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Technology, Media & Telecommunications Practice

Winning through the turns: How smart companies can thrive amid uncertainty

New technologies, geopolitical strife, and mounting regulations are impacting nearly all businesses, particularly those in the technology sector. But for smart leaders, uncertainty also spells opportunity.

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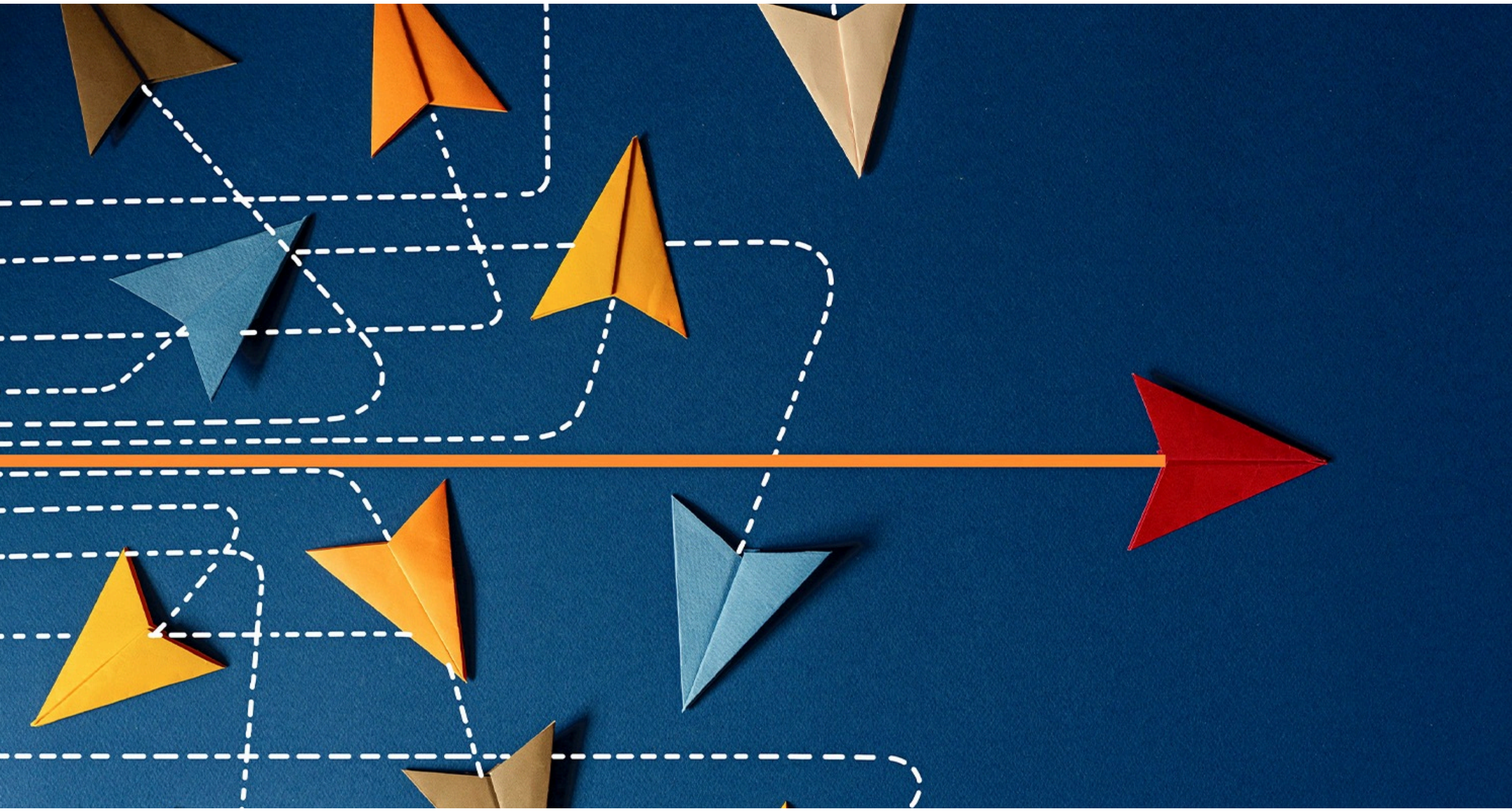
with Ninad Kulkarni



September 2025

We are living through a period of nearly unprecedented upheaval. Measures of global uncertainty have been rising steadily, according to McKinsey research, and are now nearly double where they stood in the mid-1990s.[1] From the pandemic-induced digital acceleration to the ongoing AI revolution, businesses have been caught in a whirlwind of change, which has been exacerbated by new geopolitical tensions and an increasingly uncertain regulatory landscape. This combination of shocks has created one of the most difficult environments leaders have faced—and one that likely won't change anytime soon.

While this represents a challenge, uncertain conditions can also present opportunities. The late Brazilian Formula 1 champion Ayrton Senna once said, "You cannot overtake 15 cars in sunny weather—but you can when it's raining." Of course, that's only true if the F1 team has prepared itself for unexpected race day mishaps, whether it's rain-soaked tracks or surprise moves by competitors. The same is true in the world of business. A savvy enterprise can leverage market, trade, and technological disruptions to overtake its rivals—provided it has practiced the skills it needs to thrive when long-standing rules no longer apply.

Leaders in the technology sector need to be particularly adept at navigating their organizations through uncertainty because they grapple with higher levels of disruption and volatility. For example, between 2000 and 2023, the technology industry saw a 40 percent higher churn among the top 20 companies compared with the average across other industries.[2] The technology sector also invests more in innovation and faces greater regulatory scrutiny than other industries.[3]

Over the past several decades, we've witnessed major periods of change driven by successive technological "waves," with each wave creating both uncertainty and opportunity. These tech waves—from the rise of personal computing and the internet to the emergence of social media, mobile technology, and cloud computing—have reshaped industries, disrupted existing business models, and redefined market leadership (Exhibit 1).

Companies that recognized these shifts early and leveraged new opportunities emerged as winners, consolidating their position as industry leaders for years to come. Microsoft, for example, transitioned from a focus on PCs to cloud computing and AI leadership. Amazon evolved from an online bookseller to an "everything store" that perfected the two-sided marketplace model and is now leveraging AI to enhance its services. In fact, about half of the top 20 companies by market capitalization in today's S&P 500[4] are technology businesses that have successfully navigated multiple pivotal waves of disruption and uncertainty.

McKinsey has identified five strategic moves that help companies build the resilience they need to thrive in periods of tumult. These five essential moves, grounded in deep research and our work with clients, are determining "where to play," driving business model innovation, linking talent to value, dynamically allocating capital, and taking a programmatic approach to M&A (Exhibit 2).

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[1] Baseline uncertainty between the mid-1990s and 2025 is measured as a five-year trailing average. The World Uncertainty Index measures uncertainty by reading country reports from the Economist Intelligence Unit. Data from 1993 to 2024 represents the quarterly, unbalanced GDP weighted average for 142 countries.
[2] According to McKinsey research, the technology industry has a 40 percent higher turnover in the top 20 list by market capitalization compared with other industries from 2000 to 2023 (63 in technology versus an average of 45 across other industries).
[3] From 2021 to 2024, there were 74 major full-time-equivalent decisions related to technology companies, compared with 35 for other industries, and 1.6 times higher spend on R&D as a percentage of annual revenues for technology companies, compared with the average across other industries.
[4] Alphabet, Amazon, Apple, Broadcom, Meta, Microsoft, Netflix, NVIDIA, and Tesla (as of April 30, 2025).

Exhibit 1

Tech waves often cause disruption, and the big winners during such periods are the companies that strategically navigate uncertain times.

Big winners during tech disruption (not exhaustive)

1975–90
PCs

Apple: Developed mass-market PCs

Intel: Invented x86 microprocessors

Microsoft: Licensed MS-DOS to OEMs

1990–2000
Internet and dot-com

Amazon: Pivoted from online bookstore to e-commerce marketplace

Google: Developed AdWords online advertising platform

Microsoft: Integrated Internet Explorer with Windows OS

2000–10
Social media

Facebook (now Meta): Pioneered social networking; later acquired Instagram (2012) and WhatsApp (2014)

Google: Introduced AdSense platform

Twitter (now X): Introduced platform for real-time, short-form content

YouTube: Democratized video sharing and streaming; acquired by Google (2006)

2005–10
Mobile computing services and smartphones

Apple: Introduced iPhone; developed App Store

Google: Released Android as open-source, mobile OS

Samsung: Pursued global expansion of Galaxy by leveraging Android and investing in AMOLED display tech

Cloud computing

Amazon: Pioneered scalable, on-demand cloud-computing services

Microsoft: Developed and expanded Azure via partnerships and global data centers

2010–20
Software as a service (SaaS)

Adobe: Migrated flagship creative tools to cloud, turning 1-time software purchases into recurring revenue

Salesforce: Expanded enterprise SaaS portfolio via strategic acquisitions (eg, Slack, MuleSoft, Tableau)

ServiceNow: Evolved from IT service manager to digital operations platform by automating IT and business workflows

2020–present
AI

Amazon: Embedded gen AI into Alexa, Amazon Web Services, and fulfillment and logistics tasks

Google: Building on earlier investment in AI (eg, DeepMind acquisition in 2014), launched Gemini and integrated it into broader portfolio

Microsoft: Building on earlier investment in AI (eg, OpenAI in 2019), developed Copilot and integrated GPT models into product suite

NVIDIA: Developed superior GPUs; became a leading supplier of AI hardware

Open AI: Developed large language models with gen AI applications

ServiceNow: Created ecosystem of AI agents to automate business workflows

Taiwan Semiconductor Manufacturing: Invested in AI-optimized semiconductor manufacturing to dominate chip production

Exhibit 2

Tech companies can use five levers to navigate turns and generate performance in uncertain times.

5 key levers for tech companies during uncertainty

1 Exploration of places to play
Capture growth adjacencies, and expand beyond core

2 Business model innovation
Continually evolve pricing, delivery, and production

3 Talent-to-value focus
Ensure that best talent are in most critical value-driving roles

4 Dynamic capital allocation
Reallocate resources to match evolving environments (both external and internal)

5 Programmatic M&A
Increase performance via strategic M&A and divestitures

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We have tested this framework by interviewing five exemplary CEOs of leading technology companies, each with lived experience navigating these strategic turns—Dell Technologies CEO Michael Dell, GlobalFoundries Executive Chairman Thomas Caulfield, HubSpot CEO Yamini Rangan, GoDaddy CEO Aman Bhutani, and Juniper Networks CEO Rami Rahim. Their stories illustrate Senna's insight that even the trickiest conditions can unlock unforeseen opportunities —provided leaders know how to handle the turns. (This article is part of ongoing McKinsey research on how companies can thrive in uncertainty.)

Navigating turns under uncertainty: How tech companies can lead the pack

The average Formula 1 circuit consists of about 60 laps, each with 20 turns. While racers must navigate more than 1,000 turns during a race, winning often comes down to a few crucial factors: investment in technology (such as aerodynamics, durability, tire management, and engines), the team's preparation, adapting race strategy in real time, the skill of the driver, and the willingness to make a few bold, crucial moves that can drastically alter a race's outcome.

Similarly, leaders in the technology sector also have a set of strategic moves they can deploy to navigate the challenges and opportunities coming their way. It's important to understand that companies must master these moves before they find themselves in crisis. Resiliency, after all, is a skill in and of itself—a set of capabilities that are difficult to master and must constantly be exercised if they are to be effectively deployed under pressure. "You should not wait for a crisis to do these things," says Caulfield. "Changing during a crisis is necessary for survival, but driving change to avoid a crisis and stay ahead of the world shifting around you is what enduring businesses do well."

1. Where to play

"Where to play"—that is, the choice of which markets to compete in—may be the most important decision a company can make. This is not a one-time decision; instead, it requires constant review and proactive action in response to changing circumstances. For example, in response to growing geopolitical risks and uncertainty, companies in industrials and electronics manufacturing industries are poised to reposition their portfolios (for example, toward software, derisked supply chains, and AI) to drive resilience and growth.[5]

Our research shows that companies that "switch lanes," seeking opportunities in industry segments with higher momentum, delivered more than double the returns of companies that remained in their existing niches over the past decade (see sidebar "Resiliency in action: Changing the playing field").[6] However, making such a switch is a bold move, which perhaps explains why fewer than 10 percent of companies opt to do so (Exhibit 3).

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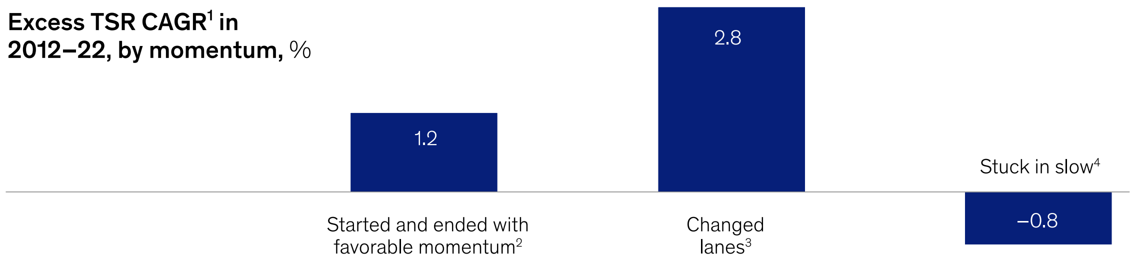
[5] "Advanced industries: New technologies and supply chain shifts are driving key portfolio and investment decisions," McKinsey, February 19, 2025.

[6] Industry is defined based on the McKinsey Industry Classification (MIC) system, which is a systematic breakdown across three levels: 13 MIC1 codes (for example, consumer), split further into 32 MIC2 codes (for example, consumer packaged goods, consumer durables, and retail), and then into 130 MIC3 codes (for example, consumer electronics and home furnishings). Our analysis is based on a sample size of the largest 2,000 corporations by market capitalization in 2022 (Global 2000), excluding banking, insurance, real estate, and companies in Greater China, resulting in a final sample of 1,303 companies. Companies with missing momentum data were also excluded from our analysis.

Exhibit 3

Companies that switch lanes to gain favorable portfolio momentum are the biggest winners.



Excess TSR, by momentum, % of sample (n = 1,160)[5]	52	9	39

[1]Median versus benchmark of MSCI World Index, centered across 30 days at beginning and end of sample period to account for potential daily fluctuations (eg, Dec 15, 2012–Jan 14, 2013, and Dec 15, 2023–Jan 14, 2024), excluding weekends. [2]High industry momentum at beginning and end of sample period). [3]Gained industry momentum through active portfolio strategy during sample period. [4]Low industry momentum at beginning of sample period and lost momentum until during sample period. [5]Sample size is largest 2,000 corporates by market cap (ie, Global 2000), excl banking, insurance, and real estate companies and those with headquarters in Greater China, in 2022. Those with missing momentum data (analysis to be refined) not shown.
Source: MSCI World Index, MSCI, accessed Aug 2025; McKinsey analysis

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In practice, a robust and regularly updated portfolio strategy is key to capturing where-to-play opportunities. This involves three fundamental steps:

1. *Understand the market.* Leaders should analyze market attractiveness, considering factors like market maturity, competitive intensity, and economics. This includes evaluating current and adjacent markets to shape the portfolio and identify potential areas for growth or divestment. Evaluating key risks and barriers is important too, including risks related to technological disruption, regulatory and geopolitical risks, macroeconomic risks, and black swan events, among others.

2. *Benchmark and analyze the portfolio.* Simultaneously, companies should benchmark their current performance against peers to find opportunities for efficiency using metrics such as revenue-to-R&D expense ratios and gross margin ranges. Similarly, decomposing enterprise value into product and sector pools helps companies analyze each segment's contribution to the overall business value and identify key segments to target for growth.

3. *Develop and evaluate portfolio moves.* Finally, leaders should analyze underperforming products for their commercial synergy, option value, and strategic fit. Then they should categorize products based on financial performance and strategic importance to determine whether to increase investment, maintain, reduce, or exit.

Resiliency in action: Changing the playing field

In 2018, the semiconductor manufacturer GlobalFoundries found itself at an inflection point. With semiconductor-enabled technologies ascendant, demand for leading-edge nodes like seven nanometers was surging. But competing directly with heavily resourced global leaders would require immense capital expenditures, with returns that were uncertain at best.

After studying the market, GlobalFoundries's leadership, spearheaded by then-CEO (now Executive Chairman) Thomas Caulfield, recognized that a significant share of semiconductor market value was concentrated in specialized nodes—such as FD-SOI (fully depleted silicon-on-insulator) and RF (radio frequency)—heavily used in applications in the automotive, Internet of Things, and consumer electronics industries. This recognition spurred GlobalFoundries to make a significant strategic shift, changing its orientation from "how to play"—competing for market share against better capitalized rivals—to that of "where to play," which provided a clearer pathway to sustained growth. This shift also helped GlobalFoundries avoid growing geopolitical tensions, allowing the company to build on the competitive advantage it had gained by building a geographically diverse manufacturing base and supply chain.

The company initiated a comprehensive realignment of resources, redirecting billions of dollars in R&D and fabrication investments away from advanced nodes and into specialized ones. To ensure alignment with the needs of end users, it recruited heavily from customer organizations. The strategic pivot proved highly successful. GlobalFoundries has not only sustained profitability through industry downturns but also achieved record financial performance, posting steady annual profitability growth and nearly doubling EBITDA. "The technology and end-market applications in our industry are changing fast." Caulfield says. "You have to be bold and predictive of where the megatrends are going."

The web-hosting and domain-registry provider GoDaddy made a similar where-to-play decision, shifting from mature core businesses to investing in adjacent, higher-growth segments. "Coming into GoDaddy, it was very clear that we were in a couple of mature businesses, domains, and hosting," says Aman Bhutani, who became the company's CEO in 2019. "If that was where we were going to play, then the only real strategy for the company would be to massively expand margins." Instead, GoDaddy decided to play elsewhere. The company identified adjacent products and services—such as websites and productivity tools—and elevated them from mere add-ons to core business lines. GoDaddy's portfolio has since evolved to include higher-growth, higher-margin segments, contributing to the company's growth trajectory.

2. Business model innovation

A business model is not static; it needs to constantly change and evolve. This is especially true today, with the emergence of gen AI promising to upend established business models and open the playing field for new winners.

Typically, business model innovation occurs across three core components—economic models, production models, and delivery models. AI is sparking changes on all three fronts. For example, integrating AI solutions across the software product development life cycle has drastically reduced time to market while increasing the viability of production for new product ideas.[7] The introduction of AI-first and AI-native products also has led to the adoption of new monetization models (such as outcome-based pricing models for agentic AI products for automated customer assistance).

Companies can develop an approach to business model innovation through a few tested strategies for each of the three core components. They can rethink their economic models by innovating monetization strategies. Consider how software companies have generated value by moving from a licensing to a subscription-based model. When Adobe made this shift in the wake of the financial crisis in 2012 and 2013, for example, it experienced a tenfold increase in market capitalization and a 300-basis-point improvement in gross margins.[8] More recently, companies have updated monetization models by shifting toward consumption-based and outcome-based models, in which pricing is based on the level of consumption of specific resources (such as compute or storage) or successful delivery of predefined outcomes. The number of leading software companies offering consumption pricing has nearly doubled in the past decade,[9] according to McKinsey research. What's more, these companies have experienced 10 percent greater revenue growth and a 30 percent boost in price and earnings performance compared with peers (Exhibit 4).

Meanwhile, by innovating their production models, technology companies can build specialized excellence in certain areas while utilizing partnerships for other segments—allowing them to capture value from their own products and from third-party products that run on their platforms. In fact, software-as-a-service (SaaS) players that expand into platform as a service wind up receiving about 1.7 times premium multiples (11.2 compared with 8.0 for pure SaaS).[10]

Finally, companies can revamp their delivery models, for example, by eliminating intermediaries between the company and its customers or creating new ways to deliver products. Open-source models have been a major innovation in recent years, enabling companies to foster innovation through an ecosystem while capturing value from levers such as customer support, hosted services, and training (see sidebar "Resiliency in action: The ever-evolving business model").

3. Link talent to value

While most companies have a value agenda, not all of them directly connect that agenda to their talent strategy. Linking talent to value is the disciplined approach to ensuring that an organization's top performers are in the most critical value-driving roles. Almost half (47 percent) of the C-suite leaders recently surveyed by McKinsey, for example, said that their organizations are developing and releasing gen AI tools too slowly, citing talent and skill gaps as a key reason for delay.[11] As a result, mapping talent to value and building AI skills within the workforce will be a top priority for most organizations.

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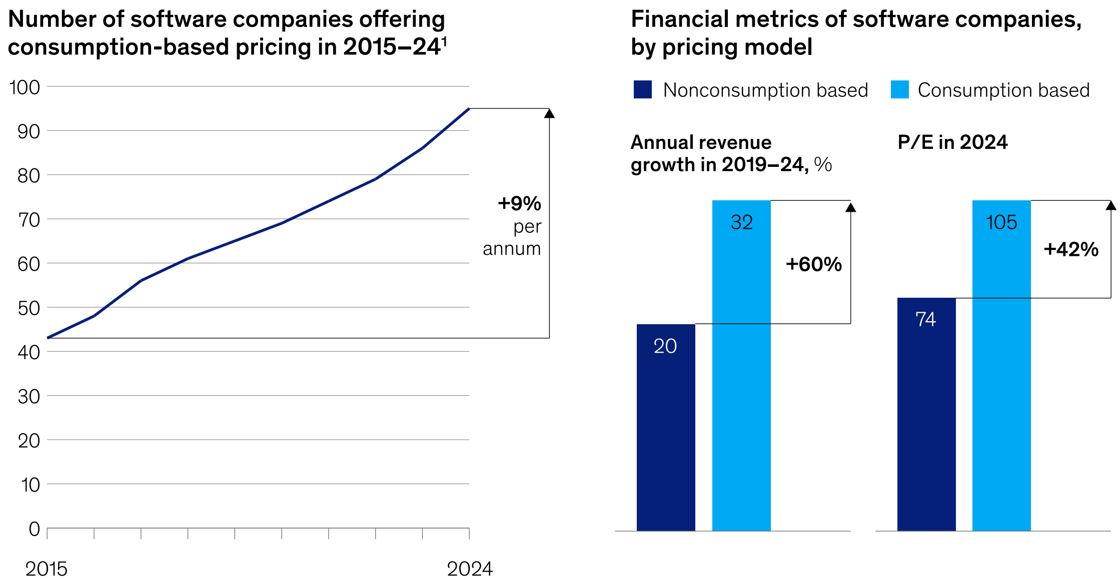
[7] Chandra Gnanasambandam, Martin Harrysson, Rikki Singh, and Aditi Chawla, "How an AI-enabled software product development life cycle will fuel innovation," McKinsey, February 10, 2025.
[8] Impact for the period January 2013 to December 2020, based on analysis of data from Yahoo Finance and Adobe 10-K filings.
[9] Based on the financial performance of more than 250 software companies from 2015 to 2024.
[10] McKinsey analysis based on IDC and S&P Capital IQ data and on the average financial metrics across companies with more than $250 million in 2018 revenue through "as a service" products.
[11] "Superagency in the workplace: Empowering people to unlock AI's full potential," McKinsey, January 28, 2025.

Exhibit 4

More software companies are shifting to a consumption-based pricing model, with early movers unlocking notable growth.



Number of companies with consumption-based pricing model increased >2× from 2015 to 2024

Businesses using consumption-based pricing models outperformed peers on key financial metrics

[1]Research conducted on pricing models of >250 leading software companies.
Source: McKinsey analysis; McKinsey Value Intelligence

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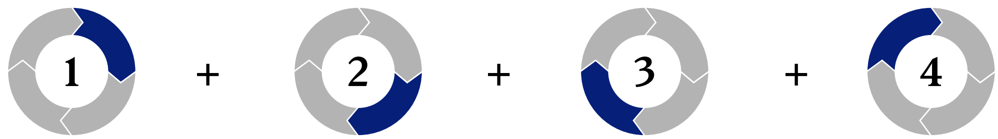
Linking talent to value often means paying increased attention to "CEO-2" roles—that is, the array of vice-president-level and director-level positions that are essential for successful execution but do not report directly to the CEO; such positions comprise as much as 90 to 95 percent of a company's critical roles, according to McKinsey research.[12] In fact, leading organizations have found that more than 50 percent of value created is concentrated in about 15 of the most critical roles, most of which are at the CEO-2 or more junior level. Winning companies maximize that upside via a four-step approach to mapping talent to value (see sidebar "Resiliency in action: How the right talent can drive transformation") (Exhibit 5).

[12] McKinsey research (November 2023) linking talent to value is based on insights from more than 50 talent-to-value engagements to identify what winning companies do well.

Exhibit 5

Linking talent to value involves a four-step process.

4 steps to link talent to value



Map key value drivers required to hit targets across business units

Identify top roles required for key drivers, defining jobs to be done

Place correct talent in roles, striking a balance between internal and external hiring and freeing up capacity

Operationalize and mobilize, with real-time coaching and development and rigorous performance management

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4. Dynamic capital allocation

Amid fast-changing circumstances, companies must be able to shift capital toward the biggest opportunities in a swift, decisive manner. Dell Technologies, for example, has masterfully executed pivots with strategic reallocation of capital over multiple turns in the past—from selling direct-to-consumer PCs in the 1980s to pivoting toward offering data storage infrastructure starting in the mid-1990s and cloud computing in the past decade. “Over the past 12 years, there were three times when the ten-year Treasury note was below 2 percent,” Dell told McKinsey. “The first time was when we went private. The second time was when we bought EMC and VMware. The third time was during the coronavirus. When money goes on sale, stuff happens.”

Most recently, Dell Technologies is pursuing a pivot to become an end-to-end provider of AI solutions to enterprises. As it strategically reorients toward AI, Dell explains the importance of precision and speed in reallocating resources: “We want to be very intentional about identifying which activities are the most important for the company and quadrupling down on those. Speed to change is another key to success. In the tech industry, we often say, ‘Change or die.’ There’s the quick or the dead.”

Dell is not unique in its effort to reallocate resources toward AI-driven products and transformations. Over the next three years, 92 percent of companies plan to increase their AI investments.[13] Getting this reallocation right will be essential if companies are to grasp the opportunities unleashed by AI. But for many businesses, the process of allocating capital across business units is highly correlated to last year’s allocation; they make incremental changes rather than aggressively responding to capitalize on shifts in the marketplace.

[13] “Superagency in the workplace: Empowering people to unlock AI’s full potential,” McKinsey, January 28, 2025.

Resiliency in action: The ever-evolving business model

Founded in 2006, HubSpot began by offering a single marketing software product. It has since expanded into a dynamic, AI-powered customer platform—a transformation that demonstrates how continuous business model innovation can be a crucial tool for navigating periods of change and uncertainty.

During the COVID-19 pandemic, for example, HubSpot adapted its economic model to address acute customer challenges. Facing churn among small and medium-size businesses, the company cut prices, offered free access to certain tools, and introduced customer relief programs. While these shifts impacted short-term revenue, they proved to be a long-term investment in customer loyalty by meaningfully illustrating the company's customer-first approach. HubSpot further innovated by evolving its production model, moving from independent product offerings to an integrated platform designed to enable seamless interconnectivity across various hubs (marketing, sales, service, operations, commerce, and content). At the heart of HubSpot's platform is its Smart CRM software, which unifies data across all hubs and the full customer journey. The company then went on to create an expansive App Marketplace and, more recently, an AI Agent Marketplace. "We changed the road map after the launch of ChatGPT," says CEO Yamini Rangan, "and we asked the whole organization to pivot toward AI."

Embracing an AI-first delivery model, HubSpot has integrated more than 200 AI-powered features, including copilots and task-specific agents, directly into its existing products. "We saw larger deals getting bought because we have embedded AI," Rangan says. "AI is part of our platform, so our monetization strategy depends on us embedding AI well." These strategic shifts helped HubSpot expand customer lifetime value and cross-product adoption, quadrupling its revenue from $675 million to more than $2.6 billion from 2019 to 2024.

GoDaddy embraced a similar shift in its delivery model when it moved from the mature, increasingly commoditized business of domain hosting. The company leveraged automation, machine learning, and AI to elevate its product mix and drive the pivot toward new, software-led models. "There are three legs that we think about in our product, which the customer sees as GoDaddy Airo," CEO Aman Bhutani says. "There's automation, there's generative AI, and there's agentic [AI]." This business model innovation allowed GoDaddy to turn a perceived disadvantage—mature, commoditized markets—into a new, differentiated growth engine, repositioning itself as an innovative, customer-led software platform.

A more dynamic approach can yield real results. McKinsey research shows that the top quintile of companies that reallocate capital more frequently between business units[14] experience an estimated 20 percent greater total shareholder returns than those in the medium or low

[14] Excludes financial companies, single-segment companies, and companies with missing capital expenditure data. The analysis was performed at the MIC3 level, resulting in 70,804 company and year segments for 1,955 companies from 2001 to 2023. Reallocation is measured by the deviation from stable capital expenditure and asset per segment. The top quintile is statistically significantly different from other quintiles (p-value = 0.02).

Resiliency in action: How the right talent can drive transformation

HubSpot's embrace of AI, a strategic priority since 2023, is about much more than adding AI features to its product mix. "We want to be an AI-first company, not just an AI-first product," says CEO Yamini Rangan. Key to accomplishing that has been a strategic approach to talent—one, Rangan says, that considers "talent to value through a much broader lens—of AI fluency, talent density, and growth mindset."

HubSpot has been methodical in its efforts to build AI talent density. Upskilling initiatives are designed to build AI talent throughout the workforce. M&A activity plays an important role, as well. Says Rangan: "I think about M&A not just to accelerate product road map but also to increase AI talent, fluency, and density within." At the same time, Rangan understands that merely upskilling and acquiring talent are not enough, that talent strategy also requires broader organizational changes that allow talent to flourish. For example, the company created an "AI central unit" in the early months of 2023—a cross-functional team, composed of senior leaders, product managers, and engineers, tasked with defining the company's AI-first strategy and product road map. HubSpot also has identified a number of "innovation bets" to develop scalable, disruptive AI-first solutions, assigning dedicated teams to each initiative. Rather than operating within HubSpot's core platform road map, these teams remain singularly focused on developing and scaling their solutions. One such bet—to develop a marketplace to build, find, and use AI agents—led to the development of Agent.ai, a platform that allows users to build their own AI agents, which now has more than two million users.[1] More AI-based innovation bets are continuing to evolve within HubSpot's product road map.

At GlobalFoundries, meanwhile, Executive Chairman Thomas Caulfield understood that a strategic shift could not succeed without a new approach to talent. "We did a complete remapping of the technical talent," he says. To develop a deeper understanding of the marketplace, the company began recruiting from its customers—and their customers, as well. GlobalFoundries also leveraged its global footprint to tap the best and brightest regardless of location, while altering its compensation strategy to focus on rewarding outcomes rather than tenure or position on the org chart.

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[1] As of April 2025.

quintiles of reallocators (see sidebar “Resiliency in action: Taking a dynamic approach to capital investment”) (Exhibit 6).

The technology players most successfully conducting capital reallocation tend to embrace these four approaches:

1. *Align funding with strategic horizons.* Top performers divide R&D and capital expenditures among separate “bets”—such as incremental improvements in the core business, breakthrough or next-level innovations, and disruptive ventures—and update allocations regularly to reflect market shifts and evolving capabilities.

2. *Bucket investments by type.* Leaders create distinct pools for mandatory spending (such as cost minimization and compliance), short-term discretionary projects (ranked by expected financial return), and long-term discretionary initiatives (ranked by strategic fit, team strength, and risk profile).

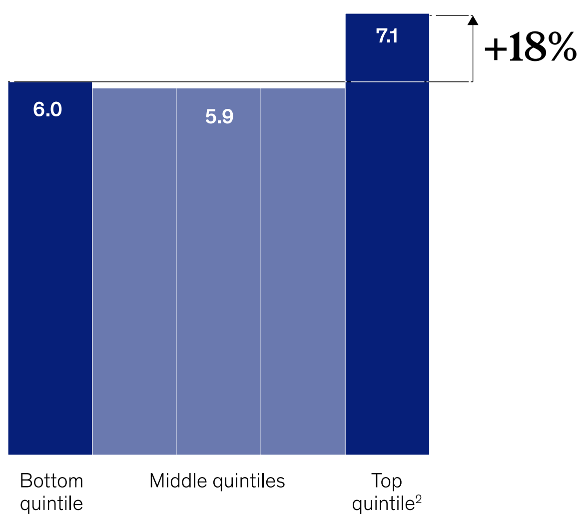
3. *Use quantitative scorecards.* All projects are evaluated objectively, with metrics covering financial returns, strategic alignment (for example, three- to five-year goals), and risk assessment.

4. *Innovate financing for disruptors.* Top players leverage corporate venture capital arms, incubators, or separate venture funds to back high-risk, high-reward bets without crowding out core business budgets.

Exhibit 6

Companies that dynamically allocate resources outperform their peers.

Average annual TSR in 2002–23, by frequency of resource reallocation, % (n = 1,955)[1]



[1]Measured by deviation from stable capital expenditures per asset per segment. Excl financial companies, single-segment companies, and companies with missing capital expenditure data; analysis performed at Military Interstate Children’s Compact Commission level.
[2]Difference of top quintile from other quintiles is statistically significant (*P* = .02).

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Resiliency in action: Taking a dynamic approach to capital investment

Founded in 1997 amid the first internet boom, GoDaddy fast emerged as a leading provider of domain and hosting services. But as those services matured and commoditized, the company strategically shifted toward higher-margin adjacencies, such as website building, productivity tools, and integrated e-commerce solutions (see the "Where to play" strategic move above). To facilitate this shift, GoDaddy has consistently allocated resources to align with evolving strategic priorities and market opportunities. For example, in recognition of the need to distinguish between mature and emerging areas, the company segmented its operations into two areas: core (domains and hosting) and high-potential growth segments (applications, commerce, and software solutions). This clear segmentation allowed GoDaddy to implement frequent and significant shifts in capital allocation as required. Says CEO Aman Bhutani: "We clarified and segmented our business and actively created and funded new business segments, particularly applications and commerce."

GoDaddy has embraced a structured, outcome-oriented approach to capital allocation, carefully balancing mandatory spending, short-term discretionary projects, and longer-term strategic bets, consistently evaluating each through objective quantitative metrics such as financial returns, strategic alignment, and risk profiles. "We maintained the same marketing spend as in 2019, but our technology and development spend doubled," Bhutani says. "To become a genuine software company, investment in engineers, robust networks, advanced tools, and automation is essential."

The computer networking provider Juniper Networks has undergone a similar transformation—in its case, from legacy to AI-native platforms—a transformation that also has required a more dynamic approach to capital investment. CEO Rami Rahim describes the process as knowing where and when to "dial the knob" on the company's investment settings. "Maybe the most difficult part of my job became how I dialed this knob," he says. "What is the right setting for where we are in time was the name of the game." Rahim also strives to move as quickly as possible when allocating resources. "There's a meaningful lag between R&D investment, capital investment, and figuring out what difference it's making in the marketplace," he says. In other words, when making investments to capture an emerging opportunity, speed and decisiveness can be deciding factors.

Resiliency in action: The art of growing through acquisition

When Rami Rahim became CEO of Juniper Networks in 2014, the company faced both slowing growth in its core telecommunications market and heightened internal uncertainty. “The biggest question we had to answer was, ‘Are we going to just figure out how to execute better in pursuit of the same market opportunity and hope for better results? Or are we going to diversify and try to make a name for ourselves in the enterprise space?,’” Rahim recalls. The enterprise market was shifting in response to cloud adoption and the move toward digital transformation, which created an opening for a disruptive networking competitor. With a clear strategy on how to become the disruptive competitor, Rahim chose to pursue growth through targeted, programmatic acquisitions in high-growth adjacent markets, specifically enterprise networking, rather than singular large deals.

Juniper began this process in 2019, with the acquisition of Mist Systems, which not only provided Wi-Fi solutions but also offered an AI-native platform that could help Juniper and its customers redefine their approach to enterprise networking. At this point, Juniper made three fundamental decisions that became the foundation for successful integration and building of a high-growth enterprise business. First, Juniper carefully structured the deal as a reverse-integration, which preserved the Mist momentum and cloud software-as-a-service platform advantages. Second, Rahim put Mist CEO Sujai Hajela in charge of Juniper’s broader enterprise business—a move that preserved Mist’s innovative culture and shielded it from Juniper’s more hardware-oriented operational constraints. Finally, Juniper transformed its go-to-market strategy to build a scaled enterprise sales model that was separate from the one dedicated to large telecommunications and cloud providers.

Juniper has since completed a series of acquisitions to consolidate its presence in the enterprise networking space and build out a differentiated, end-to-end portfolio for AI-native networking based on the Mist platform. In 2020, Juniper acquired Netrounds and 128 Technology, bolstering its push toward AI-driven enterprise networking. The 2021 acquisition of Apstra allowed Juniper to integrate intent-based network automation and multivendor support for the high-growth data center market. The acquisition of WiteSand in 2022 enabled the integration of a cloud-native, AI-driven network access control (NAC) service with Juniper’s Mist cloud platform.

The disciplined, programmatic M&A strategy has significantly increased shareholder returns. Since 2020, the enterprise business has become more than half of the company’s revenue, with steady annual growth, and the company’s share price has about doubled.

At GlobalFoundries, meanwhile, Executive Chairman Thomas strives to be as systematic about M&A as the company is about its business model, product mix, or market opportunities. Caulfield believes that M&A is one of the fastest levers for transformation, especially in a downturn. “When you bolt something on, it’s much quicker than building from scratch,” Caulfield says. In 2024, for example, the company moved quickly to acquire Tagore Technology, a high-power density solution designed to boost efficiency and performance in a wide range of power applications in automotive, Internet of Things, and AI data centers. “We think efficient power delivery technology is the future,” Caulfield says. “We needed to bring in expertise and IP [intellectual property] to offer better technology solutions for our customers.” At the same time, Caulfield emphasizes the importance of judging M&A by its long-term impact on the company’s strategic priorities. “Never judge a deal on day one,” he says. “The success of an M&A transaction can only be assessed looking back.”

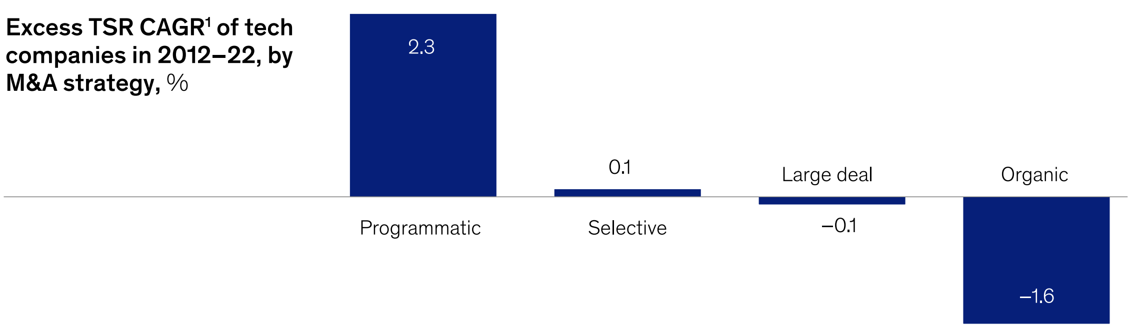
5. Programmatic M&A

In the early months of 2025, more companies sought an edge via M&A activity, with the tech sector leading the way. This activity has been led by mid-size deals (between $500 million and $10 billion), which have grown 20 to 40 percent compared with last year.[15] While many companies choose to pursue M&A activity on an ad hoc, deal-by-deal basis, McKinsey research shows that a purposeful, or "programmatic," approach to acquisitions and divestitures yields the best results. In fact, companies programmatically executing three to five deals per year had the greatest odds (more than 70 percent) of positive excess total shareholder returns.[16] Software companies that actively manage portfolios through M&A and divestments have double the TSR of peers who take a less strategic approach (what we define as "selective M&A") or who shy away from M&A activity altogether and attempt to grow organically. For technology companies, a programmatic approach to M&A generates an excess TSR of 2.3 percent, far outperforming other M&A strategies (see sidebar "Resiliency in action: The art of growing through acquisition") (Exhibit 7).[17]

A successful approach to dealmaking requires a three-pronged strategy: focusing on multiple smaller, purposeful acquisitions rather than single large deals; using programmatic divestitures to exit low-growth areas; and acquiring capabilities in high-growth adjacent markets.

Exhibit 7

A programmatic approach to M&A yields the strongest results.



Excess TSR of tech companies, by M&A strategy, sample size (n = 1,160)[2]	Programmatic	Selective	Large deal	Organic
	77	87	33	37

[1]Median excess TSR CAGR versus benchmark of MSCI World Index, centered across 30 days at beginning and end of sample period to account for potential daily fluctuations (eg, Dec 15, 2012–Jan 14, 2013, and Dec 15, 2021–Jan 14, 2022), excluding weekends.
[2]Sample size is technology, media, and telecommunications companies among 2,000 largest companies by market cap (>$2.5 billion) (ie, Global 2000) and still trading as of Dec 31, 2022, excl companies headquartered in Africa and Latin America.
Source: MSCI World Index, MSCI, accessed Aug 2025; Lena Koolmann, Anthony Luu, and Suzy Shaw, "Thoughtful M&A strategies are key to growth in tech, media, and telecom," McKinsey, Feb 29, 2024; McKinsey analysis

McKinsey & Company

[15]Ben Glickman, "The M&A boom Wall Street wanted is here, if you know where to look," *Wall Street Journal*, April 1, 2025.
[16]McKinsey analysis is based on CPA, S&P Capital IQ, Global 2000 (2022) data and the top 2,000 companies by market capitalization as of December 31, 2012, that were still trading as of December 31, 2022. Companies headquartered in Africa and Latin America are excluded.
[17]Lena Koolmann, Anthony Luu, and Suzy Shaw, "Thoughtful M&A strategies are key to growth in tech, media, and telecom," McKinsey, February 29, 2024.

In F1 racing, top drivers pore over every track detail and their driving approach to it so that reacting to changing circumstances in real time becomes muscle memory. As outlined above, business executives need to constantly engage their own set of muscles if they are to build the resiliency they need to thrive during periods of turmoil.

Historically, these periods of uncertainty and disruption have proven to be periods of new opportunities. In each period, we have seen companies successfully chase outsize growth by making bold, strategic moves related to the five levers we describe: deciding “where to play”; implementing business model innovations to facilitate strategic turns; mapping talent to new areas of value; reallocating capital in a dynamic manner to strategic priority areas; and conducting purposeful, programmatic M&A to pivot or bolster areas of strength. Our current moment of technological disruption, led by developments in AI, presents the latest opportunity for technology companies to do so, in an increasingly competitive race to drive growth and transformation.

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