

# Adaptive Business Strategy

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## Agenda

- **What Is Adaptive Business Strategy and Why Do You Care?**
- **What Is Happening In Today's Business Environment?**
- **What Should CFO's Do To Be More Adaptive?**
- **What Are The Consequences Of Not Focusing On Adaptive Strategies?**
- **Can Companies Today Stay At The Top Of Their Markets/Competition?**
- **Final Thoughts?**

# What is an Adaptive Business Strategy

- An **adaptive** approach works when the **business** environment is **hard to predict and to shape, and when advantage may be short-lived**. Ongoing, substantial changes in technologies, customer needs, competitive offerings, or industry structure may all signal the need for an **adaptive** approach. - BCG Consulting
- Use **adaptive to describe people who are flexible** — they don't lose their cool when plans change quickly and they are **always willing to learn new ways to do things**. Being *adaptive* helps you sail along in today's ever-changing world. - [Vocabulary.com Dictionary](https://www.vocabulary.com/dictionary/adaptive)
  - The opposite of *adaptive* is *stubborn*.

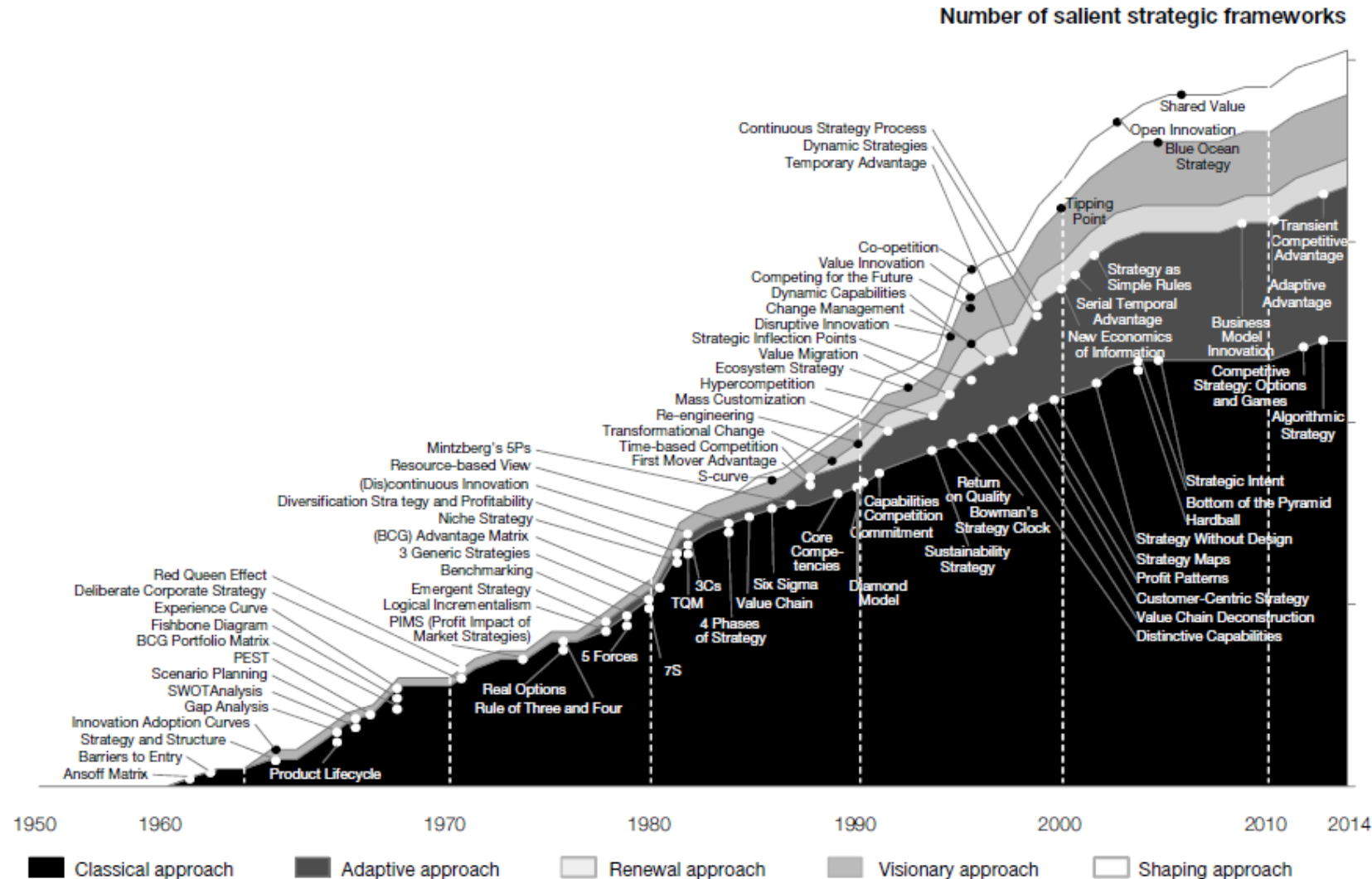
# Adaptability: The New Competitive Advantage

- We live in an **era of risk and instability**. Globalization, new technologies, and **greater transparency combined to upend the business environment** and give many CEOs a deep sense of unease. Since 1980 the volatility of business operating margins, static since the 1950s, more than doubled, as has the gap between companies with high operating margins and those with low ones.
- Market leadership is even more precarious. **The percentage of companies falling out of the top three rankings in their industry increased from 2% in 1960 to 14% in 2008**. Market leadership is proving to be an increasingly dubious prize: The once strong correlation between profitability and industry share is now almost nonexistent in some sectors. **The probability that the market share leader is also the profitability leader declined from 34% in 1950 to just 7% in 2007**. And it has become impossible for some executives even to clearly identify in what industry and with which companies they're competing.

[By Martin Reeves](#) and [Mike Deimler](#)

FROM THE JULY–AUGUST 2011 ISSUE OF HBR

## Proliferation of strategy frameworks



YOUR  
STRATEGY  
NEEDS A  
STRATEGY  
Martin Reeves  
Knu Haanaes and  
Janmejaya Sinha

Source: Pankaj Ghemawat, "Competition and Business Strategy in Historical Perspective," *Business History Review* 76 (Spring 2002): 37–74; Lawrence Freedman, *Strategy: A History* (New York: Oxford University Press, 2013); research by The Boston Consulting Group Strategy Institute.

Note: 3Cs, Customer, Competitors, Corporation; 5Ps, Plan, Ploy, Pattern, Position, Perspective; 7Ss, Strategy, Structure, Systems, Shared Values, Skills, Staff, Style; PEST, Political, Economic, Social, Technological; SWOT, Strengths, Weaknesses, Opportunities, Threats; TQM, total quality management.

# The Right Strategic Style for Your Environment



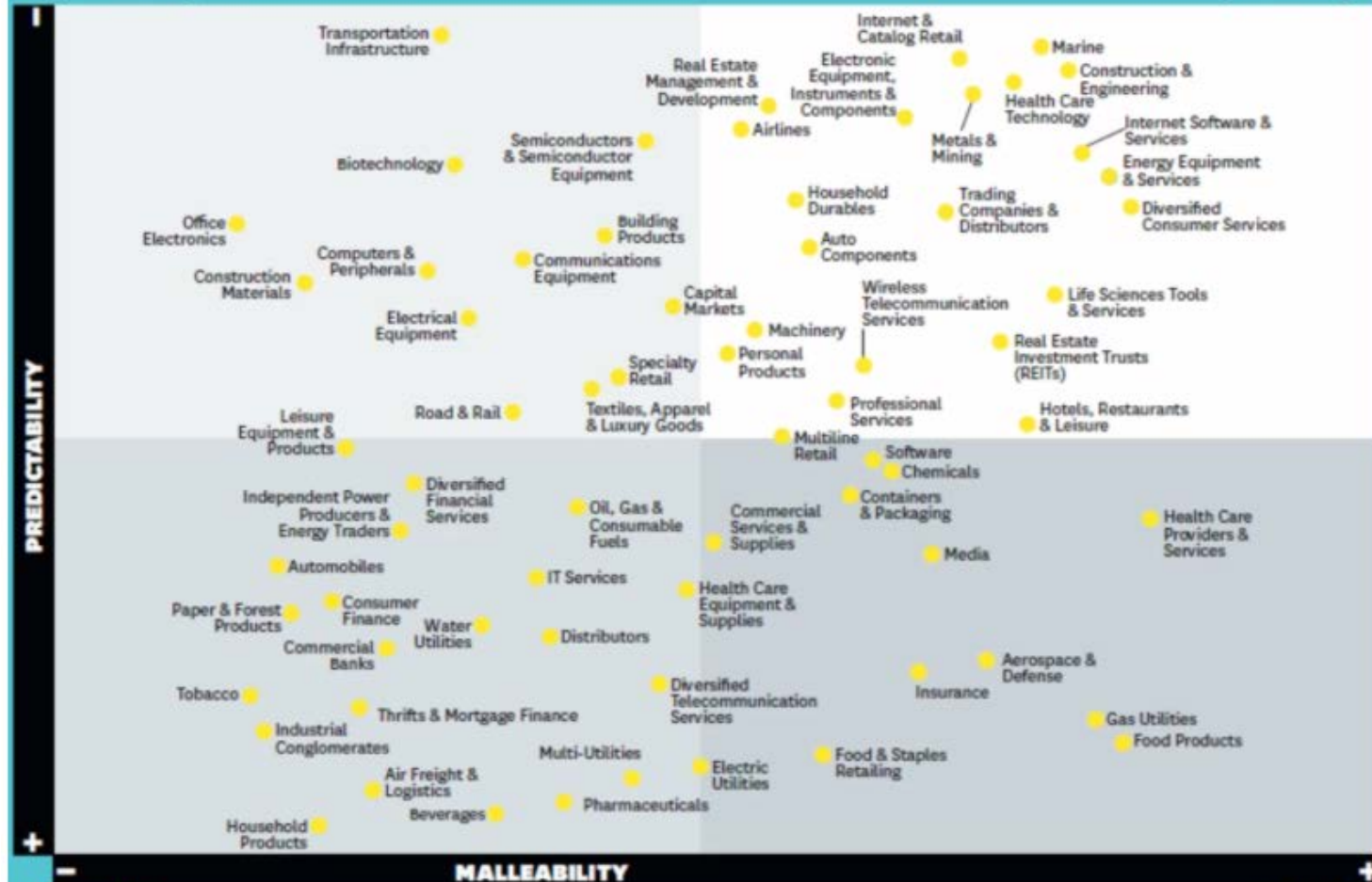
Our research shows that approaches to strategy formulation fall into four buckets, according to how predictable an industry's environment is and how easily companies can change that environment.

## ADAPTIVE

If your industry is unpredictable and you can't change it

## SHAPING

If your industry is unpredictable but you can change it



## CLASSICAL

If your industry is predictable but you can't change it

## VISIONARY

If your industry is predictable and you can change it

SOURCE BCG ANALYSIS