KPMG

Adaptability Index

Decisions at the speed of change

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Executive summary

As volatility compounds across the economic, political, and technological landscapes, organizations are striving to adapt faster, make decisions sooner, and execute change more effectively.

Conditions that once underpinned business operations—open trade, predictable regulation, inexpensive capital, and consistent labor markets—are shifting simultaneously, creating complexity that redefines how CEOs and senior executives must lead. At the same time, artificial intelligence (AI), automation, and other emerging technologies are accelerating and amplifying broader structural changes and present opportunities for those who embrace them. In an era of constant disruption, decisive action is necessary, and hesitation risks serious financial consequences.[1]

Against this backdrop, CEOs must understand how to rewire their organizations to keep pace with change. Leaders need to balance short-term resilience and bold moves with significant investment in efforts that will drive long-term, sustainable growth. While most recognize the urgency, some find that their actions are not translating into adaptability at scale. To help leaders address this challenge, KPMG US created the **Adaptability Index**, a new, data-driven framework for thinking about adaptability across three pillars of business operations—culture, ecosystem, and strategy—and the structural factors influencing performance in different sectors.[2]

This report applies this framework to measure adaptability in six broad industry groups: consumer & retail; financial services; healthcare; manufacturing & energy; private equity; technology, media & telecommunications (TMT). To capture a snapshot of adaptability at this moment, the Adaptability Index draws upon a range of inputs, including a survey of 300 US C-suite and senior business leaders; investment signals like hiring trends, reported research and development (R&D) spending, reported capital expenditures; and analysis of 2025 earnings calls and year-over-year revenue changes for 177 primarily US-headquartered companies, leveraging KPMG's proprietary earnings analysis model with inputs sourced through AlphaSense.

Learn more about the research methodology on page 19

[1] KPMG, "Winners don't wait: Transforming with confidence and clarity in volatile times," 2026.
[2] In this report, adaptability is defined as the ability to anticipate change, respond under pressure, and pursue continued growth.

Adaptability Index

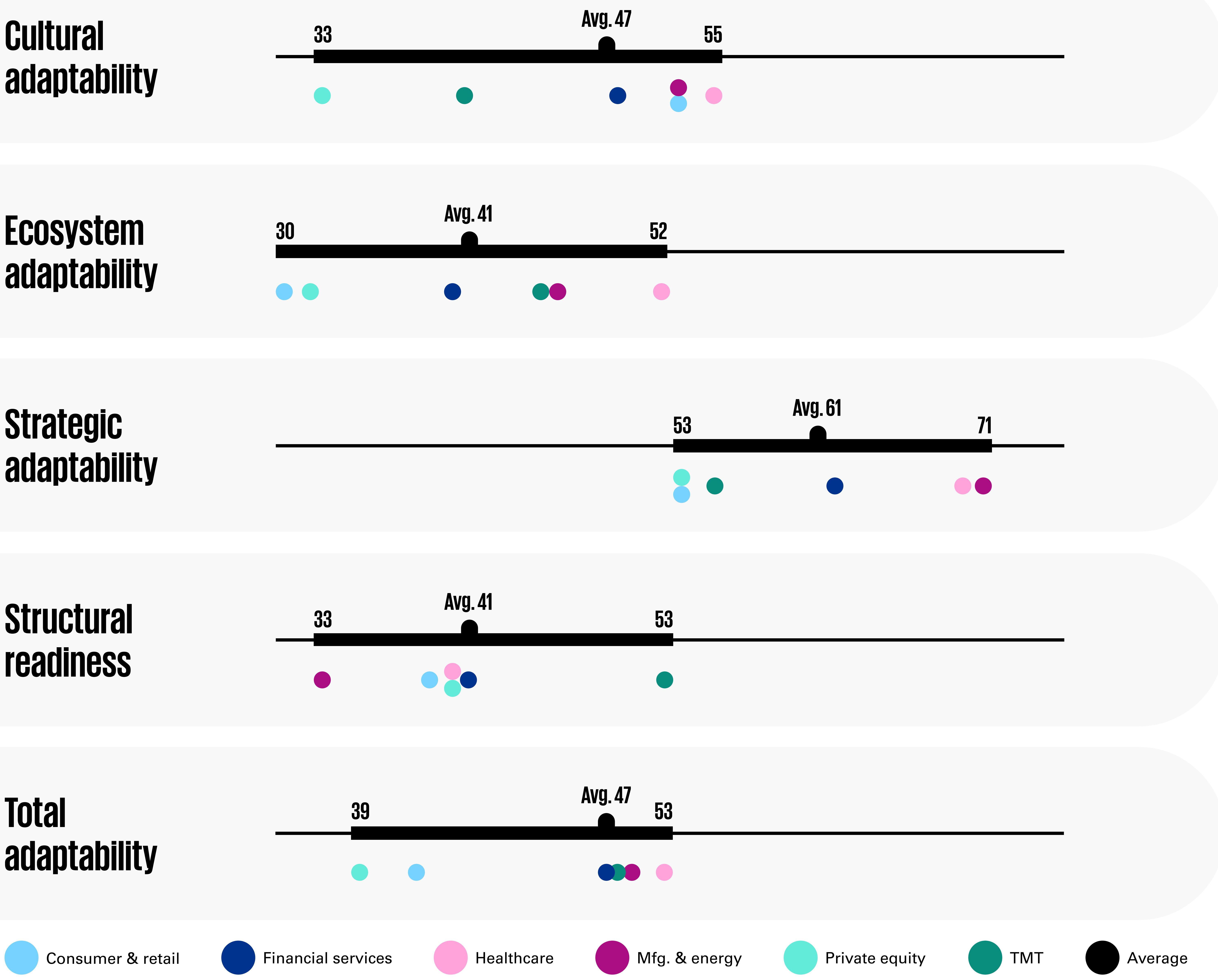
The Adaptability Index sheds light on a consistent pattern: executives understand the need for adaptability, but may need to think bigger to fundamentally change the core of their organizations' operations. Too often, they are narrowing their focus to a small set of actions, often centered around technology investment, without also aligning the broader systems needed to make those investments effective at driving adaptability.

The Adaptability Index provides practical insights that can help leaders bridge the disconnect between intent and impact. While each sector operates under distinct dynamics, the Adaptability Index highlights relative strengths and transferable lessons that are relevant across industry groupings.

Overall, organizations that effectively respond to systemic changes give attention to all three pillars of adaptability and support them with systems that allow for execution at scale. Overinvesting resources, capital, or focus in one area at the expense of others can create its own risks.

Looking across industries yields a detailed view of what's possible, and brings lessons learned that can guide action. Four findings stand out:

- Adaptability carries a revenue premium
- Leaders are overspending on technology and underspending on talent
- Real-time data isn't translating to real-time decisions
- Innovation is not a substitute for adaptability



Adaptability carries a revenue premium

Findings from the Adaptability Index indicate a modest but positive association between adaptability and stronger business performance.

Analysis of earnings call and revenue data from 2025 shows that companies that speak more frequently about actions to improve adaptability tend to report stronger year-over-year revenue growth, suggesting that efforts to build adaptability play a supporting role in performance.

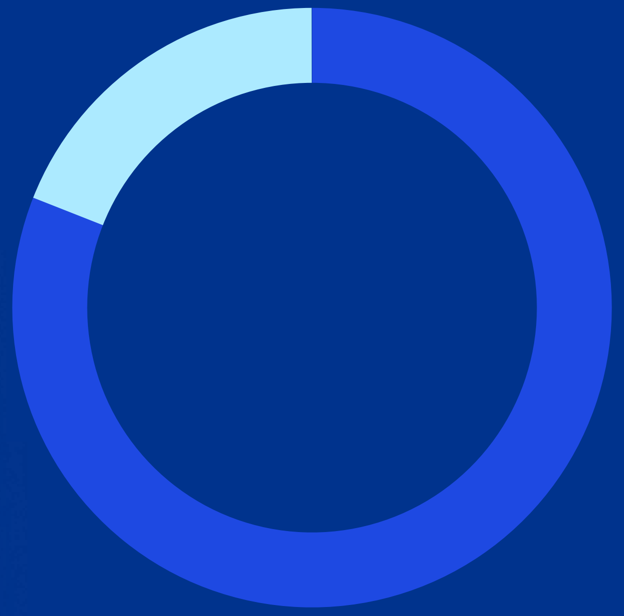
Additionally, executives who identify as leading adaptable organizations are more likely to report revenue growth and expect continued revenue increases than business leaders overall. A majority of executives say that adaptability has had a positive impact on financial outcomes such as revenue growth or profitability.

While the period this report covers reflects uneven post-pandemic recovery and broader macroeconomic volatility—which has influenced growth outcomes across industries—the modest association between adaptability and performance is directionally consistent and reinforced by patterns observed in the market.[3]

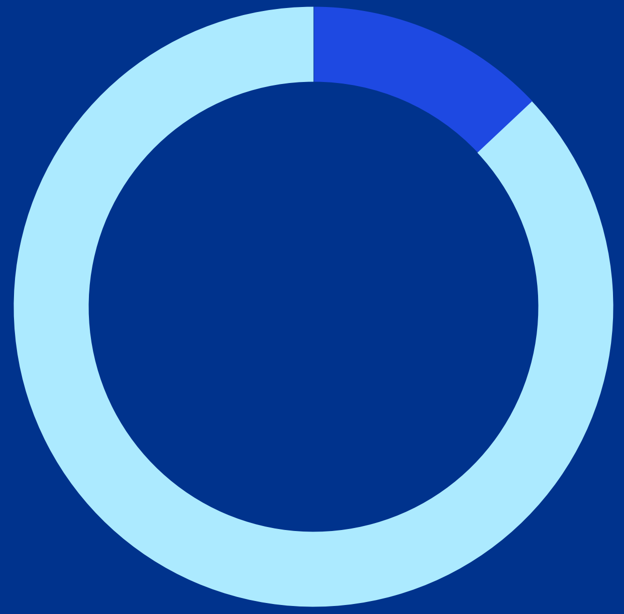
At the same time, executives recognize that an inability to adapt risks major consequences for both the top and bottom lines. Perhaps that is why boards are raising the bar: an overwhelming majority of executives reported that their boards or owners have increased expectations for their organizations' ability to adapt and respond to disruption.

When done the right way, adaptability helps organizations move earlier on emerging opportunities, reallocate resources as conditions shift, and execute decisions with greater speed and confidence. In this sense, adaptability functions as a force multiplier. Organizations that build the capacity to act decisively and adjust continuously are better positioned not only to withstand disruption, but to capture value from it.

Adaptability by the numbers



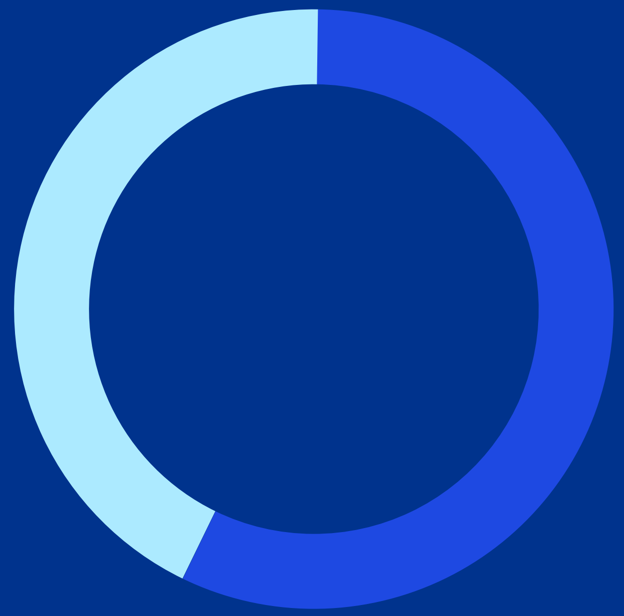
81% of executives say boards or owners have increased expectations for their organization's adaptability



13% how much more likely leaders in adaptable organizations are to report revenue growth in the past three years and expect continued increases in the next three years

Adaptability has never been more important

70% of executives say failure to adapt quickly brings loss of revenue or missed revenue opportunities



57% of executives say failure to adapt quickly leads to reduced profitability or margin pressure

[3] The majority of the data sources used in this report are from 2025. The data sources include: a survey of 300 US C-suite and senior leaders conducted from December 2025 to January 2026; analysis of 2025 earnings call transcripts and year-over-year revenue change from 177 US companies; analysis of 2025 corporate media coverage; and investment and capital signals from the last fiscal year.

Leaders are overspending on technology and underspending on talent

Executives are turning to technology for solutions to disruption, but have yet to realize the significant opportunity that stems from pairing technological investments with a stronger focus on people.

Across industries, leaders overwhelmingly report increasing investment in new technologies as the top action they have taken in the past year, despite less than half of executives finding technology very effective in improving adaptability.

Though investing in technology is vital, with AI transforming the nature of work in virtually every sector, the data points to an imbalance. Executives are nearly twice as likely to increase investment in new technologies than to expand hiring in priority business areas, and are underinvesting in how talent is deployed, developed, and mobilized.

While 57 percent of leaders say improving performance and efficiency was one of their top priorities in the past year, less than 10 percent say developing stronger workforce training programs was one of their primary objectives. Programs designed to strengthen adaptability skills—abilities that help people anticipate, absorb, and respond to disruption—are also relatively uncommon, with only 25 percent of leaders reporting the introduction of such initiatives.

In times of disruption, workers need more training and support, not less. Executives should not view allocating capital to technology or talent as a tradeoff—organizations see better outcomes when they advance the two together.

AI and technology adoption require change management, and companies that don't invest enough in building the skills employees need to make the most of new tools often struggle to realize their full value. Rather than scanning the business for isolated use cases, leading organizations are investing in the capabilities that allow people to adopt and apply technology in practice.

The research suggests that the upside is tangible, as investment in workforce training is associated with stronger performance. Leaders who increased investment in their workforce were more likely to report outsized revenue growth: 37 percent said revenue rose by 20 percent or more over the past three years, versus 25 percent of business leaders overall, a 12-point gap.

Even so, investing in talent encompasses more than just offering training. As AI amplifies differences in how effectively teams operate, human creativity, collaboration, and problem-solving will become more critical. To develop those skills, employees need experiential learning, new models of apprenticeship, and a work environment that makes them confident proposing novel solutions, but companies aren't creating the conditions that enable those behaviors. For example, few executives (9 percent) identify increased psychological safety as one of the behaviors their organization has changed most in the past year.

In all, by aligning investments in technology with deliberate investments in people, CEOs can strengthen their organizations' readiness to navigate change.

A closer look at tech and talent

Executives are

2x more likely to increase investment in new technology than to invest in employee training

24% of leaders identify more dynamic talent deployment as one of the behaviors their organization has changed most in the past year

Why real-time data doesn't translate to real-time decisions

Executives are increasing their investments in and reliance on real-time data and analytics for decision-making.

More than half of leaders say that they rely primarily on real-time data and analytics over intuition and experience to guide choices, but findings from the Adaptability Index reveal that without disciplined decision-making processes and strategic prioritization, these capabilities fall short of their potential.

Expanded use of data is not converting into faster decision-making. This disconnect could in part stem from many organizations lacking the operating structures and systems that translate strategic intent into rapid, decisive execution. Less than one third of leaders strongly agree that their organizations are designed to move quickly as business needs change. An even smaller share strongly agree that they have a clear playbook for when to pivot, pause, or exit, indicating that decision-making often slows when speed is most critical. Leading organizations address this by creating clearer ownership, simpler governance, and more consistent decision-making processes, enabling executives to make faster go or no-go decisions without repeated back-and-forth.

Executive leaders are often tempted to wait to receive a "full picture" or complete set of data to inform decision-making, but that can mean their response is too late or too muted. The most effective leaders have a well-defined plan for how they are going to react, even without all the information, and they have set expectations of their management teams to do the same. This means everyone can act decisively, with less time spent on analysis.

Delays in decision-making can hold back both adaptability efforts and broader business performance. Slow or unclear decisions rank among the top barriers to adapting quickly, along with competing priorities. And in the post-pandemic era, companies that pushed forward with transformation efforts saw 4.4 times higher total shareholder returns and nearly triple the revenue growth than more passive peers that hesitated.[4]

The implication is clear. Increasing access to data is not enough to improve adaptability. Without decision structures that enable speed—and a willingness to act without perfect information—leaders risk becoming better informed but no more responsive. In a world of constant change, the ability to turn insight into action will increasingly separate leaders from the rest of the pack.

The real-time paradox

63% of leaders report increased use of data and analytics in decision-making. Yet, **less than half** say decision-making has become faster or clearer.

Only **22%** of leaders prioritize improving decision-making speed and quality, despite slow or unclear decisions ranking among the top barriers to adapting quickly

[4] KPMG, "Winners don't wait: Transforming with confidence and clarity in volatile times," 2026.

Innovation is not a substitute for adaptability

As organizations seek to build adaptability, data suggests that companies are sometimes confusing a quest for innovation with efforts to adapt.[5]

While innovation can have positive business benefits, analysis of the results from the Adaptability Index indicates that reported acceleration of innovation and research efforts does not have a significant relationship with adaptability.

In fact, industries that report the greatest engagement in innovative activities—such as evolving business models, diversifying products or services, investing in new technologies, or accelerating innovation and research initiatives—do not demonstrate corresponding strength in overall adaptability, suggesting that there is little to no connection between innovation activity and execution across the organization.

Generating new ideas is only one piece of the puzzle. For innovations to have impact, organizations need to have systems and processes in place that integrate them into the business when the time is right. Notably, industries with comparatively lower levels of innovation activity often demonstrate stronger adaptability, reinforcing that performance depends not just on innovation itself, but on the ability to execute, scale, and coordinate those efforts across the organization.

Innovation is important, and how it is structured matters.

Some organizations have found success in creating dedicated spaces for innovation and, critically, combining those with mechanisms to transition fruitful ideas out of incubation. Establishing defined teams, budgets, and governance for innovation, as often seen in incubators or innovation hubs, allows experimentation to move quickly while minimizing disruption to the systems and behaviors that enable the organization to respond, decide, and execute while new solutions and tools are still in development. Once ideation and testing have concluded, leading organizations activate systems that allow the innovations to be embedded into the core business and deployed across the enterprise.

On the whole, innovation can be an important driver of change—but realizing its value depends on having the processes, structures, and execution capabilities in place to facilitate adoption and scale it effectively in day-to-day operations.

[5] In this report, innovation is defined as the introduction of new ideas, products, processes, or tools and technologies.

Adaptability across dimensions

Defining the dimensions of adaptability

The Adaptability Index is designed around three core pillars—cultural, ecosystem, and strategic adaptability—because these dimensions play key roles in shaping an organization's ability to anticipate and respond to change. They also provide insight into how leaders in different industry groupings approach adaptability both internally and externally—in how they work (culture), how they make decisions (strategic), and how they engage other organizations (ecosystem).

By combining these pillars with an examination of the structural factors influencing performance in each industry category, the Adaptability Index offers an extensive framework for understanding adaptability and reveals patterns across industries. It highlights where organizations are making progress, where gaps remain and opportunities exist, and which areas leaders should prioritize to strengthen their own business' adaptability.

Cultural adaptability

is the behavioral and psychological readiness of an organization's people to learn, iterate, and embrace change. It reflects how well organizations foster capabilities such as cross-functional collaboration, transparent communication, workforce development, experimentation, and psychological safety—aspects of organizational culture that empower people to absorb and operationalize transformation.

Ecosystem adaptability

is the ability to build and sustain partnerships—across industries, sectors, or functions—that share risk, data, and innovation capacity. In this report, partnerships refer to external relationships, such as collaborations between two or more businesses, as well as distribution and vendor relationships.

Strategic adaptability

is leaders' ability to make fast, confident decisions under uncertainty. This pillar examines elements such as scenario planning, capital allocation discipline, strategic prioritization, and the clarity of decision rights that enable organizations to adjust direction without destabilizing execution.

Structural readiness

Complementing these pillars is an assessment of **structural readiness**, which measures shifts in year-over-year financial performance, workforce momentum, R&D investment, and capital expenditures to capture whether industries have the infrastructure in place to sustain adaptability over time. This evaluation distinguishes between industries that signal adaptability and those that have the durable foundations to maintain it.

Cultural adaptability

In the age of AI, culture is emerging as a critical driver of performance: analysis from the Adaptability Index indicates that of the three pillars of adaptability, cultural adaptability has the strongest relationship with revenue growth.[6]

Leaders who are realizing business value from AI are four times more confident in their organization's ability to attract and retain top AI talent.[7]

This makes sense. Cultural decisions—about what talent to hire, how employees will be developed and motivated, how work is structured, and where to prioritize flexibility versus efficiency—are a foundational determinant of whether an organization is built to adapt or optimized for stability.

What makes for a culture of adaptability? Organizations that are succeeding are cutting down on siloed structures and building alignment across teams.

While new tools and technologies can help with this, certain behaviors—such as cross-functional collaboration, internal communication, and continuous learning—need to be embedded into the culture.

In fact, executives identify improving internal communication as the most effective action their organizations have taken to help build adaptability, with nearly half citing this as the top driver. Strengthening cross-functional collaboration follows closely, with 46 percent of leaders identifying it as one of the most effective levers for increasing adaptability.

49% **of leaders say improving internal communication is the most effective action their organization has taken to adapt to disruption**

However, impact depends not just on what leaders communicate, but how leadership actions and decisions align with what they're telling employees. As change accelerates, CEOs must provide clear context and connective narrative—linking initiatives into a coherent story. Without this, change can feel fragmented. Leading organizations understand that sometimes slowing down to explain can speed up alignment down the road.

Workforce development is another differentiator on the culture front. Continuous learning plays a central role in maintaining organizational responsiveness, particularly as skills requirements evolve alongside new technologies. Though investment in training lags investment in technology, leaders recognize that continuous learning, adaptability, critical thinking, and problem-solving rank among the most sought-after skills for entry-level employees as organizations increase use of AI agents for lower-level tasks.[8]

Notably, industries that put greater emphasis on developing their workforces see corresponding strength in adaptability outcomes.

Across the board, psychological safety, another significant input to building adaptable cultures, remains underdeveloped. Very few executives identify increasing psychological safety as one of the behaviors their organization changed most in the past year. This suggests a need for more leaders to make the challenging but important move from a command-and-control leadership model to one that places more weight on coaching and creating a workplace where people feel empowered to speak up. Other practices, such as encouraging constructive dissent and a "fail fast" culture—celebrating both successes and smart failures—are also vital to reenergizing teams and motivating employees to experiment.

Just 9% **of executives identify increased psychological safety to raise new ideas as one of the behaviors their organization has changed most in the past year**

Importantly, this shift must be reinforced through incentives. Organizations that are thriving are evolving reward structures to recognize and scale bold ideas from all levels of the organization, not just leadership—testing mechanisms such as targeted incentives or spot rewards for ideas that deliver outsize efficiency gains. Without aligning incentives to these behaviors, efforts to foster experimentation and open dialogue could face difficulty taking hold at scale.

Where psychological safety is stronger, adaptability outcomes improve. Healthcare and manufacturing & energy, whose leaders are most likely to say their organizations cultivate environments where employees feel comfortable raising new ideas, are also found to have overall cultures that are more conducive to supporting adaptability.

As the Adaptability Index makes clear, equipping people to adapt to disruption requires both building capacity at the individual level and adopting team and leadership models that promote learning and iteration.

Sub-dimensions of cultural adaptability

Industry groups show strength in openness to change and experimentation and innovation, with opportunities to increase momentum in developing talent and future orientation

Stronger signals

- Openness to change
- Experimentation & innovation
- Workforce

Developing signals

- Investment in people
- Future orientation
- Challenges and solutions
- Learning & development

[6] Cultural adaptability is the behavioral and psychological readiness of an organization's people to learn, iterate, and embrace change.
[7] KPMG, "Global AI Pulse: Q1 2026," 2026.
[8] KPMG, "AI Quarterly Pulse Survey," Q4 2025.

Ecosystem adaptability

Intentional ecosystem strategy is increasingly important for successful transformation and growth.[9] Yet, across industries, ecosystem adaptability lags, with the lowest average score of the three Adaptability Index pillars.[10]

Though external partnerships can aid in both innovation and risk-sharing, most leaders report limited use of either type of engagement, suggesting that many organizations are optimizing internally rather than leaning into the potential of partnerships.

Less than 1/3 of all executives strongly agree that their organizations build alliances across industries to co-develop solutions

A closer look at the Adaptability Index reveals a working framework for ecosystem engagement that leaders can follow. Stronger performers on ecosystem adaptability—and overall adaptability—are more likely than others to be expanding strategic partnerships, starting joint ventures, and building alliances to co-develop solutions. They are also more likely to tap partners to manage risk and uncertainty, which can help organizations make bold moves that would be difficult to execute independently.

The syndicated lending market, for instance, illustrates this concept, as multiple lenders provide a single loan under a unified agreement. This allows them to jointly finance large-scale corporate projects that would be too large or too risky for any one institution to handle alone.

Additionally, the Adaptability Index is instructive in demonstrating what works well from an ecosystem governance perspective. Healthcare and manufacturing & energy show up strongly in this regard, due to repeatable tactics that help them build accountability and cooperation among partners. These include regularly reviewing and adjusting partnership models to stay aligned with market dynamics, emerging technologies, and stakeholder needs, as well as implementing transparent governance mechanisms that have the flexibility to evolve over time.

Industries also benefit from developing responsible practices around sharing data and insights with partners, and contributing to public goods (e.g., infrastructure, skills) that strengthen the wider ecosystem.

Ultimately, true transformation requires an ecosystem of partnerships. In a digital-first world, organizations that rely too heavily on internal transformation risk falling behind more agile, AI-native competitors that are built on platform-based models. Established firms often face structural and operational barriers that hinder the shift from legacy systems to scalable, technology-enabled approaches. Partnering with startups and external innovators can allow them to experiment beyond internal constraints and accelerate the adoption of new capabilities.

Sub-dimensions of ecosystem adaptability

Industry groups show strength in identifying key relationships outside their organizations, but limited progress in using partnerships for co-innovation and risk sharing

Stronger signals	Developing signals
Identifying key relationships	Ecosystem strategy & value
Partner contribution	Co-innovation and joint development
Future collaborative intent	Openness and integration
	Shared risk and investment

[9] KPMG, "Accelerate growth and innovation with partner ecosystems," 2025.
[10] Ecosystem adaptability is the ability to build and sustain partnerships—across industries, sectors, or functions—that share risk, data, and innovation capacity.

Strategic adaptability

Structured decision-making and disciplined capital allocation emerge as core enablers of performance within the strategic adaptability pillar, and the Adaptability Index sheds light on a few practices that are particularly beneficial.[11]

Constant, overlapping disruption is making traditional forecasting models less dependable, meaning leaders can no longer rely on a single view of the future. Instead, they must operate across multiple time horizons, simultaneously managing near-term pressures while positioning for longer-term shifts.

This is especially true with respect to AI transformation, as effective leaders combine short-term efficiency and productivity gains with bigger-picture strategic vision for how to rewire the way work happens in their organizations and build new markets and business models.

It follows, then, that the Adaptability Index points to multi-horizon planning and re-evaluating strategic priorities as differentiators. While less than a third of all executives strongly agree that their organizations evaluate risks across multiple time horizons, that share rises meaningfully in sectors that show strength in strategic adaptability, such as manufacturing & energy and financial services. Executives in these sectors also carefully weigh tradeoffs around exogenous factors impacting their businesses—like demand fluctuations and rate volatility, respectively—when deciding how and where to deploy capital.

Still, executives should take care not to let emphasis on analysis bring about decision paralysis. As with waiting for "perfect data" that may never come, extended planning can sometimes create the illusion of preparedness while delaying action. In practice, the organizations that outperform are those that pair multi-horizon planning with clear thresholds for decision-making. A major commonality among the industries included in this report is their heavy reliance on centralized decision-making authority.

Interestingly, industries that report the strongest alignment with centralized decision models, like healthcare, manufacturing & energy, and financial services, see better strategic adaptability outcomes than others. This suggests that centralizing authority can offer advantages in today's disruption environment. Consistent direction from the top on priorities and tradeoffs allows teams to advance strategy-aligned decisions quickly and avoid unnecessary escalation.

People need blueprints for decision-making in order to act quickly and decisively under pressure —whether those models come from thoughtful planning, strategic resets, leadership signaling, or a combination of the three.

Sub-dimensions of strategic adaptability

Industry signals show strength in areas such as foresight and capital allocation, and opportunities for growth in decision confidence, strategic agility, and learning from outcomes

Stronger signals	Developing signals
Decisive action & capital allocation	Decision-making confidence
Framing of challenges	Agility & speed action
Foresight & future orientation	Learning from outcomes

[11] Strategic adaptability is leaders' ability to make fast, confident decisions under uncertainty.

Structural readiness

Structural readiness accounts for the headwinds and constraints that are inherent to each broad industry group—zooming out beyond the cultural, ecosystem, and strategic actions organizations are undertaking in the search for adaptability.[12] These structural factors, such as capital intensity, investment frameworks, and regulatory pressures, shape how quickly and how far organizations can adapt, setting parameters that leaders must manage.

Across industries, higher structural readiness tends to coincide with scalable investment profiles. TMT illustrates this dynamic. The sector demonstrates strong structural capacity, supported by scalable, digital infrastructure and sustained investment in innovation cycles.

Indicators such as positive hiring momentum and elevated capital expenditures (representing 10.7 percent of revenue) reinforce the sector's ability to broaden the deployment of talent and new technology and make operational adjustments.

In other industry categories, structural features such as greater compliance requirements and infrastructure modernization challenges can add complexity to navigating change quickly. However, structural constraints can be overcome. Sectors operating under these conditions achieve adaptability gains by making choices that help them support employees, build partnerships, and facilitate decisive decision-making within the realities of their operating environment.

Notably, workforce pressure emerges as the most consistent structural headwind across sectors. Data on hiring trends points to strain in some industries, with four out of the six groupings included in the Adaptability Index showing year-over-year decreases in hiring. At the individual level, burnout and change fatigue is widespread, as nearly half of executives cite this as an unintended consequence of trying to be more adaptable.

Often these pressures are not driven by workforce capability alone, but by gaps in organizations' understanding of the makeup of their workforces, difficulty redeploying and reskilling talent as priorities shift, and misalignment between performance incentives and strategic goals.

Leading organizations are addressing this by reimagining work in the context of AI, moving from generic training to targeted capability building aligned to future needs.

This is not simply a cultural shift, but a structural one, requiring changes to how work is designed and how capabilities are embedded into core operating models. Leaders are also deploying more personalized, technology-enabled support, such as agent-driven tools, to improve learning and execution.

As AI innovations unlock new levels of efficiency, organizations will need to look beyond legacy metrics for defining success, shifting from measuring activity to valuing outcomes. For example, two employees may complete the same task—one in 40 hours and another in six using AI—yet traditional performance models like billable hours reward the longer effort.

Organizations with stronger structural foundations are redesigning incentives with the flexibility to reward outcomes and value creation rather than just time spent.

While some aspects of structural readiness are difficult to change, others sit squarely within leadership control. The imperative for executives is to focus on the structural barriers where progress is most achievable, strengthening the foundation required to sustain adaptability over time.

Sub-dimensions of structural readiness

Structural readiness examines investment and capital signals, drawing upon a range of sources:

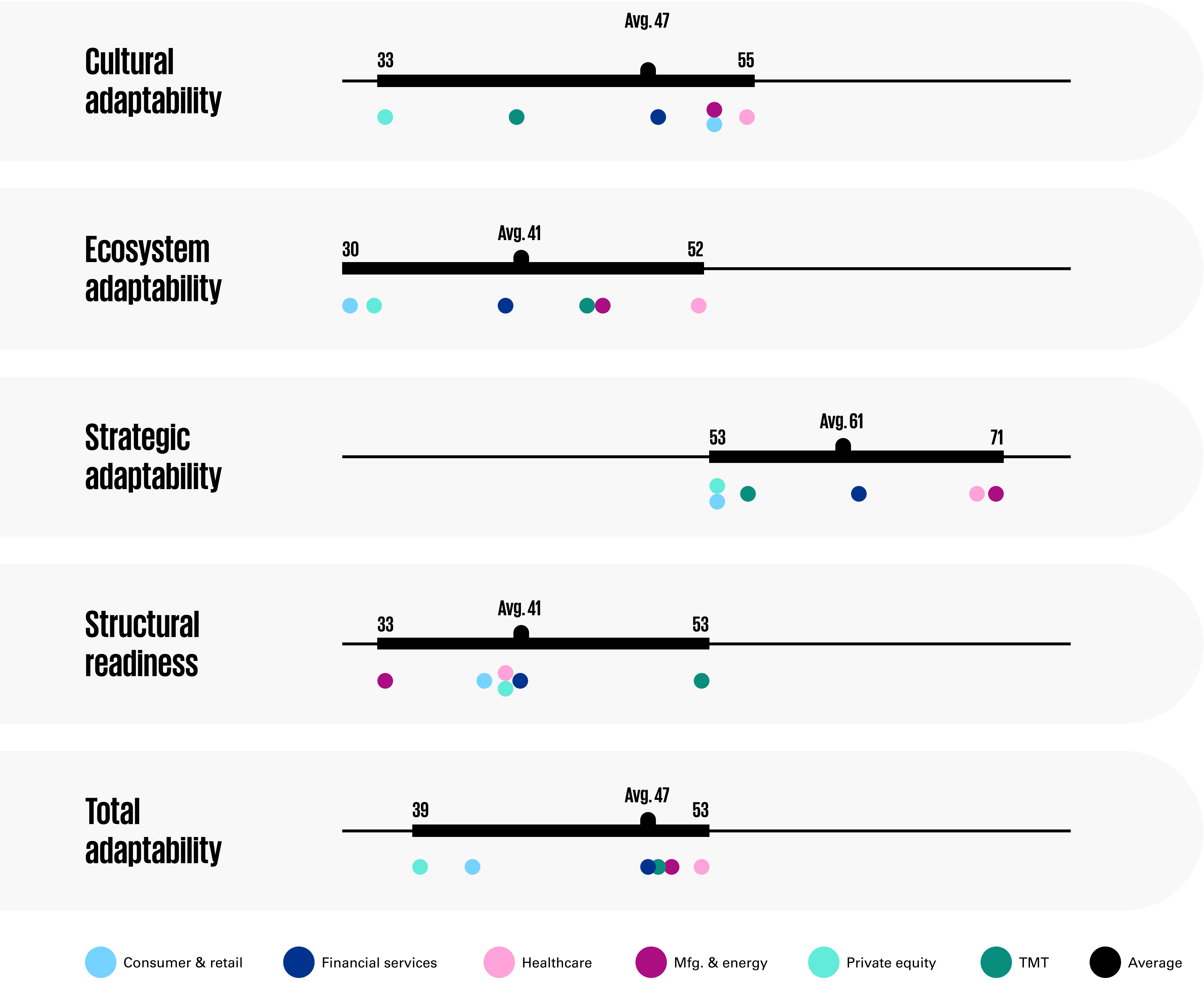
- Revenue change (year-over-year)
- Workforce hiring trends
- Reported R&D investment (last fiscal year)
- Reported capex (last fiscal year)
- Survey data on specific adaptability actions leaders have taken

[12] Structural readiness measures shifts in year-over-year financial performance, workforce momentum, R&D investment, and capital expenditures to capture whether industries have the infrastructure in place to sustain adaptability over time.

Why balance matters:

Adaptability across industry groupings

Industry groups that invest evenly across the dimensions of adaptability see better outcomes than those that concentrate too heavily on a single aspect, such as technology investment or short-term performance. Overplayed strengths can become a weakness, creating imbalances that undermine organizations' ability to translate disruption into sustained performance. A well-rounded approach, in contrast, ensures that efforts to build adaptability in different areas reinforce one another, enabling faster, more coordinated responses to change.[13]



Consumer & retail

Takeaways
Stay close to customers' needs to help cultivate a culture of responsiveness.

Orientation toward speed should be paired with clear priorities and ecosystem depth.

What's working
Rapid response to shifts in consumer behavior.

Ability to adjust priorities quickly as conditions change.

Constraints
Short-term focus and margin pressure reduce longer-term planning, create internal misalignment.

Partnerships have limited scope, center more on sourcing than expanding capabilities.

Financial services

Takeaways
Build repeatable decision systems anchored in structured priorities, scenario planning, and technology integration.

What's working
Regular recalibration of strategy and priorities in response to market shifts.

Incorporation of AI and emerging technologies in strategic planning and decision-making.

Constraints
Opportunity to increase training and support for continuous learning.

Ecosystem engagement skews toward compliance and platform integration over broader co-innovation.

Healthcare

Takeaways
Strive for balanced capabilities across the dimensions of adaptability.

Embed training and external collaborations into daily operations.

What's working
Investments in training and support for workers.

Disciplined decision-making, with centralized authority and data-driven processes.

Proactive ecosystem strategy, with regular evaluation and recalibration.

Constraints
Workforce shortages and capacity constraints remain a headwind.

Innovation intensity lags relative to peers.

Manufacturing & energy

Takeaways
Make multi-horizon scenario planning a standard practice to stay ahead of change.

Invest in skilling and training to support people as the nature of work shifts.

What's working
Structured, long-term planning reinforces stability amid volatility.

Emerging balance between centralized decision-making and giving teams authority to act within defined boundaries.

Investments in training and support for experimentation foster a learning culture.

Constraints
Infrastructure modernization, workforce gaps create complexity.

Opportunity to expand scope of partnerships beyond supplier alignment and operational stability.

Private equity[14]

Takeaways
Create decision-making processes rooted in clear ownership and rigorous planning.

What's working
Emphasis on scenario planning, forecasting, and risk modeling supports strategic agility.

Ability to align leadership quickly around shifting priorities.

Adoption of new technological tools enables faster responses and greater flexibility.

Constraints
Adaptability concentrated at the leadership level; opportunity to extend capabilities across the workforce.

Ecosystem activity is deal-centric, and broader alliances remain underbuilt.

Tech, media & telecom

Takeaways
Innovation efforts should be combined with initiatives that support cultural stability and strategic clarity.

Use partnerships to co-create new solutions and extend capabilities.

What's working
Strong orientation toward innovation and iteration.

Ability to scale technology and redeploy resources quickly.

Active expansion of strategic partnerships to support growth and innovation.

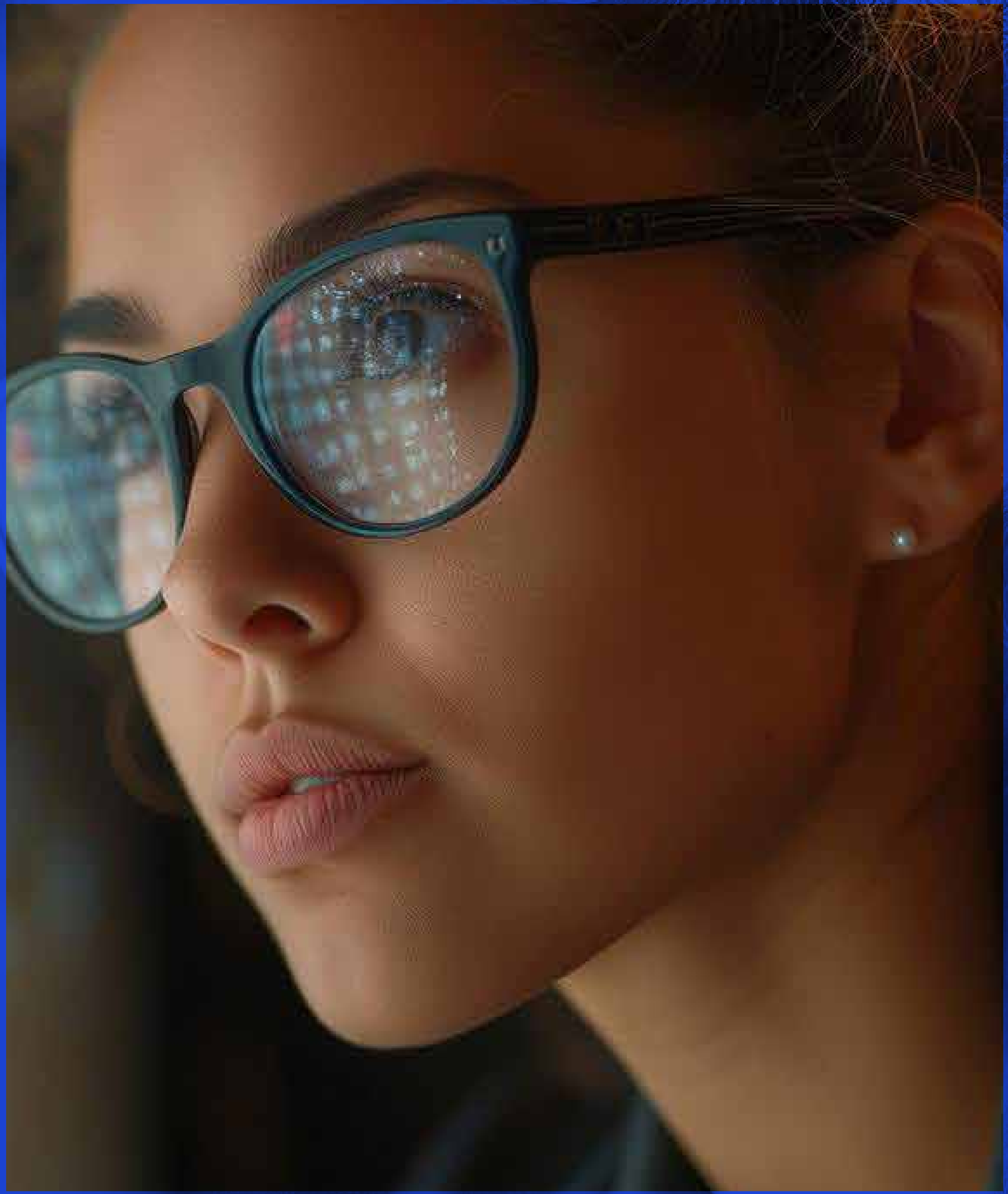
Constraints
Focus on rapid transformation can result in inconsistent priorities and execution.

Burnout, change fatigue, and low morale surface as tradeoffs to heavy emphasis on reinvention.

Weaker signals around long-term planning and risk modeling.

[13] Survey data for this analysis was collected in December 2025 and January 2026, prior to the onset of the war in the Middle East in 2026, which has since affected energy markets, trade flows, and supply chains.
[14] Private equity's adaptability indicators should be viewed in the context of its distinct business model. Firms operate with defined investment horizons and a strong focus on value creation at exit—behaviors that differ from operating companies focused on long-term enterprise management. The Adaptability Index focuses on the attributes that support sustained growth at the holding company level.

How leaders can turn adaptability intent into impact



The KPMG Adaptability Index establishes that adaptability is not only measurable, it is actionable and a driver of success. Findings from the Adaptability Index reveal a clear framework that can guide CEOs in embedding the systems, processes, and behaviors that drive performance across each of the pillars of adaptability into their organizations.

Hardwire continuous learning, collaboration, and communication into your organization to build the alignment muscle

Adaptability starts with people, but it is sustained through systems.

CEOs should treat workforce readiness as a core business capability, investing in cultivating the skills, behaviors, and cultural environment necessary to support workers as they strive to keep up with the pace of change and embrace new technologies.

As the Adaptability Index shows, building cross-functional collaboration, enhancing internal communications, increasing training, and fostering psychological safety are key inputs to cultures that thrive in times of change. CEOs must make it a priority to develop these behaviors within their own organizations and track and measure these attributes over time.

Recommended actions:

- Measure cross-functional collaboration by requiring teams to report on initiatives that span multiple functions on a regular cadence
- Conduct regular employee surveys to assess confidence in using new technologies and the ability to adapt to change, and identify training gaps to fill
- Track completion of role-specific training programs tied to priority capabilities, such as the use of AI and automation
- Complement technical training with programs that build capabilities like problem-solving, critical thinking, and personal resilience that help workers navigate change
- Monitor internal mobility and reskilling outcomes (such as how many employees move into priority roles vs. external hires)
- Establish a psychological safety pulse metric (e.g., "I feel safe raising new ideas") and review it regularly at the leadership level
- Introduce targeted incentives or spot rewards for ideas that deliver efficiency gains or performance improvements to reinforce the importance of experimentation

Pursue partnerships and design them for durability by embedding mechanisms that facilitate clear governance and allow for pivots

The Adaptability Index gives leaders a framework for mitigating persistent blind spots in ecosystem adaptability.

Industries with stronger ecosystem profiles perform well because they treat partnerships as core operating capabilities and maintain a portfolio of partnerships that serve different but complementary purposes, with engagements that focus on advancing innovation, risk-sharing, entering new markets, or offering new services. Leading industries also manage collaborations with clear mechanisms for governance, evaluation, and accountability, routinely reviewing and evolving partnership models so they can flex as market dynamics, technologies, and stakeholder expectations change.

Recommended actions:

- Leverage a “build, buy, or ally” lens as a test for determining how and when to engage partners around strategic initiatives
- Maintain an inventory of strategic partnerships and identify gaps or inefficiencies in the portfolio
- Assign clear accountability—which could be a single executive—for each strategic partnership, with ownership for outcomes and incentives for value delivered
- Define shared success metrics for tracking the business value generated by partnerships (e.g., revenue contribution, innovation outcomes, new capabilities added)
- Institute regular partnership performance reviews (e.g., quarterly business reviews with defined KPIs)
- Track the role of partners in innovation (e.g., monitor percentages of new products, services, or capabilities developed with partners)
- Embed flexibility into agreements by including predefined triggers for adapting scope, investment, or operating models as conditions change
- Verify partners' data and security practices to manage risks[15]

[15] KPMG, "Accelerate growth and innovation with partner ecosystems," 2025.

Sharpen focus by creating clear ownership for sustained change—and simplify the governance around it

To act decisively amid uncertainty, teams need a solid understanding of the goals their organization is pursuing.

Competing priorities—and the confusion they create—remain a leading point of friction in adaptability efforts. Industries that show up strongly within the strategic adaptability pillar demonstrate a practical way forward: set priorities at the top, communicate them clearly throughout the wider organization, support structured decision-making, and remove processes that slow alignment.

Recommended actions:

- Centralize and clarify decision rights with consistent, predictable signaling from the top down through the rest of the organization
- Track decision cycle time from issue identification to final decision for key initiatives
- Carve out time for multi-horizon planning and pair planning and analysis with clear thresholds for taking action to avoid waiting too long to execute
- Measure the number of approval layers required for decisions and reduce where inefficiencies arise
- Review instances of decision rework or escalation to identify breakdowns in ownership or alignment
- Regularly revisit strategic priorities to balance short-term pressures with longer-term goals
- Create dedicated teams with clear responsibility for transformation
- Align decision-making to a set of shared success metrics, focused on strategic outcomes

Appendix

Additional details on methodology and Adaptability Index components

The Adaptability Index's research methodology incorporates several qualitative and quantitative data sources:

- Executive survey (n=300 C-suite and senior leaders from public and private companies headquartered in the US; conducted between December 19, 2025–January 14, 2026)
- Analysis of 2025 earnings call transcripts and year-over-year revenue changes for 177 primarily US-headquartered companies, leveraging KPMG's proprietary earnings analysis model with inputs sourced through AlphaSense
- Analysis of 2025 corporate media coverage (focused on public and private companies headquartered in the US), measuring volume, tone, and sentiment of coverage related to adaptability
- Investment and capital signals, including workforce hiring trends (LinkedIn Economic Graph) and reported R&D investment and capex from the last fiscal year

Survey respondents represented companies spanning six broad industry groupings: consumer & retail; financial services; healthcare; manufacturing & energy; private equity; and technology, media & telecommunications (TMT). The largest share of survey respondents represented companies with annual revenue between $1 billion and $4.99 billion (22 percent).

The Adaptability Index is calculated using a composite scoring model that integrates signals across the three pillars—cultural, ecosystem, and strategic adaptability—and an assessment of structural readiness.

Pillar scores combine media analysis, earnings call analysis, and survey data. Composite scores from the three pillar inputs (media, earnings, survey attributes) are averaged for a final score by pillar. Each pillar is weighted based on its correlation with adaptability outcomes, with cultural adaptability weighted at 37 percent, ecosystem adaptability at 35 percent, and strategic adaptability at 28 percent.

Structural readiness is calculated separately using investment and economic indicators—including year-over-year revenue change, workforce hiring trends, R&D investment, and capital expenditures—to assess industries' capacity to sustain adaptability. Each industry grouping's composite pillar scores combine with its composite score from the structural readiness inputs, resulting in a final overall adaptability score. In the final Adaptability Index, pillar measurement data accounts for 75 percent of the overall score, while structural readiness contributes the remaining 25 percent.

Because adaptability is dynamic, the model is designed to be recalibrated annually as new survey data, earnings transcripts, and economic indicators become available. This approach preserves longitudinal comparability while helping ensure that the Adaptability Index reflects evolving organizational behaviors.

About the KPMG Adaptability Index

The KPMG Adaptability Index measures how organizations adapt across three dimensions—cultural, ecosystem, and strategic adaptability, combined with an assessment of structural readiness, spanning six broad industry groups: consumer & retail, financial services, healthcare, manufacturing & energy, private equity, and technology, media & telecommunications (TMT). Index scores are derived from a weighted formula that combines multiple data sources: a quantitative survey of 300 US-headquartered C-suite and senior leaders, representing public and private companies, conducted from December 19, 2025 to January 14, 2026. Analysis of 2025 earnings call transcripts and year-over-year revenue changes for 177 primarily US-headquartered companies, leveraging KPMG's proprietary earnings analysis model with inputs sourced through AlphaSense. Analysis of 2025 media coverage of public and private US-headquartered companies; and investment and capital signals that include workforce hiring trends (from LinkedIn Economic Graph) and reported research and development investment and capital expenditures from the last fiscal year.

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