

## **Long-term industry experience dooms leaders to failure.**

### **What is the purpose of this article?**

Enable boards, shareholders, and C-Suite to have a discussion regarding the capabilities leaders need to succeed in a future that is fast changing and unpredictable.

This article does not provide tax, legal or financial advice.

### **What are the critical learnings in this article?**

- 1) The world used to change slowly; therefore long-term experience used to be a pre-requisite for leadership success. The future wasn't much different from the past.
- 2) The world is now changing very quickly. The future will be very different and very unpredictable.
- 3) Historical facts, knowledge, behaviours, and decision making can lead to failure in the very different future.
- 4) A different set of inter-related skills is needed for future success.

### **When was long-term experience crucial for success?**

- 1) Hundreds and thousand of years ago, the world changed very slowly.
- 2) As people got older, they learned they learned more and more about a slowly changing environment.
- 3) Knowledge was not written down thus the only way to learn was from both experience and the knowledge of people who had lived a relatively long time.
- 4) Long-term experience was critical e.g. knowing weather patterns, animal behaviour, how best to raise what crops, etc.
- 5) Long-term experience was a combination of facts, knowledge, and decision-making processes.

Even 50 years ago, the world was changing relatively slowly. Company growth was often organic, based on reinvesting profits.

### **Change can be extremely rapid these days e.g.**

- 1) Chat GPT-4 announced Nov 30, 2022
- 2) 1 million users within 5 days. Instagram took 2.5 month to reach 1 million. Netflix took 3.5 years.
- 3) 100 million active users within 2 months after announcement. Countless companies exploring and using Generative AI and LLM (Large Language Models). Employment already being affected. Some company valuations being massively affected (both up and down)

### **The world often, but not always, changes very fast**

- 1) Customer needs and problems they are willing and able to pay.
- 2) Market sizes.
- 3) How customers make buying decisions.
- 4) Customer expectations.
- 5) The number and type of competitors.
- 6) Technology – the types of technology and their speed of deployment.
- 7) Talent expectations e.g. what employees expect from their careers and their companies.
- 8) The availability of low cost outsourced solutions to build a company.
- 9) The availability of unlimited capital to launch and build companies.

### **How does major, complex change with huge implications and risks impact leaders with deep long-term experience?**

- 1) Their facts and knowledge are obsolete – but the leaders often cannot or will not recognize that.
- 2) The stress and pressure make leaders feel threatened. The natural tendency is the use the comfort and familiarity of their obsolete historical facts, knowledge, and decision making processes. It's natural to use the obsolete approaches which helped the leaders succeed in the past.
- 3) The leaders lose access to the parts of the brain that help them think creatively, collaborate, and discover new ways of doing things.
- 4) Even if they know the “right thing” to do, they are afraid to do it. They don't have experience with the new “right thing” and are afraid of doing it poorly.

### **The leaders have fatal flaws in some of the 7 components of talent.**

#1 Self-awareness: e.g. Does each director understand their strengths, weaknesses, capabilities? Do they understand how others perceive them? The leader may not recognize that the world has changed and that they now have major weaknesses.

#2 Character: e.g.

- 1) Values, morals, and ethics. Warren Buffett supposedly said "...looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don't have the first, the other two will kill you."
- 2) Courage: It takes courage to make the right decision. The right decision is often not: the cheapest, easiest, lowest risk to the company and director, nor what everyone else is doing.
- 3) The stress of industry disruption and major reveals weaknesses in the culture the leaders created.

#3 Relationship skills: e.g. Ability to create and sustain a network of personal relationships. This includes persuasion and negotiation, which is key to managing different points of view and interests. Creating and maintaining followers. A leader without committed followers is not a leader. Industry disruption and major change require the identification and creation of new relationships, and spending less time on obsolete relationships.

#4 Crystallized intelligence: e.g. what skill, knowledge, ways of thinking, mental paradigms, and facts must the managers have. It is key to have current and relevant information.

#5 Fluid intelligence: e.g.

- 1) The ability to solve problems without past experience. This is critical for innovation, which is coming up with new and better solutions.
- 2) The future is impossible to predict but actions and decisions are focused on this unpredictable future.
- 3) The future will also be different from the past. i.e. there won't be historical experience to draw upon.

#6 Cognitive skills: e.g. Able to collect and do fact-based analysis with sound logic and reasoning. There are new sets of facts and new types of analysis required.

#7 The ability and interest to learn, and unlearn, quickly.

### **Leaders who transform an industry often have little industry experience.**

Elon Musk graduated with a bachelors degree in physics and economics. After college he founded a software company.

Jeff Bezos graduated with degree in electrical engineering and computer science. His first job was with a fibre optic telecom company.

The founders of the majority of unicorns (startups which achieved a \$1 billion valuation) had no previous domain experience.<sup>1</sup>

### **What are your next steps?**

- 1) Define the leader's future role in: value creation, crisis situations, and major change. The leader's role may include: accountable for leadership, accountable for results, providing advice and recommendations, and support. There will be several future scenarios because it's impossible to predict the future.
- 2) Assess the leader's capabilities in-term of the 7 components of talent.
- 3) Determine what improvements the leader must make.
- 4) Replace the leader if: you judge that they will not be able to make the necessary changes OR if it turns out that they are unable to make the necessary changes.

### **Footnotes**

<sup>1</sup> Ali Tamaseb, *Super Founders*, New York, New York , Hachette Book Group, 2021, page 267

### **What further reading should you do?**

- 1) "Seven essential elements of a lifelong learning mindset, McKinsey 2019 February 19" Exhibit 3 points out that you should be developing new deep domain expertise well into your late 70s, early 80s. You must be continuously unlearning. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/seven-essential-elements-of-a-lifelong-learning-mind-set>
- 2) Core components of talent <http://koorandassociates.org/creating-business-value/core-components-of-talent/>