



BUSINESS STRATEGY

The Enemy Is (Almost) Always Within

By Hans-Paul Bürkner, [Allison Bailey](#), [Jeffrey Chua](#), and [Leila Hoteit](#)

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If Jim Collins had written a book titled *Built to Fail* rather than *Built to Last*, he is unlikely to have topped the bestseller lists. Likewise, can you imagine a book titled *The Seven Habits of Highly Ineffective People* flying off the shelves? Almost certainly not.

Most self-help business books focus on the things that make successful companies and leaders successful—the key factors that drive their growth, their profitability, and their reputation. At one level, this isn't surprising. Who doesn't want to discover the secrets of businesses that rank among the top 10% or 20% of companies? If only we could copy their tried-and-tested playbook, we too could run such a business and enjoy the plaudits that come with massive success.

In reality, though, success is fleeting in today's fast-fragmenting world. The average tenure of companies in the S&P 500 index has more than halved since the late 1970s. According to BCG research, the rate at which companies fall out of the Fortune 100 has increased by 60% over the past half-century. Many great names in industry have vanished—in banking, retailing, media, tech, industrial goods, consumer goods, and so on. Some have been taken over, others have been left to slowly wither away, and yet others have ended in bankruptcy.

Given this, it is better to ask not, “Why are a few companies successful?” but rather, “Why are most companies mediocre, struggling, or failing?” Of course, this is a much harder question to answer because it forces leaders to look in the mirror—and they may not like what they see. When leaders ask, “Why are a few companies successful?” they look for strategies that they can use in their company. When they ask, “Why are most companies mediocre, struggling, or failing?” they must confront the reality of their own company's mediocrity or failure. There is no hiding place.

Except that there is...

In our experience, most leaders of mediocre or failing companies turn to obfuscation. They blame the market, the competition, government regulations, the advent of new technology, or unpredictable “black swan” events. Of course, exogenous factors can have a negative (or positive) impact on corporate performance. For example, the COVID-19 pandemic devastated many companies. But if you look more closely, in the overwhelming majority of cases, internal weaknesses are responsible for a company's failure to perform. More often than not, external events simply expose weaknesses that were already present in the company.

Long ago, Arnold Toynbee, one of the first global historians, observed that civilizations fall principally because of internal decay rather than external duress. The same is true for many other human institutions, including corporations.

The Four Horsemen of the Corporate Apocalypse

In our view, most companies start to decay for four reasons:

- **Ignorance.** They have no clear strategy or pursue an outdated business model.
- **Inertia.** They lack the ability to implement any new strategy or action plans.
- **Individualism.** There is no teaming among the company's various functions, divisions, or regions.

- **Infighting.** Open or hidden conflicts fester between key decision makers.

These are the four horsemen of the corporate apocalypse. These are the enemies within.

Ignorance: No Clear Strategy for Operating in a Changing World

It is sometimes said that “if you’re not growing, you’re dying.” Yet many companies have no great ambition: they just want to provide decent goods and services for their customers and make a reasonable profit. If they maintain their competitiveness, this may be a perfectly adequate strategy. Problems arise when things change—and, of course, things do change. They always change.

Leaders of struggling companies often point to changes in customer behavior, the marketplace, the competitive landscape, technology, or the regulatory framework. These changes can fundamentally threaten a company’s business model and slowly—or suddenly—destroy the basis for business and the company. But they should not take leaders by surprise. It is the leader’s responsibility to scan the horizon for possible changes to the status quo and to constantly review the existing business model. Ignorance isn’t bliss, nor is it an excuse.

Polaroid was once one of the most famous names in the photography business. Founded in 1937, it built its fortune on instant photography, making cameras that could produce a photo in minutes. Although Polaroid made distinctive instant cameras, it earned most of its money by selling film for the cameras—which was both a blessing and a curse. When digital cameras arrived, the company’s leaders failed to develop a clear strategy to enable Polaroid to survive and thrive in a world without film. The company filed for bankruptcy in 2001; and while the brand was eventually sold off and still exists, the original company has passed into history.

Inertia: Inability to Implement Any New Strategy or Action Plan

It is clearly bad for leaders to have no clear strategy for operating in a changing world. But even the best strategy is worthless if it isn’t put into practice—and thousands of companies never implement their well-crafted business plans. Their story boils down to good intentions and little action.

It is easy to see why. Implementing a new strategy or any action plan requires painstaking work. It means changing the way people think and act. It means dealing with uncertainty. It means

confronting the brutal fact that new products and services or new approaches and technologies may cause friction or even end up in failure.

It's hard work—and sometimes leaders shy away from the task. In this sense, they suffer from personal inertia. Yet even some leaders who do push forward, determined to change their organization for the better, may run up against a seemingly immovable object: a deeply embedded corporate culture of inertia. They may find that their employees do not adopt the new approaches, either because they are overwhelmed with everyday challenges (“We’ve got enough to do without taking on more tasks”) or because they are skeptical about the workability of the new measures (“We made strategic changes before, and they made no difference, so why should it be different this time?”).

Blockbuster, the video rental company, is a classic case of a company brought down by corporate inertia. Founded in 1985, it owed its success to two things: offering a vast number of retail outlets where people could easily and conveniently select movies to rent from a wide range of choices; and collecting late fees, an especially lucrative revenue stream. At its peak, in 2004, Blockbuster boasted more than 9,000 stores.

The challenge to its supremacy as a home video company arose in the form of Netflix, which introduced DVDs-by-mail and subscription-based access to movie options (meaning that it didn't need to charge late fees to maintain profitability). Blockbuster could have destroyed its smaller competitor: in fact, in 2000, when Netflix was just three years old, owners of the upstart company offered to sell it to the sector giant, but Blockbuster dismissed the offer.

Blockbuster's leaders did adapt the company's approach—launching a DVD-by-mail subscription service, removing late fees, and piloting an on-demand streaming service. But time and time again, they ran up against internal resistance. Store managers and franchisees disapproved of the subscription service and streaming because it undermined their purpose and profits; and the removal of late fees, although popular with customers, reduced a major source of revenue. Unable to compete, Blockbuster filed for Chapter 11 bankruptcy protection in 2010, having run up debts exceeding \$1 billion.

Individualism: Lack of Cooperation Among Different Teams, Divisions, Functions, or Regions

If you want to go fast, go alone. If you want to go faster, go together. This ancient wisdom has become a truism: Nobody can truly succeed on their own. And yet many corporations have become surprisingly uncooperative environments. Some leaders think that cooperation creates unacceptable delays, requires uncomfortable compromises, and may even result in rejection of their ideas. Fearing these consequences, they choose to listen to the advocates of going it alone—

the people who say “The people in our unit can do a much better job than the others. We don’t need them. They just slow things down. They don’t understand our brilliant ideas. They are not willing to engage.” How often have you heard such assertions?

Working with other people (“teaming”, in business jargon) is not always easy. It takes time to reach collective decisions and may indeed lead to delays; and it almost certainly raises the need to make compromises with people who speak a different language, or who have different ideas, or who have different approaches. So why bother?

Well, for one thing, cooperation lies at the heart of what makes a company a company. Italian merchants in the medieval city states of Venice and Florence first devised the idea of a company, or *compagnia*. A conjunction of the Latin words *cum* and *panis*, it means “breaking bread together,” and signifies that the corporation is a fundamentally cooperative venture.

And there are practical benefits of cooperation. The act of collaborating with other people enables everyone to expand their capabilities and their experience. Furthermore, because two heads are better than one, many issues that seem intractable become solvable. And, of course, working with other people from across the company is essential to getting things done.

Procter & Gamble learned this lesson a few years ago. Like many large international companies with a matrix structure, P&G’s leaders had presided over the evolution of an unwieldy siloed approach. Some executives were responsible for key brands while others were responsible for particular regions—an organizational structure that frequently required middle managers to report to multiple leaders.

In 2019, P&G’s leaders responded to the challenges associated with the company’s complex bureaucracy and slow decision making. They reorganized P&G into six business units, each headed by a “mini-CEO” who reported directly to the CEO. These newly powerful leaders enjoyed expanded executive authority, receiving P&L responsibility along with a mandate to improve cooperation among teams. By moving work previously held at the corporate level down to the business units, P&G’s leaders aimed to increase accountability, agility, and focus. But another result was that the company’s executives learned to work together across the different divisions.

Infighting: Open or Hidden Conflicts Between Key Decision Makers

Competition exists in all companies—and understandably so. Ambitious people want to get ahead and strive to become the leader of a department, a division, or the whole company. It is obviously better to have strivers than slackers when it comes to driving innovation, expansion, and profitable growth. But sometimes, strivers misdirect their energy and focus on undermining a colleague.

Such corrosive behavior may be more or less explicit, with rivals sometimes badmouthing each other in front of other work colleagues, giving contradictory directives, or simply ignoring each

other. If the conflict spills over into the media, it can adversely affect the company's public image and even lead to the company's downfall. As for the individuals embroiled in these internal battles, they rarely emerge from the fray with their reputation intact and their career on track.

The story of Toshiba, the once-great Japanese conglomerate, is a case study on the destructive impact of corporate infighting. The company's decline began in 2015 with a probe into fraudulent accounting. This in turn sparked a series of boardroom battles as different individuals sought to take the 150-year-old company in different directions. The internal power struggles amplified the company's strategic drift, prompting activist investors to get involved. In 2023, a consortium of Japanese investors took Toshiba private, delisting it from the Tokyo Stock Exchange for the first time in nearly 75 years.

The CEO Checklist: How You Can Defeat the Enemy Within

Defeating the enemy within isn't about rooting out villains. Instead, it is about recognizing that decay can begin quietly, often in small and seemingly innocuous actions and overlooked assumptions. Every CEO must therefore be both a strategist and a coach—for their company and for themselves. To help leaders succeed in this dual role, we have developed a four-point checklist. Our recommendations do not guarantee that your company won't fail, but they do raise your odds of success.

Keep Strategy Alive and Evolving

Strategy is not a fixed plan. It is a living conversation between your company and the changing world. Too many CEOs and their leadership teams treat it as an annual ritual, producing a polished document that is often obsolete within months or even weeks. Great CEOs resist that temptation, insisting instead on continually renewing strategy. They build what might be called *strategic curiosity*—an organizational habit of questioning, scanning, and learning. They bring in dissenting voices, listen to customers, and look beyond their industry for analogies and surprises. They encourage their teams to challenge assumptions rather than defend them. To do this well, a CEO must balance confidence with humility. Try to be both instructor and listener, someone who offers clear direction while remaining open to evidence that the direction may need to change.

Turn Vision into Relentless Execution

Having a vision is easy; making it real is hard. Implementation demands persistence, attention to detail, and courage in the face of resistance. The enemy here isn't ignorance but drift—the slow loss of energy that devolves into inertia and turns strong intentions into weak outcomes. Great CEOs transform ambition into action. They insist on clear priorities, quarterly deliverables, and visible accountability. They celebrate progress but are equally willing to confront retrograde activity. They make it safe to experiment but not safe to be passive. Importantly, they recognize that execution is not only about processes, but also about projecting confidence and making bold choices. Your employees need to believe that change is possible, and they need to see you and your leadership team modeling the behaviors that you ask of them. If you can demonstrate energetic leadership, people will notice, and they will follow your example. If you don't, inertia will stall your company.

Build an Organization That Wins Together

Individual brilliance can create momentum, but only collective action can sustain it. Yet many CEOs reward star operators more than bridge builders; and when they do, silos form, cooperation fades, and the organization slowly fragments. Real teamwork requires both design and discipline. Great CEOs ensure that incentives reward shared success, not individual victories. They invest time in building trust among their top team—trust that permits disagreement without disloyalty. They rotate leaders across functions and geographies so that executives learn the company as a whole system, not as individual fiefdoms. The goal isn't to create harmony for its own sake. It is to enhance speed and coherence. When your teams collaborate effectively, decisions accelerate, customers see one company rather than many, and innovation multiplies. Enterprise is a collective endeavor—a truth you will do well to keep front of mind.

Manage Internal Conflict—Don't Let It Manage You

Internal conflict, in and of itself, is not the enemy. It can be a sign that people are passionate about the company. But when disagreement turns into dysfunction—when competing egos or agendas replace honest debate—the damage can be existential for a company. Great CEOs channel energy that might otherwise lead to conflict in a more productive direction. They create forums where differences of opinion can surface at an early stage, they clarify decision rights so that authority isn't contested in the shadows, and they confront interpersonal friction before it festers. Also, they act decisively when a mutually satisfactory resolution is impossible. They understand

that keeping two competing lieutenants as a long-term insurance policy is a false bargain that usually ends with both failing. So, show firmness as well as empathy. Avoid conflating collegiality with consensus, and tolerance with indecision. A CEO builds trust not by avoiding hard choices, but by making them openly for everyone to see.

In the End

Every CEO faces moments when the outside world feels hostile, beset by new competitors, changing technologies, and activist investors. It is easy to blame the environment. The hardest act of leadership is to look inward and ask, “What part of this do I own?”

Great CEOs institutionalize self-reflection. They invite tough feedback from their teams and boards. They commission periodic cultural audits to function not as a box-ticking exercise but as a way to surface uncomfortable truths. They start meetings by asking, “What’s not working?” rather than “What went well?” And they set a personal example by admitting their own missteps first. They know that humility isn’t weakness; it is an operating advantage. When you show vulnerability, you give others permission to speak openly and honestly—and only when everyone engages in open and honest conversation can your company correct its course.

Defeating the enemy within isn’t a one-time campaign. It is a state of mind. If you can acknowledge that your biggest challenge—your greatest enemy—resides inside your company, you’re halfway along the path to success. Ultimately, the destiny of your company is in your hands and no one else’s.

Authors



Hans-Paul Bürkner

Global Chair Emeritus



Allison Bailey

Managing Director & Senior Partner; Vice Chair, People & Organization Practice; former BCG Fellow

Boston



Jeffrey Chua

Managing Director & Senior Partner
Singapore



Leila Hoteit

Managing Director & Senior Partner; Global Leader, Education, Employment, and Welfare

Dubai



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