



GEORGIE FROST: Welcome to The So What from BCG, the podcast that explores the big ideas shaping business, the economy, and society. I'm Georgie Frost. In this episode, the world has changed dramatically since 2019, when BCG published *Winning the '20s, a Blueprint for Leadership in a Fast-Transforming World*. So do those rules still apply today? And if not, what does it take now to win?

Joining me are Rich Lesser, Global Chair of BCG, and Martin Reeves, Chair of the BCG Henderson Institute, both of whom shaped the *Winning the '20s* publications. Together, we'll explore what's changed, what's still true, and what new leadership playbook may be emerging. Rich, Martin, welcome. Thank you very much for joining us.

Prediction is a tough business, isn't it, Rich? Even in the stablest of times, and the 2020s, as we know, has been anything but. So back in 2019, you identified several big shifts that shaped the *Winning the '20s* framework. What were you looking to capture?

RICH LESSER: So what we'd observed is there'd been so much change in the 2010s, everything from who were the leading companies in the world to technology trends to societal trends, and I think we both expected at least that rate of change in the 2020s. Could we try to bring some insights into at least some of the core trends we expected and what they might mean in terms of business implications? Hopefully, those reports come across with a lot of humility.

We knew at the time we would never get it right, but I think we thought if we could look for patterns and spot things that were likely to be important, that could still give business leaders both some insights they could use in setting their own priorities, but also, just a challenge for their own thinking. Not necessarily to agree with us, but to force them to step back from all of the enormous pressures that every leader faces in the day-to-day, and think about what trends they thought were more likely to materialize, and make sure that they were incorporating those thoughts into their longer-term perspectives as well.

MARTIN REEVES: Yeah, I just add to that the...internally, I think we wanted to get our people focused on the future and not necessarily perfectly synchronized, but sensitized to what might happen

with a point of view. So there's an internal function to this exercise too.

GEORGIE FROST: Well, looking back now then, let's focus on the things that you got right. Martin, where were you spot on?

MARTIN REEVES: First of all, let me say what sort of things we were trying to predict. So we were trying to think about resilience, we're trying to think about AI, we were trying to think about change, ecosystems, shaping the context, diversity. And amid those sort of topics, I'd say the thing that was pretty spot-on was resilience.

So we'd already seen that companies really needed to be prepared to be extremely flexible and not only to mitigate potential damage, but actually, to flourish under new circumstances. They turn out to be even more important than we expected with COVID, and Ukraine, and tariffs, and lots of other tests of company's resilience.

RICH LESSER: So it's funny, Martin, you say that because I had the same impression going back and rereading it. The 2020s have tested resilience on so many fronts. When I picked up the report to reread it, I just assumed we must have underemphasized that, but that actually got a lot of play in multiple places.

And then the last thing I'd highlight is you think of China's role in the global economy now even versus six years ago, and it's grown enormously. And I think we also were pretty active in recognizing that trend was continuing and maybe in an accelerated way. So those were the ones that jumped out at me as pretty good at looking ahead.

GEORGIE FROST: So pretty good at looking ahead. What about the ones that were directionally right?

MARTIN REEVES: Well, I think directionally correct was technology in general. I think all of the early signs that we saw suggested it was going to be very important, and so we do emphasize not just the use of AI, but how AI would change how companies make decisions. I think what we didn't see was just how fast that would happen. So when ChatGPT, and transformer models, and LLMs came in, this was the fastest to a hundred million users of any technology in history. Breathtaking, unprecedented speed.

RICH LESSER: I would include the nature of the changing work environment. We did call that out,



but no one could see what would happen with COVID and the ways remote work, hybrid work, different ways of collaboration have grown. Honestly, we really underestimated the magnitude of that shift. We talked about societal pressures. I think we underestimated how divided society has become.

I'm sitting here in the US, so certainly, in the US, but I would say in many places around the world. So, again, I think it was less that we didn't see the possibility, but it's hard to see the magnitude of the shifts in some of these things. And if you were writing, looking backwards, you'd certainly give both of those greater play than we did looking forward in 2019.

GEORGIE FROST: Martin, what did you miss then?

MARTIN REEVES: We did miss the exogenous shocks, which are very hard to predict. I mean, so one exogenous shock was COVID. Another one was the particular technology of LLMs and transformer models. And they had some direct consequences, like impact of COVID on inflation and interest rates, and the accelerating aspect of COVID on the debate about the future of work. I think we were...in terms of working through the consequences of those shocks, we had all the themes, but we...who knew just how contentious geopolitics was going to become or that we'd have a major epidemic?

GEORGIE FROST: I think what was perhaps the surprise in what the first five years of this decade has been is not just the shock, but the shocks. It feels like they keep on coming, Rich.

RICH LESSER: Completely, one after another after another. When I meet new CEOs, because I do a lot of our efforts with our new CEO forums and things like that, I always say to them, "You do not realize how different your experience leading up to being a CEO is relative to a CEO six years ago in 2019 because you've been forced to see over and over again that every time you think, 'Well, we've come through that. Now, it's going to be a bit more stable,' sure enough, something else happens."

And it's been societal things, it's been health-related topics, it's been economic inflation, trade issues now. So I think we've trained a generation of leaders to be much more resilient, but how to do that in the optimal way and how to look ahead at the kinds of resilience that might be required going forward.

GEORGIE FROST: So given those lessons, let's turn to the future. Rich, firstly, what would you do differently if you're predicting the next five years?

RICH LESSER: I would put more emphasis on trust, and I think trust if we...there were a lot of words written. I'm sure "trust" appears in a couple places across so many pages. But if I look right now for a CEO trying to navigate a world where you've got to navigate a very complex political dynamic inside many countries, you have to worry about business disruption, you have...how AI is going to transform work, employment, in some functions and in some sectors, customers dealing with misinformation, cyber risk.

And the second one, if I just highlight, looking at the AI challenges today where generative AI and now agentic AI are so much more fundamental, I know we had that in the reports in certain places, but I would put so much more emphasis on helping companies navigate the magnitude of change, particularly on the human side with what's coming with AI right now. Those two would really stand out for me.

GEORGIE FROST: Martin, for you, what would you do differently, and what will stand out?

MARTIN REEVES: I think what I'd do differently is to do it again right now. So I think initially, we thought, "Okay. Let's do this for the next ten years, think for the next ten years." We're only halfway through the period that we aim to predict, and it feels like we need a new set of predictions because we've had all the change that we predicted, and now we're into different types of change. I think political risk is here to stay, at least for a while, because political cycles are slow.

They will go to second half of the '20s. I think geopolitical tensions won't resolve quickly. You've got hegemony between the major powers. That doesn't seem like it's going to heal very quickly. I think we're seeing constraints on growth, and therefore, the value of growth and the efforts that are required to achieve growth because the easy part of growth, participating in aggregate growth is less and less available, relatively speaking. So growth through innovation, imagination.

I think a really interesting one is sustainability. So we were fairly bullish that the social and ecological agenda would be an important part of business strategy moving forwards. And because of the politicization of business, we've actually seen some



definite backpedaling and de-emphasization. I think it's inevitable that that will rebound.

RICH LESSER: Georgie, can I raise one other point that Martin and I have been talking about in a separate context? One of the more interesting things that Martin led many years ago was looking at what drove corporate vitality, the ability to thrive over the long-term. And the core framework, it's not a one or the other between exploiting the business model it has today to its full potential and exploring for what's next. What's the ways you need to change? What's the new business models or the new kinds of value you bring to customers that can open up competitive advantage?

We're living in such an enormous period of change, whether it's the geopolitical and trade structures, whether it's diverging consumers in different parts of the world with different kinds of needs, particularly the rise of the Global South, and certainly, the role of technology that I think right now, it's going to put more of a premium on the companies that can explore for what's next, and then figure out how to really test it, make it happen at scale in their enterprises.

MARTIN REEVES: Yeah. I would strongly agree with that and maybe even go a step further. So we need more...relatively speaking, we need more exploration, and that's hard to do when there's a trending down of growth rates. That's hard to do when we're back into the territory of positive interest rates. So we almost need to go a step further, which is to break the traditional compromises of innovation.

So, typically, when we talk about innovation, we assume that there are fairly high failure rates, we assume that there's a cost, we assume that there's a delay, and so I think how to break those traditional trade-offs in innovation would be an important part of the agenda moving forwards. And hopefully, that's where AI can play a role and also, new ways of organizing so that you can have this extreme agility that's required to both explore and exploit at scale, because the larger organizations get, the harder it is to be flexible.

GEORGIE FROST: Just explain to me, Martin, what that kind of exploration looks like.

MARTIN REEVES: Well, traditionally, it looks like two almost opposing parts of the business, right? They're squeezing every cent of value out of the current business, and then often, in a remote

countryside location, there's an R&D center that's thinking about the future, and you have to balance this sort of contradiction. That's a very expensive contradiction to balance.

An idea we're working on is the idea of that the customers also have an explore and an exploit journey. If you can connect your exploration with your customer's exploration, you can potentially make the process more effective and even monetize what was previously a cost. We call it co-ambidexterity, but we think that there are ways of breaking the trade-off.

RICH LESSER: I do think there's one important point that Martin just said that we shouldn't lose, which is customers, whether they're consumer or industrial, driven by the changes underway, are going to go through their own massive change journeys. Think of the consumer who uses an agentic AI to plan a whole trip. Where to go, where to stay, where to eat, how to travel, and every step of the journey, negotiating the rates.

Some would argue we're there, but even if we're not quite there, we're not far away. But that then has massive implications on many different kinds of companies that serve the travel sector. And you can go through almost every part of both the consumer and the industrial economy, and see ways that those behaviors are going to be reshaped. And that means the suppliers, the businesses providing those products and services, who think that it's just about leveraging what they've always done and that's going to be good enough are facing much more disruption risk than they probably realize.

GEORGIE FROST: I think that's a really great point, Rich. How do you, as a business, turn all of the insight that we're getting, all of that data that we know about customers into, as Martin talked about, innovation, great products, great service? What's the secret ingredient?

RICH LESSER: So the first thing is something we actually did put in the 2019 report, which is it's all about the ability to learn at scale and to use learning at scale. There's a famous Satya Nadella quote that's part of his leadership journey, which has been so successful at Microsoft, was going from a know-it-all culture to a learn-it-all culture. And that phrase has always stuck with me because that was one of the main things we had highlighted back in time and I've used over and over.



Most companies are not built to be able to take in new learning, have it go across the enterprise in effective ways as opposed to sit in siloed places, and then use it to rethink not just within a narrow pocket, but more broadly, "How do we serve this customer? How do we create a new offering? How do we work together in a different way to collaborate to bring new kinds of value?" And I think that CEOs, in particular, play a major part in what they focus on, the stories they tell, the heroes they make in the organization.

GEORGIE FROST: I want to stay with leaders because I just...we spoke earlier about the new muscles that they've had to build over the last five years with all of these disruptions and changes. What do you think is going to be the biggest mindset shift the leaders need to make? What earlier assumptions perhaps no longer serve them now, Rich?

RICH LESSER: I just want to highlight a lot of leadership attributes are not going to change. The values they communicate and sense of purpose to the organization, their focus on attracting top talent to bring in A players, the sense of a customer centricity, an external centricity, not being too inward-focused, the passion to make everyone have the chance to succeed. I do believe a comfort to embrace technology at a different level in the organization, a willingness to bring new kinds of people with different mindsets.

Top talent is important, but the kind of top talent you need is going to change substantially in this world. A willingness to rethink business models more fundamentally, a willingness to look beyond the enterprise, because at a time of change, often, the best learnings don't come from within your own sector, they come from looking at people in other sectors and then being able to do the analogizing to say, "Okay. It's not exactly that way for us, but we could do something similar to that or maybe modify it in some way."

GEORGIE FROST: Martin, what capabilities will companies perhaps more generally need to build or deepen to stay competitive?

MARTIN REEVES: This change, this tremendous change that is required will be against the natural inertia of large complicated organizations. So there has to be some dynamism at the grassroots level, and you might call that a culture of curiosity. One of the hardest things to imitate is culture. An organization that really wants to learn about the

future, and wants to understand, and wants to be purposeful. So culture of curiosity and that aspect of leadership.

RICH LESSER: And then just to highlight quickly, because we said it earlier, a focus on resilience and really thinking more broadly across a wider range of scenarios. A focus on trust, authenticity, I think, is going to be at a huge premium and a really strong emphasis of this classic focus on what is the underlying source of competitive advantage and what are we doing to strengthen it, to create a barrier so that others can't replicate what we're doing, to build uniquely deep customer relationships, uniquely strong innovation footprints.

Those are muscles that CEOs should always have, but I think in a time of change, they come back to the fore as disproportionately important versus when the world is pretty set, you know what you're good at, you know what you're known for, and you're just trying to get better and better at that.

GEORGIE FROST: Rich, we've spoken about companies, leaders, consumers, customers, but what about staff? What can leaders do, and Martin mentioned there culture, to ensure that they have the right culture for learning, but also that there is not so much fear around the future of work?

RICH LESSER: I'm so glad you raised that. Part of the reason that I keep raising trust actually starts inside the organization. I think people are going to be looking for signals over and over. "Am I seen as an expendable piece the moment the next generation of AI comes along or the next time it's convenient, that I'll be expendable or not?"

Is the company committed to my skill development knowing that maybe I don't have the skills today to be in this new world, but they want to help me get there? Are they committed to looking for opportunities for as many of us as possible, hopefully all of us and hopefully next generation of people to make a contribution?"

There's trust on many dimensions. I think that in particular is going to really be critical because people are going to be nervous and somewhat cynical in some places, particularly if...CEOs have to be careful. You tell one part of the organization that they're fine and we're just trying AI a little. And then a year later, everybody sees that that group has been really downsized.



Don't think that won't transport across the whole rest of the company that isn't even being affected yet, and people say, "Oh, when they say they're just starting this out, this is the end journey you can expect." So how a CEO establishes an authentic dialogue in that and retains the trust of the organization, that's a new kind of challenge we haven't faced to this degree. Obviously, we faced outsourcing of jobs to other countries, we faced robotics in manufacturing settings. So I don't want to imply companies have never had to deal with this before, but the breadth of the organization that can be touched is going to be much higher.

GEORGIE FROST: Martin?

MARTIN REEVES: I think strategically, it's about having the courage to think about the longer-term, more transformational aspects of technology. I mean, there's always an easy and somewhat necessary path of increasing the productivity of what we have, and that's necessary to create funds to fund the innovation of the future. But the big payoff is in the company's own long-term interest to think about the more transformational elements, not just improving the productivity of what we have. I think that is also good for the social contract with the employees, as Rich pointed out.

GEORGIE FROST: What did you learn, both learn, from revisiting your own predictions?

RICH LESSER: I learned that in some ways, it's easier to predict where the technology is going than where society is going. I thought our insights into technology, into what was happening on AI and other things was not perfect, and we missed some of the rate of change, but the direction of travel was pretty good.

There are so many unexpected things that have happened societally over this time period. COVID, wars, trade issues, things that we didn't really talk about much at all. And so the need to think outside our normal comfort zones to contemplate scenarios has to be even wider when it comes to the social and those sorts of issues.

MARTIN REEVES: I think prediction is impossible. We didn't predict precisely there'd be this technology at this rate and this level of diffusion, but preparedness is entirely possible. So thinking through possibilities and being prepared doesn't require precise predictions. It requires that you've thought through the consequences of different scenarios.

Actually, this podcast is quite interesting for me in that this is not prediction, this is revisiting prediction and potentially entering new prediction. So this conversation is actually putting on the table the learnings that we'll employ to get better at the process of prediction, an essential skill, I think, for any company right now.

RICH LESSER: It's interesting, Martin, that you said that. I hadn't thought of that, but it's actually true. We talk all the time to clients about doing after-action reviews. You undertake a major change effort. You launch a new product. You do a reorg. You should go back afterwards and say, "What worked? What didn't work? And what did we learn from that experience so the next time it comes along, we do better?"

I hadn't really thought of it in the context of this exercise, but it's true. Every company, not just us, is looking to have its view three years out, five years out, of what's going on. And forcing us to go back and say, "Well, what did we think was going to happen, and how did it play out? And did others get it more right than we got it?" It's a healthy exercise.

GEORGIE FROST: And finally, what's the "now what?" What should leaders be doing today to future-proof their organizations? Martin?

MARTIN REEVES: I think if there's one thing of all of the things we've talked about, it would be to institutionalize resilience. We're going to need that again and again. So whatever the specifics of the technologies or the social trends, things will happen that we don't expect or things will happen to a different degree to what we expected or a different speed, and we have to cope with the unexpected.

And so I think that is...we say that that's in four types of capabilities. So one of them is preparedness, not prediction, but think through what might happen. It's buffering. It's making a trade-off between how lean and efficient with one way of doing things do I want to be versus how diversified against a set of possibilities. Investing in buffering capacity. I think it's rapid learning. If we think back to the day-by-day experience of something like COVID or great financial crisis, not all was apparent on day one. It gradually unfolded, and we had to adapt as we learned more. So that capacity for very rapid learning.

And then the proactive part of all of this, which is re-imagination. Crises, I think, we've learned, are



not temporary deviations from the status quo, and they return to the past. The new state is always different, the end stage is different, which is actually an opportunity. That's an opportunity to reimagine the business in new circumstances, an opportunity to reimagine for advantage. So these set of skills around institutionalizing resilience. Not just having a daily meeting and making up as you go along, but having a playbook, wargaming, scripts. Make it every bit as important as an industrial SOP. It's an ongoing part of the business.

RICH LESSER: In addition to business resilience, it's quite clear on the climate side, we're quite off-track in terms of temperature rising, probably, right now, on a three-degree trajectory. Obviously, we hope it will go down from there, but that's going to put much more focus on adaptation and resilience in a physical sense too across property, plant, and equipment, across our supply chains and in the ways we're interacting with customers. So that's going to carry much more importance in the years ahead.

And I'll just touch quickly on, to me, the other three elements I would highlight. One is this idea of being more exploratory and what will competitive advantage be looking ahead. More willing to push the boundaries of some of the traditional ways companies have thought about what they're doing to drive their business.

Second, trust and really, deeply understanding where do we have a trust premium today and what we're doing, where are we at a trust deficit versus other companies, versus the expectations of our employees, of customers, of society, and what can we do, not just what do we say, what do we do to earn trust? How do we build a reservoir of trust we can draw on, and then we can rebound more quickly when difficult things happen, and use that trust to deepen relationships and strengthen our business? And third, this embracing of AI that we've talked about throughout, but I just can't highlight enough how much that will be one of the core themes for the years ahead.

GEORGIE FROST: Rich, Martin, a pleasure as always. Thank you so much.

MARTIN REEVES: Thank you.

RICH LESSER: Pleasure, Georgie.

GEORGIE FROST: And thank you for listening. You can view this episode and others on BCG's

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