

Strategy in Times of Systemic Shocks

How to lead when your strategy has been invalidated overnight

By Reinout Schotman



When assumptions break, behaviour moves first.

A boardroom, somewhere in the Gulf. Three weeks after the war began. The monthly numbers look solid, order books are filled, and the CFO presents a clean liquidity position. The strategy agreed last year is on track. And yet everyone in the room knows they are reading numbers from a world that no longer exists.

This essay is about that moment. Not the shock itself, but the silence after it, when reality has already changed and the instruments do not yet know.

What just happened is not what you think

Not every disruption is the same kind of disruption, and mixing them up is where strategic errors begin. A cyclical shock leaves the rules of the game intact — intensity changes, not

structure, and patience is the right response. A structural shock breaks one rule: a regulation rewrites the economics of a sector, a technology removes a cost structure. The strategy must be revised at that point. A systemic shock is different in kind, not degree. The assumptions on which the entire market vision was built become invalid all at once and for good. No single revision fixes it. The compass must be rebuilt. Treating a systemic shock as cyclical is not a small error. It is a strategic failure.

The reason boards misclassify is not stupidity. It is timing. A systemic shock does not announce itself as a crisis. It announces itself as an anomaly. What has changed is behaviour, and behaviour moves before data does. Confidence leaves faster than it arrived. That is not a cultural observation. It is the central economic fact of this moment. In the Abu Dhabi real estate market, the signal is already visible. Expatriate owners who need to cover mortgages are cutting asking prices. Inbound flights run at less than half capacity. Outbound flights are full. Tourism has stopped. Short-term rental income has collapsed. Expatriates facing lease renewals are quietly looking at their options. The market for confidence in the city is repricing, one household decision at a time.

Real estate funds have not yet adjusted their valuations. Local property owners are holding prices, expecting a quick recovery. Notice the difference. The expatriate owner reads this market from the inside: he knows the decision logic of the people leaving because he shares it, and he acts without waiting for price data to confirm it. The local owner reads the same market from the outside, through occupancy rates and transaction volumes, and waits for confirmation that will arrive too late. This is not a cultural difference. It is an information difference. And it is the same difference that separates a board with an inside-out compass from one that is still waiting for the instruments to move. Three signals, from three different categories of actor, are already visible.

Expatriate property owners are cutting prices to cover mortgages. Major professional services firms report most senior staff working remotely, with London recruiters noting an unusual availability of experienced Gulf talent. The Dutch consulate in Dubai has temporarily relocated. Each of these actors is communicating the same thing through behaviour: the assumption of stability that underpinned their presence in the region is under review. None of their official statements say so. Their decisions do.

Before deciding how to respond, decide which category of change you are in. The response to a cyclical shock is patience. The response to a systemic shock is reconstruction.

Why your instruments go silent

Here is the deeper problem. In a systemic shock, the standard instruments of strategic observation do not simply underperform. They produce output that looks like information but carries almost none. In statistical terms, the data available immediately after a systemic shock carries very little Fisher information about the new state of the world. The Cramér-Rao bound on any estimate is extremely high: no instrument, however well-designed, can deliver reliable conclusions. The constraint is not in the model. It is in the data itself.

Financial reports measure where you were. Models project a future derived from a past that no longer applies. Scenario planning covers a known range of outcomes; an unexpected non-linear shock falls outside it by design. Outside-in scanning produces noise in exactly the period when leaders most need signal. None of this reflects poor management. It reflects a basic property of extreme uncertainty: when the world has shifted in ways existing data cannot yet capture, the instruments built to read it go quiet. Pressing them harder does not help.

If your decision depends on data that has not yet moved, you are already late. The instruments are working correctly. The information simply is not there yet.

The two wrong reactions

Two reactions dominate boardrooms in the weeks following a systemic shock. Both are understandable, and both destroy value. The first is waiting for confirmation. The data does not yet show a recession signal, clients are still calling, orders are processing, so the board waits until the numbers tell them what to do. The problem is structural: the decisions that matter most in a systemic shock, retaining key people, protecting trust relationships, defending strategic positions, are exactly the decisions that must be made earliest. By the time the data confirms the crisis, the window for those decisions has already closed.

The second is acting on fear. The reflex is to cut costs, freeze investment, and preserve cash. This is not necessarily wrong as a direction, but it is almost always wrong in its execution. The fastest cuts are the most permanent ones. People who leave take institutional knowledge that cannot be replaced. Relationships allowed to go cold are claimed by others. Positions surrendered do not sit empty. Fear-driven action destroys precisely the assets that recovery depends on. Both reactions share the same root cause: the board has no instrument that works when its assumptions have broken down, and without one, instinct fills the gap, poorly.

Waiting for certainty destroys optionality. Acting on fear destroys assets. Both destroy value at the moment it is most needed.

The inside-out compass

When external data carries no reliable signal, there is only one reference point that holds: the internal architecture of the strategy itself. In stable conditions, strategy is built by reading the market and positioning within it. When the world breaks, that sequence inverts. The strategy is no longer a response to the market. It becomes the filter through which the market becomes readable again. This is not introspection. It is selection under uncertainty. The question shifts from what is the world telling us, to what do we know with certainty about ourselves, and what remains true if the environment changes drastically.

Three questions give the compass its structure.

1. Which of our decisions are now irreversible?

Releasing people, breaking strategic relationships, abandoning market positions: these cannot be undone. Deferring hires, freezing discretionary spend, slowing expansion: these can. In most crises, boards move fast on irreversible decisions and delay reversible ones. The discipline is to reverse that order.

2. Which assets hold their value regardless of how the situation resolves?

Institutional knowledge, trusted relationships, and positions in ecosystems that will survive the disruption hold and often grow in value. Physical infrastructure in a market that no longer exists does not. The task is to distinguish sharply, not to cut across the board.

3. And what signals will tell us first that the new reality is taking shape?

Behavioural signals, where experienced professionals are directing their families, which projects are quietly being put on hold, which conversations are changing in tone, are the only reliable early read in the gap between shock and data confirmation. They are judgment inputs, not statistical ones.

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Build the compass before the data confirms it. The board that cannot answer these three questions in calm conditions cannot answer them under pressure.

Capital as conviction

There is a simple test for whether a board has a strategy or merely a forecast: ask them to allocate capital today. Not in six months, when conditions are clearer. Not when the disruption has passed. Now, three weeks after the shock, while no one knows how deep this goes. The 60/30/10 principle, directing the majority of capital to the core business, a meaningful share to adjacent opportunities, and a protected portion to longer-term bets, is a guide for capital allocation in stable conditions. In a systemic shock, it becomes a diagnostic. The question is not which percentages you are targeting. The question is whether you can allocate at all with conviction.

A CEO once presented his strategy to a board in careful detail. A colleague asked a simple follow-up: if I transferred ten million euros to your account tonight, how would you invest it tomorrow? He could not answer. In that silence the truth became visible. There was no strategy, only a language that described a future without committing to it. In a systemic shock, that silence is fatal. Capital flowing with conviction is the visible trace of a strategy the disruption has not destroyed. Capital frozen is the visible trace of a forecast that it has. Protect what genuinely compounds: relationships, institutional knowledge, the people who understand the system. Do not confuse caution with wisdom. Caution is a disposition. Wisdom is a decision.

If you cannot allocate with conviction now, your strategy was never a strategy. It was a forecast of a world that no longer exists.

Trust as an asymmetric asset

Trust is not a soft asset. It behaves according to economic logic, and that logic has three properties no financial instrument shares. First, asymmetric velocity: trust is destroyed faster than it is rebuilt. A company that damages its employees, clients, or partners during a crisis does not pay the price in the crisis. It pays in the recovery, when the best people and best clients choose who they go forward with. Supply chains have no memory. Trust does.

Second, trust is a leading indicator. It communicates through behaviour, not reported numbers, and it is the only variable that signals reliably in the gap between the shock and the data that confirms it. The quiet departure of experienced professionals is not an HR statistic. It is a trust signal that leads the economic data of the following quarter. Third, compounding. Bruce Henderson's logic of compounding advantage applies to trust with unusual force: companies that preserve trust in a crisis do not simply recover faster, they reset the competitive baseline. In recovery, markets reopen. But they do not reopen symmetrically. Employees told the truth, not reassured but informed honestly, stay through uncertainty. Clients served consistently during a disruption build loyalty that outlasts it by years. Partners treated fairly during a crisis become preferred partners after it. In each case the mechanism is the same: trust preserved during the shock compounds into competitive advantage in the recovery.

In a systemic shock, every communication decision is a trust decision. Treat it accordingly.

This has happened before

The Gulf in 2026 is not unique. It is the most visible recent instance of a pattern that repeats with increasing frequency. In September 2008, bank balance sheet assumptions broke within days; most boards treated it as a liquidity problem and waited for normalcy. In March 2020, the assumptions underlying every service business broke within a week; the boards that rebuilt their strategic architecture in those first weeks were ready for recovery before their competitors had finished reacting. In 2022, energy price assumptions that had shaped a decade of industrial strategy were overturned within months; companies that knew which assets held value regardless of scenario navigated it fundamentally differently from those that waited. The pattern is consistent across all three: external shock, unexpected and non-linear; assumptions no longer valid; data lagging; board without a compass. Geopolitical shifts, climate disruption, and technological change each produce this moment. The question is not whether your assumptions will break. It is whether you will have built the compass before they do.

The board that cannot answer the three questions in calm conditions cannot answer them when it matters. Build the compass before you need it.

The question before the next shock

Return to the boardroom. The numbers look solid. The strategy is on track. The world is stable. This is the moment to ask three questions: which of our decisions would prove irreversible tomorrow? Which of our assets hold their value if our market vision breaks down? What behavioural signals would tell us that reality has already changed, before the data confirms it?

A board that can answer these questions in calm conditions has an inside-out compass. It does not guarantee survival in a systemic shock. Nothing does. But it means the board arrives at that moment with a reference point that the external data cannot provide, and a capacity for judgment that neither waiting nor fear can produce.

Most boards prepare for the next quarter. Very few prepare for the moment their assumptions break. That moment will create or destroy more value than the next five years of execution.

Strategy defines direction. The compass works even when the map is wrong.

About Outdoor Connect

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