facial expressions and moods (and how to avoid the bad ones) can rise to a form of cultural anthropology.

That is the CEO bubble, and the walls of that bubble tend to thicken over time. As a result, without proactive intervention, leaders are likely to be sheltered from the reality of a difficult situation at a critical juncture or until it's entrenched. The issue could be an underperforming business, a shifting market landscape, new competitors, or decreasing relative capabilities. Or it could be internal dysfunction, such as waning agility, organizational infighting, or departures of talent.

I don't know of a trick that makes the bubble disappear, but a leader can take clear actions to reduce the risks and make the bubble membrane more permeable.

First, surround yourself with the right team and the right tone:

- **Make sure you include people who will challenge you.** Even if you eventually reach a decision that conflicts with their point of view, you'll know that you've done so after thoughtful debate.

- **When people stand up and express a different opinion, be sure to appreciate them**—privately, but especially publicly. When they're right and you're wrong, find a way to celebrate them.

- **Remember that you can't always be your best self.** When you haven't been—when you've come across more sharply than you meant to, for example—bring it up with your team later. Admitting to vulnerabilities and showing that you value pushback even if it didn't seem that way in the moment will help people feel they can be honest around you.

Beyond your direct team, seek out unfiltered sources of information:

- **Engage with frontline employees** who aren't pre-vetted by midlevel staffers.

- **Have direct dialogues with customers**—not just the CEOs of customers, but the people who use your product or service.

- **Participate in peer communities** with candid discussion forums. Find other CEOs, former leaders, or advisors whom you can raise sensitive issues with and who will give you their unvarnished perspective.

> “When people stand up and express a different opinion, be sure to appreciate them—privately, but especially publicly.”

Breaking Through the Bubble

Is there anything you can do about the bubble if you’re not the one in it? It can feel risky to speak up when others are silencing themselves. The best strategy is to find a way of communicating authentically and forthrightly—and in a style that allows the CEO to listen without feeling unduly defensive.

Picking the right setting can help. For some, a relaxed dinner; for others, maybe the golf course. I’ve known executives who use humor incredibly well—anything that opens a CEO’s eyes to an uncomfortable reality.

And what if none of that works? There are rare moments in a career when silence amounts to complicity and speaking truth to power requires taking some personal risk. It’s hard to pop the CEO bubble on your own. Joining forces with a few others can make an enormous difference in these difficult moments of truth.

To be clear, the CEO bubble is not just a phenomenon among CEOs. All leaders need to nurture teams that can engage with the world as it is, not as we wish it to be. They’re good for the leader—and for everyone being led.

Cynicism, Skepticism, and Earning Trust as a Leader

May 2024

Rich Lesser

One of a CEO's most important jobs is to figure out what kind of organizational culture to foster. This could include positive characteristics, such as being purpose-driven, embracing customer-centricity, sparking innovativeness, driving inclusivity, nurturing a change orientation, or building teamwork.

But just as important is understanding the cultural elements we want to avoid. And one of the most challenging of these to tackle is cynicism. Talking with new leaders, I often end up in a discussion about the corrosiveness of cynicism: how to understand its causes and circumvent them—while leaning into healthy skepticism.

Cynicism Is Rooted in Mistrust

Cynics question the intent underlying others' words and actions, and often they assume that the true situation is worse or that the real motivation is different than it appears. Cynics also see others who are not cynical as naïve followers who don't get what is really happening. As a result, they tend to oppose change agendas and can be a thorn in the side of leaders trying to rally a team.

Unfortunately, however challenging it may be to deal with, cynicism is not always misplaced. We have all worked with others whose motivations should be in doubt, who say one thing when we know they believe something else, or who mask the seriousness of a challenging situation with a positive but unjustified veneer.

I have most frequently observed cynicism amid the rubble of failed or insufficient change efforts. Often, organizations initiate change with some fear but also with a generally positive attitude that this is a necessary onetime effort that will make the business stronger. But when leaders (whether current or new) go back to do it a second time, the cynicism that greets them can be palpable.

So how can leaders tackle existing organizational cynicism? It starts, of course, with understanding:

- What are the embedded beliefs in the organization?
- How much cynicism exists today—in which pockets and for what reasons?

- Are there corrosive individuals, particularly within leadership?
- Do particular past initiatives, leadership behaviors, or communications underpin the cynical attitudes of colleagues?

After understanding, the next step is action. Sometimes that starts with leadership changes—if the only way to get beyond cynicism is to remove individuals who have eroded trust too deeply or who have behaved or communicated badly multiple times. Failing to tackle these “elephants in the room” will only undermine other steps to rectify the problem.

> “Skepticism is often confused for cynicism, but it’s very different. The core of skepticism is not about challenging motives but about challenging insights, recommendations, and plans.”

Healthy Skepticism Is About Challenge and Debate

But after putting in place leaders who are credible and committed to earning trust, what comes next? To me, this is when encouraging healthy skepticism can make a big difference. Skepticism is often confused for cynicism, but it’s very different. The core of skepticism is not about challenging motives but about challenging insights, recommendations, and plans: “How rigorous is our thinking?” “How realistic are our plans?” “If this is such a great idea, why hasn’t it already been done?”

Learning organizations encourage challenge and debate. They want to spot issues early, and they view shortfalls as opportunities to learn rather than outcomes to cover up. Leaders who encourage skepticism often demonstrate other traits that minimize cynicism: transparency, honesty, open communications, admissions of mistakes, and celebrations of those who smartly push back—particularly when it turns out that the challengers got it right, but even at times when they didn’t.

As organizational psychologist and author Adam Grant rightly puts it, the best skeptics are often “disagreeable givers”—that is, pains in the neck who are nonetheless deeply committed to the success of the organization and eager to help others improve. That’s healthy skepticism, versus an approach that simply slows things down, is resistant to change, or makes others look bad.

Reducing cynicism has always been one of my highest priorities. It starts with encouraging healthy skepticism and even celebrating those who occasionally make your life more difficult.

How Leaders Talk When the Outside World Can't Hear—and Why It Matters

May 2023

Rich Lesser

We write most of these Weekly Briefs with action in mind. Whether we focus on resilience, AI, climate, or navigating the economy and geopolitics, our emphasis is typically on what leaders can do to create value and accelerate progress in their organizations.

I think it's also important to reflect on the very challenging, nuanced, complex, and sometimes ethically complicated issues that leaders need to wrestle with, especially in disruptive times. Today, I'd like to address the complexity of authentic leadership, thinking less about what we do as leaders and more about what we say. And while public statements generally receive plenty of attention, I'm focusing here on what we say in private.

I believe that the true test of an organization's values and culture is how individuals behave when no one is looking—how leaders talk to other leaders when no one else can hear. None of us is perfect, but it's worth stepping back from time to time to reflect on this front. Doing so can help us see how we might strengthen our organization's culture and live our purpose better, driving the kind of value creation that will stand the test of time.

Authentic and Purposeful Leadership

Given the extent of disruption underway today, this is a uniquely important time to consider the authenticity of how we lead. As leaders juggle the approaches of the past with the possibilities and risks of the future, it's easy to feel the confusion of competing agendas. Ideally, however, we can demonstrate consistency in words and deeds—whether in private engagement or in public discourse.

The good news is that leaders who tend to cultivate separate public and private personas are finding it harder to pull that trick off in today's world. The impact of social media, platforms such as Glassdoor, 360-degree feedback, and more sophisticated HR practices make it increasingly difficult to be a statesman in public and verbally abusive or disrespectful in private.

But demonstrating and modeling leadership in private dialogue goes beyond how we treat our people and work with our teams. It includes how we engage within the C-suite as we deal with competing priorities that trade off near-term profits and longer-term commitments.

It also includes how we negotiate and work with customers and suppliers, how we weigh in on policy issues, how we communicate behind closed doors with public officials, and how we guide our business associations.

Many companies work hard to align their external purpose-driven narrative with their internal conversations. But even with positive intent, private narratives sometimes ignore stated goals or deprioritize them in order to focus on narrower self-interest. I have always admired leaders who were ready to challenge groupthink on difficult topics. It’s not easy to deliver uncomfortable messages that run counter to the pressures of the moment or push back on veneers that cover self-interest. But it’s a big part of building a sustainable culture in which values drive value.

> “I have always admired leaders who were ready to challenge groupthink on difficult topics.”

Asking the Tough Questions of Ourselves

I encourage you to find time to reflect on your private dialogues in the months ahead, ideally with others who will be candid with you. Consider the following questions:

- Do we have enough time in our agendas to engage on the tough issues and tradeoffs?
- Do we create an environment where it’s safe to raise even very sensitive issues and our most senior leaders are role models on how to navigate them?
- Are there real consequences for bad behavior—and if so, does the broader organization see it that way?
- Are we transparent about the logic behind the choices we make, so others in leadership and beyond can learn from these experiences?
- Are our industry associations advocating for policies that align with our stated goals? If not, are we using our full muscle, including working with our like-minded peers, to move them in a different direction?

Now, more than ever, with so much uncertainty in the air and major changes on the horizon, leaders need to speak in private as they advocate in public, voicing and living a common narrative and consistently pursuing the same purpose.

Mental Health: You Are Not Alone

May 2023

Christoph Schweizer

Close to a billion people live with a mental health condition, according to the World Health Organization (WHO). Chances are that one of your close colleagues is among them—or that you yourself are. I have seen firsthand how confusing, all-consuming, and devastating mental health conditions can be to colleagues and their family members.

Are we doing enough to help our employees and their family members with their mental health?

During the pandemic, many companies strengthened their commitments to employee assistance and counseling programs in response to burnout, isolation, and loneliness. Many leaders spoke publicly for the first time on the importance of mental health.

There is so much more to do. We are less psychologically healthy after the pandemic than we were before. This is especially true for women, who disproportionately took on additional caring and household responsibilities, and for young people, who had fewer opportunities to interact with peers. The prevalence of anxiety and depression, the two most common mental health disorders, rose by 25% during the first year of the pandemic, according to the WHO.

Aside from the incalculable human cost, researchers estimate that 12 billion workdays are lost worldwide every year to anxiety and depression alone, at a cost of nearly $1 trillion. In Canada, the cost of addressing mental health exceeds $220 billion per year, according to a recent BCG report. This includes both direct costs, such as health care spending, and indirect economic costs in the form of absenteeism, quiet quitting, and lower labor participation rates. That's the equivalent of 10% of Canada's GDP.

What can leaders do to support the mental health of their employees?

Speak out. Despite progress, mental health still carries a stigma. If the CEO and other members of the C-suite talk about the importance of mental health regularly, employees in need are more likely to seek help.

Be a role model and an ally. If you have a mental health condition, consider being a role model, as BCG's Adam Whybrew has chosen to do. If you don't, offer your support, guidance, and compassion to those who do.

> “Companies should provide support for the full range of mental health experiences and conditions. But that support depends on a culture that encourages people to seek help without fear.”

Offer resources and programming. Companies should provide support for the full range of mental health experiences and conditions. But the effectiveness of these programs depends on a corporate culture that encourages employees to seek help without fear. Our AccessAbility@BCG network is one way we are building this culture and awareness at BCG.

Train your managers. Most employees know and trust their bosses. Managers can be the first line of offense in creating a plan to help their people.

Mental Health Awareness Month, which takes place in May in a number of countries around the world, helps start conversations. But we all need to take stock of our mental health and that of others, 365 days a year. If you or someone you know needs help, please speak up. You are not alone.

Embracing AI and Tech

What It Takes to Win with AI

January 2025

Christoph Schweizer

I speak to hundreds of executives each year. In 2024, AI, and particularly GenAI, came up in nearly every conversation. So it was unsurprising that, in an early 2025 global survey conducted by BCG X across 19 markets and a wide range of sectors, three-quarters of executives said AI was a top-three strategic priority for their companies. They believe in the transformative potential of AI.

So do I.

At the same time, these executives are experiencing the realities of what it takes to put AI and GenAI to productive use. Bringing AI to scale is more of a business and organizational challenge than a technological one, demanding discipline, commitment, and hard work. That's why, the survey found, only 25% of executives are satisfied with the value created by their AI initiatives.

The three most important words in AI over the next year will be *focus*, *focus*, and *focus*:

- Leading companies invest in a few high-value initiatives, prioritizing just 3.5 use cases on average, compared with the average of 6.1 use cases pursued by their peers.
- They invest more than 80% of their AI budgets in reshaping core functions and inventing new offerings, rather than in achieving important but incremental productivity gains.
- Critically, they embrace the 10-20-70 principle—dedicating 10% of their effort to algorithms, 20% to data and technology, and 70% to people, processes, incentives, leadership, and culture. In other words, they address the way their organizations actually work, which often proves harder than the technological advances themselves.

As business executives, we need a disciplined approach to managing this fast-evolving technology.

Go deep rather than wide. Prioritize a few strategic opportunities with clear return-on-investment potential. By focusing, leading companies generate more than twice the average return on AI investments.

Upskill at scale. Commit to building a workforce that's comfortable with AI. As of January 2024, less than one-third of companies had trained even one-quarter of their employees. The numbers may have risen since, but we're still not where we need to be.

Manage AI as a high-stakes transformation. Treat AI as integral to your broader transformation agenda, and rigorously track both operational outcomes (for example, adoption by relevant parts of the workforce) and financial outcomes (for example, revenue increases or cost reductions in specific functions).

> “AI agents can perceive, plan, and act autonomously, but their true value emerges when they are embedded into workflows, enabling companies to be more efficient and innovative.”

Anticipate and manage risk and regulation. The survey found that three-quarters of executives say that their companies’ AI cybersecurity measures need further improvement. On top of that, they need to navigate thickets of regulation and law, such as the European Union AI Act.

AI will continue to evolve rapidly. The next area of focus is likely to be AI agents. Two-thirds of companies surveyed are already exploring the use of these systems. Although AI agents can perceive, plan, and act autonomously, their true value emerges when they are embedded into workflows, enabling companies to be more efficient and innovative.

AI agents may be the latest development in the field, but they will certainly not be the last. By focusing on disciplined execution and by investing in people, companies can generate sustainable, AI-driven growth.

The Importance of a Thriving Innovation Culture

August 2023

Rich Lesser

If I've had one consistent passion throughout my professional life, it's been innovation. I started my career in R&D at Procter & Gamble, studied optical computing and data transmission for Bell Labs as a BCG Project Leader, spent a decade as a Partner working on improving life sciences innovation, invested massively in digital and analytics innovation as a CEO, and now focus on advancing climate technologies and AI as the firm's Global Chair.

These experiences have made me very aware of the levers that managers pull to increase innovation effectiveness, generally aimed at addressing their organization's structure and cross-functional processes, as well as portfolio management and resource allocation. And what I've consistently observed is that those efforts, while necessary and important, are often insufficient.

That's why it was so energizing for me to read "An Innovation Culture That Gets Results," a BCG article that stresses how important it is to nurture the right structure and mechanisms in combination with a strong innovation culture.

What do we mean by "innovation culture"? The authors of the article neatly define the term as "the collective behavior that shapes how new products and services get built and marketed to customers."

They liken the two components of innovation (structure and culture) to that of hardware and software. The culture of innovation is like software, and it depends on the hardware of strategies, governance, and other ingredients of the operating model. When a company's emphasis is on the hardware alone, the impact of innovation will be limited.

In fact, companies with strong innovation cultures are 60% more likely to be innovators, while those with strong innovation structures are 35% more likely. Those with both—innovation culture leaders—are nearly twice as likely as others to be world class innovators.

The authors offer a number of helpful, practical strategies for nourishing a culture of innovation:

- Give employees the time and space to think beyond their current tasks.
- Build an innovation ecosystem, which will lead to better and faster results than relying solely on in-house R&D.

- Empower teams to pursue projects that have significant commercial potential, de-risking the early stages of innovation.
- Encourage collaboration, in part by removing barriers to communication within the organization.

“Whether your company needs a reset or a whole new approach, focusing intently on articulating, activating, and embedding the right behaviors will establish the best conditions for innovation.”

Culture leaders excel by focusing on three areas:

- **They articulate what works.** Successful behaviors include balancing freedom with accountability and encouraging risk taking and playfulness. It’s important to define those behaviors with precision and to cultivate and reward them along the way.
- **They activate innovative culture from the top.** Leaders walk the talk, personally engaging in key outreach activities while providing the needed hardware to support the software—the incentives and platforms for cultivating and rewarding new ideas, the ownership that teams need to operate unencumbered, and the freedom to collaborate with external partners.
- **They embed core behaviors in the operating model.** Culture is profound. It runs deeply through a company’s incentive systems, policies, processes, and practices. Innovation leaders even embed their culture in their hiring practices, looking for people who will bring an innovation mindset.

Some companies, after a long history of success with innovation, find the well starting to run dry. Others want to get off the ground with a strong sense of innovative purpose.

Whether your company needs a reset or a whole new approach, focusing intently on these three areas—articulating, activating, and embedding the right behaviors—will establish the best possible conditions. You can build not just the structure that enables innovation but also the essential culture that allows it to thrive.

Why I Spend So Much Time on AI

May 2025

Christoph Schweizer

I'm sure that most of us are following the constant stream of news on AI—more powerful models, novel use cases, the advent of agentic AI. Many indicators tell us that we have entered the steeper slope of the S-curve of this exponentially advancing technology.

I feel it in my own time allocation as CEO: I spend more time on AI than on any other topic as BCG helps clients in all industries transform themselves with AI. Achieving optimal return on investment hinges on broad adoption, sometimes termed *scaling*.

Overcoming Psychological Barriers

AI adoption is more about overcoming psychological barriers than technological ones. People fall into comfort zones at work, and AI can be uncomfortable. People have well-earned feelings of competence, pride, and job security—and AI can upset those sensibilities.

One of the key jobs of a CEO in this regard is to help the company's people and clients realize that AI allows them to become better versions of themselves, not just more productive versions.

What can CEOs do to encourage adoption?

Deploy the technology. Though this step may seem obvious, many companies have not yet fully embraced it. Deploying secure enterprise AI platforms sends a clear signal to employees that the organization encourages and expects them to use AI regularly.

Upskill managers. Some of our greatest allies—and biggest adversaries, if they are not on board—in promoting AI adoption are middle and frontline managers. They must create a supportive environment—processes, skills, incentives, and culture—to encourage and drive use of the technology by their teams.

To address low AI adoption, a global Fortune 500 company partnered with BCG U, our capability-building platform, to upskill thousands of middle managers. The training focused on the fundamentals of GenAI and on its application in day-to-day workflows. As a result, the company saw an 89% increase in usage, significantly improving its ROI.

Invite your people to innovate. Companies should also adopt a grassroots approach to encourage adoption. Employees need time to play with AI. Accordingly, CEOs should promote collaboration, experimentation, and sharing of best practices.

> “Nearly half of BCGers and up to 80% of some cohorts are now habitual users of generative AI, leveraging its advanced features almost every day.”

Adoption in Action

I have had a front row seat to witness the rapid adoption of AI at BCG. Early on, we decided to provide all 33,000 employees with access to enterprise ChatGPT, as well as custom GenAI tools that could power knowledge management and slide creation.

Nearly half of BCGers and up to 80% of some cohorts are now habitual users—people who leverage advanced GenAI features almost every day. We track this workplace behavior carefully as habitual users stick with the technology, generating outsize improvements in quality, productivity, and job satisfaction. Their success also has a halo effect, encouraging GenAI usage in the teams around them.

We have deeply embedded GenAI into our ways of working. One extremely valuable component of our strategy is an enablement network of 1,000 GenAI black belts—employees who act as AI evangelists and coaches. In addition, we sponsor regular high-profile training events and competitions. GenAI is increasingly integrated into our core processes.

The results have been encouraging. More than three-quarters of our employees say that they are generating greater value in their work because of GenAI.

Reshaping the Enterprise

Where Do Your Strongest Businesses Really Stand?

March 2023

Rich Lesser

Thirty-five years ago, I began my consulting career by working with the consumer products business of a leading telco. Our work on this company's strategy highlighted that the many hundreds of millions of dollars it earned from leasing telephones to consumers each year was going away much faster than it realized, while the mobile phones it had written off as a niche business was poised to grow dramatically larger. The division's COO, who also ran the leased-phoned business, nearly threw us out of the room.

In 2000, as a young Partner, I endeavored to convince senior leaders of a top pharma company that the small-molecule blockbusters that had driven its enormous success would dramatically underperform lofty growth expectations. Though it took nearly a decade, the company eventually managed a remarkable pivot to biotech and vaccines and today remains an industry leader.

In both cases, what appeared at the time to be the enormous strength of a "walled fortress"—a strong core business that the company depended on—blinded leaders to the threats and opportunities around them.

In recent months, I have been reminded of these stories and others as the pressures on some of today's strongest businesses grow. The current examples span a spectrum and include great companies such as Google, whose $200 billion search business is now under real pressure from the generative AI revolution that it helped start. On the flip side, Silicon Valley Bank took mere days to go from an industry darling with an intensely loyal customer base to a failed bank.

There is no single theme here, no one perennial issue that leadership teams underestimate or forget. But there is a message for all of us, particularly when our companies are updating their strategies in advance of operating planning sessions. That's the perfect time to force ourselves to answer hard questions about where our strongest businesses really stand.

It is far too easy to take for granted the walled fortresses inside our own enterprises. Businesses may drive profitability year after year, receive enthusiastic praise internally and externally, and be counted on by investors to deliver results like clockwork. But despite these achievements, they can quickly lose their luster and their relative strength. The cause may be technology disruption; management distraction or overconfidence; underinvestment in technology, capital, or people; or not catching on to changes in customer needs and behavior.

> “I encourage you to look deeply and even skeptically at the businesses you feel are most secure, reliable, and often at the heart of your current value-creation engine.”

With economic and geopolitical uncertainty all around us, it of course makes sense to focus planning on navigating macro challenges. But I would encourage you to also look deeply and even skeptically at the businesses you feel are most secure, reliable, and often at the heart of your current value-creation engine.

The starting point can be framed with these questions:

- What is the three-to-five-year value creation trajectory for the business, as viewed through both a financial lens and a customer lens?

- If an outsider took over with a five-year value creation horizon, would that person operate the business the way you do? What would they do differently, and why?

And then consider these harder ones:

- Where does technology disruption offer the most potential to shift value creation? What creative ways are available to experiment, partner, and invest in order to learn and provide options to incorporate these technologies?

- Is the leadership team devoting sufficient time to these businesses and creating an environment for testing and challenging status quo thinking and for imagining new opportunities?

- Have you thought about resilience and risk management from multiple angles? Is preparing for risks a task delegated outside the core leadership team, or is it embedded as a core responsibility within it?

Walled fortresses can be staging grounds for future victories: the iPhone, Tide detergent, or the Home Depot stores. They can also be repositories for leased phones or supposedly safe long-dated Treasury bonds that drag down a strong company and team. It’s time to force the hard questions about where your walled fortresses really stand and how to strengthen or renovate them for the years ahead.

Three Myths and One Truth About M&A

December 2024

Christoph Schweizer

For many people, mergers and acquisitions still carry a bad reputation that developed decades ago when gut instincts more than business logic tended to power them. That time is long gone, but some common myths about M&A remain—myths worth busting as we navigate today's environment.

Myth #1: Megadeals destroy value. This notion was true in the 1980s and 1990s, but it is outdated. Recent data shows that megadeals (those valued at more than $10 billion) have delivered a 2.9% relative total shareholder return (TSR) since 2020, far surpassing the 0.5% TSR of deals valued at $1 billion to $10 billion. Companies skilled at dealmaking, execution, and integration now know how to turn these transactions into high-value ventures.

Myth #2: Megadeals are rare today. Although the market has come off its 2021–2022 peak, megadeals remain a steady force. In the first three-quarters of 2024, 17 deals exceeding $10 billion were announced globally, only slightly below the post-2010 average. Companies still have an appetite for transformative acquisitions even in a cautious economic environment.

Myth #3: Megadeals are a high-stakes roll of the dice for poor performers. Data shows that companies embarking on megadeals outperformed their peers in the two years prior to the transaction. That makes sense. Strong performers are more likely to have the financial resources and higher stock multiples necessary to finance a cash or stock deal. Interestingly, two-thirds of underperformers improved their TSR post-deal, too. The right transaction can positively transform any company.

Dealmaking is more disciplined and rational than it once was, but that does not mean it is easy. Today, regulators are taking longer to review deals. Globally, the average $10 billion-plus deal announced in 2022 took 324 days to close, a 47% increase over the average time frame during the period from 2018 to 2020.

A deregulation-focused incoming US administration may shorten M&A reviews, but the national security and global competitiveness concerns that provoke lengthy delays around the world are unlikely to disappear. The geopolitical angle on M&A is here to stay, which brings me to a key observation.

Truth: Smart companies are using the extra time before deal closure wisely. Even before a deal is announced, they have identified potential sticking points and concessions that they can offer to regulators to speed approval.

> “*Clean teams* are separate from the two parties but have access to their data and can analyze synergies, customer overlap, and other integration issues without compromising confidentiality.”

After a deal is announced, companies use the extra time to start integration planning by, among other things, establishing “clean teams.” These teams are physically and digitally separate from the two companies but have access to the data of both. They can analyze potential synergies, customer overlap, and other key integration issues without compromising confidentiality.

I sat down with Douglas Peterson, former CEO of S&P Global, who described how he used the 15 months it took to close his company’s acquisition of IHS Markit. The $44 billion deal was the largest announced transaction in 2020.

“The day the deal closed, we had an executive team, we had the entire organization below them, and even a lot of the organization below them was already defined. So, we were able to move really fast after we closed,” Peterson said.

The M&A field has grown up in the past 40 years. Deals are no longer sketched out on napkins late at night. They are becoming an integral part of what it takes to run—and transform—many companies.

Financial Discipline Is Never Out of Fashion

February 2025

Christoph Schweizer

Executives understandably focus on costs in lean times, but financial discipline is—or should be—a management practice for all seasons.

Greater efficiency provides a buffer against economic uncertainty, and there is plenty of uncertainty to go around these days. Efficiency can also be the mechanism that frees up resources to pursue growth, and there are plenty of growth opportunities today, too.

In a BCG survey of more than 570 executives from around the world, cost management remained the top priority for the third consecutive year, rising 8 percentage points from 25% in 2024 to 33% in 2025. The second and third priorities were growth and revenue management.

These findings roughly parallel my own experience in talking with hundreds of executives a year. They view managing costs and improving efficiency as ways to improve their P&L and to reinvest— at least partially—in the future.

But while executives recognize the importance of controlling costs, many companies struggle to achieve it. On average, companies reach only 48% of their cost-saving goals. An even greater percentage struggle to lock in whatever savings they achieve, becoming victims of "cost creep." The TSR of companies that fail to meet their stated cost-reduction targets is 9 percentage points lower than that of peers that meet their targets.

Cost control is about awareness and acceptance. Cost-conscious companies are in it for the long haul. They continually evaluate costs against priorities, and they are on the lookout for organizational resistance. In fact, 69% of executives said that such resistance was a major challenge in their cost-control efforts, compared with only 37% who cited a lack of skill and expertise as major challenges.

Cost control is rigorous. Cost-conscious companies deploy proven tools and methodologies to detect early signs of spiraling costs, and they share these findings throughout the organization. In the survey, 79% of executives cited the importance of transparency in such metrics as fiscal-year targets and gaps, specific cost-saving achievements and initiatives, and market trends and economic forecasts.

Leaders lead by example. In the survey, 62% of executives said that leadership communication was vital to cost-control efforts. The most effective communication methods are cost-conscious behavior modeled by leaders, regular executive-led town halls, and written updates from executives. Senior leaders foster an accountable "ownership culture" for line leaders.

“Employees are more likely to buy into cost control if they believe that it will lead to a better, stronger organization.”

Companies can reinvest cost savings for growth. Nearly 67% of executives plan to reinvest the savings in the future, and this practice has a hidden benefit: employees are more likely to buy into cost control if they believe that it will lead to a better, stronger organization.

And that’s what we are all trying to achieve.

How Supply Chains Can Be a Game Changer in Sustainability

January 2021

Rich Lesser

To date, most companies attempting to cut emissions have concentrated on their own operations and offices. But for many—especially those serving end-consumer markets—pushing for decarbonization among suppliers offers a chance for impact that far exceeds what they can accomplish in their own emissions footprint.

For example, for a typical fashion or food manufacturer, emissions generated in the supply chain can be five to ten times higher than those created in its direct manufacturing. Add to this the globalized nature of present-day supply chains, and you can see the enormous potential for impact across borders—even in countries where climate action may not be high on the political agenda.

Agricultural and heavy industrial inputs account for the vast majority of the emissions embedded in the products we use every day. This means that the burden to decarbonize falls mainly on those upstream producers, which may struggle to fund a sustainable transition alone. End-consumer companies, however, which often have higher margins and a more engaged consumer base, can collaborate with their suppliers to help fund the transition.

In fact, our analysis suggests that when you take an end-to-end supply chain view, decarbonization is less daunting than you might think. It's possible to reduce about 40% of the emissions across the eight major global supply chains for less than $14 per ton of CO_2 equivalents. In fashion, you can reduce about 70% of end-to-end emissions at these very low costs. This results in consumer price increases of only 2% to 4% across a vast range of products—about $1 to $2 extra for a pair of jeans.

So why aren't we seeing this at scale today? Engaging a fragmented supplier base with limited data visibility and seemingly conflicting procurement priorities can seem like a mammoth task.

We recommend a number of actions that can achieve progress on this front, but first and foremost, companies need to gain a clear picture of their emissions from upstream activities. A comprehensive database, using supplier-specific data where possible, can serve as a basis for defining, aligning on, and committing to clear reduction targets for the years ahead.

> “With a comprehensive database of upstream activities, using supplier specific data where possible, companies can define, align on, and commit to clear reduction targets.”

With so much at stake and the necessary technologies largely available to us, we should be able to drive the necessary collaborations across supply chains. Some leading companies are already setting the pace, and I hope to see many more step forward in the near future.

About the Authors

Christoph Schweizer has been CEO of BCG since October 2021. Prior to this role, he was BCG's Chairman for Central and Eastern Europe and the Middle East. He has also served as a member of the firm's Executive and Operating Committees since 2014. Christoph is a member of several leading organizations, including the Business Roundtable and the World Economic Forum's International Business Council. Throughout his career, Christoph has supported clients in health care and private equity, and across industries in major transformational programs such as digital transformations and post-merger integrations. He received an MBA from the University of Texas at Austin's McCombs School of Business and holds a BA from WHU—Otto Beisheim School of Management in Koblenz.

Rich Lesser is the Global Chair of BCG, where he actively engages with CEOs and senior leaders around the world on critical topics including leadership, innovation, AI, the energy transition, and strategies for navigating geopolitical shifts. He previously served as BCG's CEO from 2013 to 2021, a period during which BCG's revenues tripled and crossed the $10 billion threshold. Rich currently serves as Chief Advisor to the World Economic Forum's Alliance of CEO Climate Leaders, and is a member of other leading organizations. In 2021, he was named the Best US Large Company CEO by Glassdoor. He received his MBA from Harvard Business School and BSE from the University of Michigan.

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