Welcome to the Boardroom, Mr Darwin

What lessons do Darwin and Spencer offer for twenty-first-century leaders?

By Nigel Lake

In 1836, Charles Darwin visited Australia for the first time. Nearly 180 years after his first journey Down Under, the boldness of ambition and fearlessness of leadership shown by the adventurers of that age remain inspiring.

Having survived the return journey, in 1859 he published the iconic work *On the Origin of Species*, in which he laid out the term 'natural selection'. A few years later, Herbert Spencer coined the phrase 'survival of the fittest', drawing parallels between his own economic theories and Darwin's theories of evolution. As Spencer put it: "This survival of the fittest, which I have here sought to express in mechanical terms, is that which Mr Darwin has called 'natural selection', or the preservation of favoured races in the struggle for life."

How fascinating would Darwin and Spencer find the corporate world today? With accelerating technological evolution, the ecosystem in which companies live is changing more rapidly than ever before, providing fertile ground for experiment and observation. Ideas can bloom into hundred-billion-dollar businesses in a handful of years. Others at the top of the food chain may be supplanted by new species just as rapidly.

What is it that differentiates the weak from the strong? Are the winners no more than individuals or organisations who were in the right place at the right time? Or are there other factors at work that Darwin or Spencer would recognise?

Some individuals and businesses owe much to the accident of time and space. As Steve Jobs recognised, he had the enormous advantage of being born in 1955, smack in the middle of the ideal window for future leaders of the computer revolution that subsequently emerged in the mid 1970s. He was not alone—many of the founders of Microsoft and SUN were also born between 1954 and 1956. Of course, numerous other technology billionaires were born later than this, but their businesses operated further up the 'technology stack'—that is, they relied on the existence of computers in the first place.

Meanwhile, in the mid twentieth century, a new corporate species was born. Whether publicly listed or privately owned, industrial conglomerates diversified into many activities and used financial engineering to build hugely powerful corporate empires that spanned nations and then continents. Yet, as the decades passed, these businesses grew weaker, not stronger. By the 1980s, the conglomerates became the favourite food of a new species, the leveraged buy-out specialists. KKR and its many cousins tore apart these ageing, unwieldy businesses, sold off the pieces, and made their own fortunes.

This history is not unique to the conglomerates. Many other types of organisation have had their glory years and then been displaced by a new generation that somehow seem to be much better able to survive. For every Apple and IBM that adapted to change, there are hundreds that did not.

As any biologist can tell you, inbreeding leads to genetic weakness and increases the risk of recessive traits emerging. These reduce the ability of the organism to survive and grow. So it is intriguing to note the tremendous emphasis placed on culture and fit by large companies when recruiting staff. Typically, there is a great reticence to introduce people who might disrupt that culture, especially at senior levels.

Of course, building the right culture in your organisation is incredibly important—we have placed an enormous emphasis on this in the Pottinger business. But if that culture encourages introspection, the risks to your company will escalate significantly as time passes. I have seen this play out in many ways in real life, and have observed a number of common themes.

Diversity of people

The easy option is to hire people who fit your culture and share your interests, and come from similar backgrounds. Everyone should get along well, and each new recruit will fit the company culture. But how much will they really add to your business? If what you need is more physical or intellectual muscle to keep pushing in the same direction, then this approach will probably work out just fine. But you will need to make a particular effort to make sure that your team includes people who can help you spot emerging opportunities, and who have the courage to speak up against what is likely to be significant resistance to change internally. Without such people, you may follow in the footsteps of Nokia, who knew everyone just loved candy-bar phones.

Diversity of leadership

Thus there is clear merit in making sure that you hire people from a diversity of backgrounds, in the broadest sense of that word, as this reduces the risk of a monochromatic intellectual gene pool. But even if you do this, the risk remains that your team will still all think the same way about a problem. This is particularly true in conventional, hierarchical business structures, where the chances of left-field thinking making its way up through eight layers of management to the executive committee and main board are almost nil.

This illustrates the incredible importance of diversity in your management team and at the board level—not just in terms of gender diversity, but also in terms of age, background, expertise, and ethnicity at the very least. Without this breadth of perspective at the most senior levels, it will be incredibly hard to navigate fundamental changes in your operating environment. Look at Microsoft, which ignored the advent of the smartphone (launched by BlackBerry in the late 1990s) for over a decade. It then acquired Nokia in 2014 for nearly US$10 billion to attempt to plug the gap, and wrote off nearly the whole investment a year later.

Diversity of approach

Governments and major corporations around the world face many significant challenges day by day. Pretty much every organisation, whether in the private or public sector, has a 'too hard basket' into which it throws many of the really important problems because there are no easy, obvious, or practical solutions. Indeed, the harder and more closely they look at these problems, the more fundamental they seem and the more challenging they appear to be to solve.

Does this sound familiar? Of course, what is worse is what happens next. We grow to know and love these problems, and the impossible challenges that they represent. We cherish and admire them, burnishing them in the collective corporate psyche as we enunciate ever more clearly just how difficult they are to solve, and how smart we are for understanding the challenges and being able to implement even marginal improvements in the face of them. Before long, there is an organisational trophy cabinet filled with insuperable challenges, each accompanied by its own rich history.

If you could ask George Orwell to write a business sequel to follow his political masterpiece 1984, surely 1985 would explore how organisations get sucked into fighting to preserve an entirely undesirable status quo, rather than having the courage to fix the underlying problem once and for all. Thus it is critical to ensure that your business seeks out and rewards those internally who bring a fresh approach to conventional problems. And when they suggest a deceptively simple solution to one of your biggest headaches, you need to spend time to understand the solution rather than simply shooting it down with the argument 'It will never work'. How many leading motor manufacturers once had the capability to go where start-up Tesla has led? How many now will be able to catch up, given the inspiring pace that Tesla is setting?

A taste for adventure

If you have managed to assemble a

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team that brings together diversity of background, leadership, and approach, then you are a long way towards establishing an organisation that should be able to survive in the complex and fast-moving environment that is part of everyday life in most economies. But to thrive—to jump through the strategic wormholes that will allow your business to seize new ground and leap years ahead of the competition—requires the bold ambition and fearless leadership shown by the adventurers of old.

Ultimately, this requires business leaders with long-term vision, and boards that don't just accede to the demands for exploration of new ideas but strongly encourage them. If you need any further incentive, remember that many of the greatest prizes have been seized by inexperienced technology entrepreneurs who came with little more than a bright idea and unconstrained ambition. And you will find that if you can provide shareholders with credible reasons for your voyage, most of them will cheer you on. Most clamour for short-term performance when there is no clarity of long-term destination.

Are you intrigued by the idea that corporate disasters may be caused by unchecked genetic weakness? Then watch out for the upcoming book by Cassandra Kelly and Alexa Muratore, *The Supremacy Gene*.

Finally, remember the words of Albert Einstein: "We cannot solve our problems with the same thinking we used when we created them." If you want to seize opportunity that lies just over the horizon, you need advisers who can see those opportunities and help you navigate to them safely. ⚡