Strategy Must Fit Industry Structure

Idea In Short

The lesson executives keep relearning is simple:

> a strategy borrowed from another industry's playbook fails on contact

Oil companies win by defending entry barriers built over decades. Internet companies win by moving faster than the next entrant can copy them. Neither instinct transfers to the other. The mid-2020s inflection point, accelerated by the pandemic, forced finance, energy, retail, technology and healthcare to test this principle in real time. Finance leaders who treated Artificial Intelligence [AI] as a side project fell behind competitors who rebuilt around it. Energy incumbents who assumed oil's century-old boom-bust cycle would repeat itself misjudged the speed of the decarbonization shift. The decision facing every strategist now is not whether to adapt, but whether the adaptation matches the actual structure of the industry they compete in.

The world's business strategists spent the years following 2020 relearning a lesson that industry structure, not general management theory, determines what strategy actually works. An oil executive and an internet executive who read the same strategy textbook would still need opposite instincts, because their industries reward opposite behaviors. Oil rewards patience and defense of a position built over decades. The internet rewards speed and constant reinvention. That divide became sharper as the pandemic accelerated change across nearly every sector and it offers a structural lens for understanding how finance, energy, consumer markets, technology and healthcare have each been forced to rewrite their playbooks.

Why Industry Structure Sets the Strategic Agenda

The oil industry looks unpredictable to an outsider, yet insiders know its changes are largely explainable by geopolitical shifts that unfold over years, not days. Entry barriers in oil are already extremely high, so a strategist's agenda centers on defending a competitive position and protecting the capabilities that took decades to build. The internet industry runs on a completely different clock. Innovations there appear at high speed, often without warning and competitive advantage comes from tracking emerging trends and responding faster than rivals or new entrants can.

The HBR article, titled: The power of strategic fit1 makes the underlying point:

> strategy only creates value when its elements, including a company's read of macro forces and market conditions, are genuinely aligned with reality rather than reverse-engineered from a financial target

A related body of research found that companies which align their business strategy with their industry environment earn 4 to 8 percent higher returns than those that do not. That gap is too large to treat as background noise and it explains why the same leadership talent produces different results depending on which industry it operates in.

Strategists need more than fluency in classical and contemporary frameworks to make this alignment work. They need a working command of the industry they operate in, including its regulatory trajectory, its capital cycle and its historical pattern of disruption, in order to develop, deploy and revise their strategy as conditions shift. The five sectors examined here, finance, energy, consumer and retail, technology and healthcare, each illustrate a different version of that requirement and together they show why generic strategic advice keeps failing executives who apply it without adjusting for structure.

Finance Rebuilds Around Artificial Intelligence

Technology has become the primary source of disruption inside finance, an industry where markets are already unpredictable and fortunes can shift within a trading session. Artificial Intelligence offers finance something it has rarely had, a measure of predictability drawn from pattern recognition across enormous transaction volumes. Firms and regions that

deploy AI effectively in credit scoring, fraud detection, wealth management and customer service are positioned to dominate the sector, while those that treat it as a pilot project risk falling permanently behind.

AI raises efficiency, speed and personalization inside financial services, though it also concentrates power among firms with the best data and the most opaque algorithms, a tradeoff regulators are still working out. Large technology companies including Amazon and Google have moved into AI-based finance, algorithmic trading has multiplied the number of active participants on public markets and Chinese institutions have taken a leading role in digital finance, including government-backed work on a digital currency. Which companies or regions ultimately win the sector will depend heavily on how regulators respond, since oversight of AI in finance is tightening as authorities set new benchmarks.

McKinsey estimates that AI could generate up to a trillion dollars of additional value annually for global banking2, a figure that explains why the transformation is treated as existential rather than optional. Ant Financial, spun out of Alibaba, is the clearest proof that this shift is not theoretical. It draws on data from its Alipay mobile platform to run lending, wealth management, insurance and money market products, all coordinated through the same AI infrastructure.

The article, Meet the Chinese finance giant that's secretly an AI company3 describes how Ant's chief data scientist framed the company's identity, calling it a techfin business rather than a fintech one, a distinction meant to signal that technology sits at the center of the company rather than serving it from the outside. That framing has since become a template other financial institutions are trying to copy, with mixed success depending on how deeply they are willing to restructure around data rather than product lines.

Energy Confronts the End of a Predictable Cycle

Boom and bust cycles have defined the oil sector for more than a century and conventional wisdom holds that today's low prices set up tomorrow's higher ones. That pattern held again through the early 2020s, when crude prices that had fallen sharply rebounded by more than 100 percent within a year. Extrapolating from a century of history would suggest prices keep climbing, but that assumption no longer holds with the same confidence it once did, because the energy sector is undergoing a structural shift toward decarbonization rather than a cyclical one.

Governments representing a substantial share of global energy demand have committed to achieving net-zero greenhouse gas emissions, with the United States, the European Union and Japan targeting 2050 and China targeting 2060. Many of these governments are already subsidizing electric vehicles and renewable generation to hit interim targets tied to the 2030 sustainable development agenda.

> Electric vehicles go from around 5 percent of global car sales to more than 60 percent by 2030

That is how "Net zero by 2050: a roadmap for the global energy sector"4 frames the scale of change required, alongside a hydrogen buildout that calls for new industrial-scale plants and electrolyser capacity added every month from 2030 onward. For strategists inside an industry accustomed to near-perpetual growth, that scenario raises uncomfortable questions. Who supplies the technology needed to hit these targets and how do the incumbent oil majors respond when their core asset risks becoming stranded well before its expected productive life ends?

China has positioned itself to answer the first question by supplying wind turbines, electric vehicles and solar panels at scale, helped by aggressive state industrial policy and by controlling much of the world's rare earth mineral supply needed for components such as wind turbine magnets. American firms are contesting that position and the next several years should determine which companies and countries end up controlling the technology stack behind the energy transition, a contest with far larger stakes than any single quarter's oil price.

Consumers and Retail Shift Value Toward Intangibles

The pandemic pulled retail online faster than any prior shock, though the shift itself predates 2020, since consumers were already migrating purchases from fast fashion to electronics onto digital channels. What changed was the pace, which multiplied within months rather than unfolding over years. Businesses that once treated e-commerce as a secondary channel have had to make it the primary one and discount retailers, including large incumbents such as Walmart, have come under pressure to rework their operating model

around remote buying and faster logistics.

A second, less visible shift is running alongside the move to e-commerce and it concerns where value actually sits inside a retail or consumer business. Trademarks, patents and proprietary software are becoming the assets that determine competitive advantage, displacing physical inventory and real estate as the primary source of enterprise value. Two forces are driving that shift, increased digitization of consumer touchpoints and the relative ease of scaling a software-based offering compared with a physical one.

Tesla illustrates the pattern directly, since its vehicles compete on software performance as much as on hardware specifications and Toyota has adopted what it calls a software-first management model in response. Sony reduced its physical manufacturing footprint enough that hardware and software revenue reached near parity, a ratio management expects to keep shifting toward software. Companies across FAANG, Facebook, Apple, Amazon, Netflix and Google, built their scale on intellectual property and software rather than on physical assets, a template retail and consumer companies outside technology are now trying to replicate. Executives running consumer businesses that still measure success primarily through store count or inventory turns are, by this logic, tracking the wrong assets.

Technology Faces New Entrants and a Talent Realignment

Large technology incumbents entered the pandemic with dominant market positions, yet the crisis diluted some of that power rather than reinforcing it. Zoom is the clearest example, a company that moved from a modest position in video conferencing to becoming the default term for the category, competing directly against incumbents with far larger balance sheets. That kind of disruption is being driven both by external challengers such as Zoom and from inside the largest firms themselves, as Google and Amazon have explored spinning off their cloud computing units into separate companies.

Engineering talent is moving in the same direction, flowing out of the largest firms and into smaller, faster-moving competitors, which compounds the pressure on incumbents already facing new entrants. The likely outcome is not an even playing field but a digital oligopoly, where a handful of winners capture most of the value even as the identity of those winners keeps shifting.

A second and less discussed change is underway inside technology company hiring. As

software embeds itself into regulated industries such as healthcare, energy and finance, technology firms need specialists who understand those industries' rules, not only engineers who can build the product. Questions of technology ethics are gaining prominence inside these firms as a direct result and specialists with sector-specific knowledge are increasingly the people responsible for answering them. Amazon and Microsoft have both been hiring industry experts for exactly this reason.

SoftBank offers one version of how this realignment plays out at the top of an organization. After absorbing losses on its WeWork investment, chief executive Masayoshi Son redirected the firm's capital toward any sector where AI technology looked likely to make an impact, including healthcare.

> Ours is now a company investing not in industries or sectors, but in the AI revolution

Karen DeSalvo, a former senior official at the United States Department of Health and Human Services, offers the other version. She joined Google to help the company enter healthcare responsibly, arguing that technology firms need people from the medical field so they can operate within existing regulations rather than around them.

> Google must bring talent from the medical field, so it is able to venture into the industry with sound policies in line with the regulations, ensuring it is doing the right thing for the consumer

Healthcare Widens Access Through Necessity

Healthcare absorbed the largest sectoral impact from the pandemic, not only because of the scale of the crisis itself but because of how many new technologies and entrants it pulled into the industry within a short period. The internet of medical things [IoMT] is central to that shift, combining sensors with medical data so patients can monitor their own conditions rather than relying solely on in-person visits. Telemedicine and remote advisory services from physicians have grown alongside IoMT and the technology layer inside healthcare has

become a sector of its own rather than a supporting function.

Two factors explain why remote healthcare gained traction as quickly as it did. Patients lost access to physical care settings during the pandemic and both patients and physicians shed much of their earlier reluctance toward virtual consultations once they had no alternative. Strategists inside healthcare organizations now have to reimagine the role of clinical staff and design a hybrid model that blends in-person and remote care rather than treating one as temporary and the other as permanent, while regulatory intervention continues to reshape which players can compete in the sector. Rising social isolation tied to both the pandemic and increased digital life has also pushed mental health services further into this hybrid delivery model.

Regulatory flexibility made much of this possible.5 describes how the United States Food and Drug Administration [FDA] issued temporary policies supporting remote patient monitoring devices and digital therapeutics, easing the path for new tools to reach patients while keeping oversight focused on genuine safety risk. Separately, Google and Apple jointly built a contact-tracing tool intended to limit the spread of COVID-19 infection, adjusting the design after early concerns emerged about how it handled user data. Both efforts point to the same conclusion, that healthcare strategists now operate in a regulatory environment built for rapid iteration rather than the multi-year approval cycles that defined the sector before 2020.

A Broader Shift Toward a Technology-Saturated Economy

When asked to describe life several years out, a canvassing of 915 innovators, strategists and policy leaders offered a broadly consistent view, that technology's influence would keep deepening across healthcare, work and education regardless of whether that deepening produced net benefits or net costs.6 found that roughly 47 percent of respondents expected life to worsen on balance, citing wider inequality and greater corporate concentration, while about 39 percent expected genuine improvement from better healthcare, education and sustainable energy systems and the remainder expected limited change either way.

The technologies these experts expect to become ordinary within daily life include improved speech and facial recognition, real-time language translation, better video search and stronger autocorrect and captioning tools. Looking further out, the same group pointed to

drone-based delivery, localized supply chains and tools designed to flag misinformation as developments likely to reshape how people live and work over the following decade. None of these technologies operate in isolation from the five sectors already discussed, since AI in finance, decarbonization in energy, intangible assets in retail, specialist hiring in technology and remote monitoring in healthcare are simply sector-specific expressions of the same underlying force.

Digitization and automation are no longer producing simple disruption inside any one industry, they are compounding across industries at the same time, which is precisely why a strategist's read of their own sector's structure matters more now than it did a decade ago. The oil strategist and the internet strategist still need different instincts, but both now operate inside a broader economy where the pace of change has become the shared condition, even if its direction and speed differ by sector.

- 1The Power Of Strategic Fit
- 2AI-Bank Of The Future: Can Banks Meet The AI Challenge
- 3Meet The Chinese Finance Giant That's Secretly An AI Company
- 4Net Zero By 2050: A Roadmap For The Global Energy Sector
- 5Advancing Digital Health: FDA Innovation During Covid-19
- 6Experts Say The 'New Normal' Will Be Far More Tech-Driven

Summary

Business strategy has no universal template. What works in oil fails in software and what works in retail fails in healthcare, because the underlying economics of entry barriers, capital cycles and customer switching costs differ by sector. Finance moved Artificial Intelligence [AI] to the center of its operating model. Energy incumbents faced a decarbonization race that rewarded early movers over defenders. Retail shifted value toward intangible assets such as software and patents. Technology firms diversified into specialist hiring even as new entrants chipped away at incumbent power. Healthcare widened access through remote monitoring once regulators loosened restrictions. The common requirement across all five sectors was the same:

> strategists who understood their industry's specific structure outperformed those

who applied a generic framework