

Rocket Fuel



By Nigel Lake

Does your company have the energy to fuel transformational growth?

Everyone talks about the amazing achievements of Apple and Google and Facebook—as well as more recent success stories such as Airbnb, Uber, and Tesla. These companies have revolutionised a series of trillion-dollar industries. Metaphorically, they have walked in, sat down, and eaten the lunch of some of the largest, strongest, and most richly resourced companies that have ever existed.

In real life, they have each become one of the world's largest and most successful companies in their sectors in just a few years. The pace of their progression to the highest echelons of business is exhilarating.

Most readers of *The CEO Magazine* are probably over the age of thirty, or even forty. So the series of David and Goliath stories from the past decade should be terrifying. Industry after industry has been turned on its head by a radical innovator armed with little more than the 'crazy' notion that there might just be a better way to communicate with people, or utilise resources, or support collaboration than the old ways that have remained unchanged for a hundred years.

Each time the new revolution emerges, the core themes of the story are almost identical. The names of the characters and the industrial backdrop may be different, but the plot is the same. Despite this, time and time again my Pottinger colleagues and

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I encounter extraordinary complacency in boardrooms around the world. We see companies exploring the same strategic issues for years on end, often spending tens of millions of dollars internally and externally, with little to show for their efforts other than another report with yet more detailed justification for incremental change to the status quo.

Meanwhile, whilst big business is worshipping the idols of the problems that are too hard to solve, the entrepreneurial start-up will have implemented a new solution in months, investigating new avenues and learning constantly, until they hit on something that really works. Even

mice explore a maze—they don't just sit still wondering where all the paths lead.

The rules of the corporate game have quietly been rewritten. The pace of technological innovation and change means that those who are able to re-imagine their businesses and reinvent themselves will win. Those that take delight in their track record and current success will lose.

I am being deliberately harsh here—there are plenty of examples of large companies that have demonstrated a remarkable ability to focus on the future and reinvent themselves with impressive ease. But if you see even a trace of complacency in your organisation—even the slightest hint of the belief that the status quo is a reliable friend—then this should set the alarm bells ringing. If there is one thing that I've learned in 25 years of watching the world's largest companies make decisions, it's that the devil you know is the corporate undertaker's best friend.

As a result, the biggest threat to your company right now is probably strumming a guitar in a



basement, in between 'hackathons' where they collaborate with coders and designers that they have never met before to solve problems that big companies have done nothing more than admire for a decade.

The truth is, it's not just the future that is owned by the children—it's rapidly becoming the present too. They have the courage and imagination to see beyond the barriers that imprison businesses in the status quo. They have the teenage bravado to believe that anything is possible, and that they might be able to achieve it themselves. Companies may have the money, the paying customers, and the resources to be fierce competitors. But there is a real risk that they no longer have the right mindset to win against this new breed of competitor.

Happily, as with many challenges of this nature, there are some deceptively simple solutions—areas in which you must focus your efforts in coaching your teams if they are to win. These are the source of energy that every business needs to light up its future as brightly as its present.

First, decision-making of this type requires real bravery—bravery to stand up to the many vested interests that prefer the status quo, and to speak out against the many well-connected voices whose interests may not be well served by innovation. It is genuinely challenging for organisations to provide real support for forward thinking of this nature—not least when many business leaders are trapped in the endless mental mouse-wheel of delivering the next monthly or quarterly target.

As one answer to this challenge, Tata Consulting has created an entire internal ecosystem that provides a hard-wired connection between the future as envisaged by the outside world and senior management. Through its Co-Innovation Network, Tata explores how a wide range of emerging technologies may be relevant to its clients—free from the constraints of needing to justify an immediate

return on investment from collaborative innovation. Critically, it is also funded directly, meaning that it is also free of the need to compete with short-term priorities for funding and resources.

Second, it is all too easy to blame a lack of innovation and renewal on a shortage of the right type of business leaders—people with the determination to support innovation and the tenacity and resilience to complete the long and arduous journey from the flash of inspiration to the bang of implementation. Although inspiring, open-minded, and imaginative leadership is critical, our children shown us nearly every day that this is much easier in practice than in theory!

Present an eight year old with an intractable problem and it is amazing how frequently they will come up with a solution that defies existing business logic and transcends the comfortable 'it will never work' view of the world. Indeed, it is precisely youthful vigour and unconstrained thinking that has spawned many of the most successful businesses of the past 15 years.

As a corollary for the governance of big businesses, it is surely time for the boards of the world's larger companies to buy some very cheap insurance against the unseen black-sky risks of disruptive innovation that haunt their businesses, and make sure that they have at least one person under the age of 35 on their boards at all times.

Finally, one of the biggest inhibitors of change is infrastructure. In large companies, legacy systems have constrained product and service innovation for decades, adding daily to the risk that a start-up will displace those companies completely. Meanwhile, the addiction to hierarchical organisational and educational structures, originally designed to run countries and multinational organisations in the age before steamship travel and telecommunications, compresses

thinking and incentivises entrepreneurial visionaries to find leaner, greener pastures.

Similarly, in the public sector, massive historical investment in infrastructure designed for the last century makes it all too easy to base future investment decisions on outdated assumptions, without a rigorous evaluation of the best strategy armed with the facts as we now know them. As an example, commentators have already picked up on the significant downside risks to the value of electricity distribution networks, particularly in sunnier countries, as the cost of solar energy and battery storage continues to fall rapidly.

For both businesses and governments, the lesson is simple. Major investment decisions must be made with both eyes focusing firmly on the future, with only an occasional glance at the implications for the short term. No matter how loud the voices of short-termism, leaders must remember that these same voices will call for your immediate dismissal if this matches the latest fad.

The only escape route from the asylum of myopic decision-making is to lay out a clear, powerful, and long-term agenda based on a robust understanding of the certainties that lie in the future. And make no mistake—with the right perspective and the right analytical approach, the future is surprisingly predictable. Indeed, as William Gibson once said: "The future is already here. It's just not very evenly distributed." •

About Flashpoint

Very few businesses can rely on incremental growth to ensure long-term success. The safety of the status quo has been consigned to history by technological innovation and the accelerating pace of change. In Flashpoint, we explore potential disruptions and inflexion points in major industries, and provide tools to help leaders guide and support their teams through this environment.

About Nigel Lake

Nigel is Joint CEO of global advisory firm Pottinger, and is an entrepreneur with a passion for diversity, innovation, environment, and action. He is author of *The Long Term Starts Tomorrow*. Follow him on Twitter at @Nigel_Lake.