

Leadership

New Adventurous Leadership

By
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Amrop

Leaders For What's Next

New Adventurous Leadership

This report is about mega trends, future rules of business and building new leadership teams that will create exponential growth in a world of endless business opportunities.

Executive Summary

Since the financial crisis and the launch of the smartphone, a new generation of digital companies has emerged and split the business landscape. On the old gameboard, the majority of traditional companies competed based on the business models of the 20th century. But now there's a brand-new gameboard, with new players playing by different 21st century rules and technologies. These new companies are 10 to 40 times more efficient per employee than the old ones. If nothing is done the incumbents are heading for their Kodak moment, but if established businesses succeed in crossing the chasm to the new gameboard, future opportunities are almost endless. We are witness to a brave new world in the making — at high speed. Over the next 10 to 20 years, we'll have to re-design practically every industry on the planet: we need new cities, new mobility, new sustainable energy, a new supply chain infrastructure, food, education and welfare for 9 billion happy people.



Since the financial crisis and the launch of the smartphone, a new generation of digital companies has emerged and split the business landscape.

This report investigates how incumbent businesses can make this transition into the future and create new and sustainable growth.

We have identified five megatrends that we believe will be the driving forces for the future. These trends are interconnected and form part of a unified business movement.

1

Three Technologies will be dominant from a business model perspective

That's *blockchain, artificial intelligence* and *internet-of-things*. Each technology will have a huge impact on most businesses' processes but, brought together, they will multiply each other and create formidable new opportunities, which are beyond the imagination of most executives.

2

Ecosystem Economy will wipe out the 20th century's business models

We are already experiencing the enormous power of *transaction platforms* such as Alibaba or Amazon or *technology platforms* such as Apple that enable businesses to change and expand at the speed of thought. Next step will be network-driven *social commerce platforms* such as those that we are beginning to see in China.

3

Power of the Crowd will give business direct access to funding and talent

We see more and more businesses being backed financially by communities and individuals via crowdfunding sites, and we see corporations of all sizes finding and collaborating with an expanding network of people and companies.

4

Economies of Unscale challenges the industrial ideology that bigger is better

Soon, any entrepreneur with a bright idea will be able to buy all the business processes he or she needs as a service in the cloud. While incumbents have old technology legacy systems that are hard to change, challengers can focus on entirely new business models based on the latest technology.

5

New Globalism will eventually replace 30 years of centralized hyper-globalization

This is no longer environmentally or socially sustainable. New technologies will make it possible to manufacture goods and services close to the future consumers, in sync with the needs of the community.



Top Findings Part 2 | The Leaders of the Future

Operating on the 21st century technology-driven business platform takes completely new leadership skills. It's no longer about innovating what you have, but creating what you don't have. And when we analyze the leadership of the new generation of successful companies, we identify interesting differences compared to the incumbents on three levels:

Their **top executives** are extremely adventurous and visionary. They are constantly driven to explore new opportunities, often taking big risks. They are flawed — or maybe just human - but they cover their shortcomings by teaming up with right-hand people who possess skills they don't have themselves.

Practically all successful new generation companies claim that they are tech companies and they have 9 times more tech-experts among their non-execs in the **boardroom** than old, last-generation companies. This is a key differentiator between the past and the future. Similarly, the boards in young growth companies are risk-takers.

Investors in young growth companies are focused on extreme growth. They think globally, they constantly and creatively explore new opportunities across industries, and focus on long term results compared to owners in listed companies, who look for immediate profit.

The amazing efficiency and growth which new corporate players are creating on the 21st century business platform are based on a **triangular adventurous leadership pattern**, involving executives, non-executives and investors. Regardless of industry, on all three levels, there has to be a strong focus on three elements:

- Increased tech competences on a strategic level
- Development of new adventurous leadership teams
- A strong shared vision and entrepreneurial culture



Foreword | Matter Out of Place

This report is about business and leadership. It takes the reader on a short trip into a new possible future, where we show you new business opportunities. Hopefully, it will inspire you to leave old habits behind and welcome radical change.

While preparing this report, we have spoken to a lot of creative leaders. One told us that all organizations have an immune system which helps to maintain corporate culture and proven ways of operating; therefore, every time they are exposed to a new radical idea, the organizational immune system will try and reject whatever threatens the established and proven way of doing things.

The British anthropologist, Dame Mary Douglas, explains the phenomenon in her book: *Purity and Danger*. More than half a century ago, she set out to define the word 'dirt' and provided this definition: '*dirt is matter out of place*'. In a wine glass it may be delicious Burgundy but when it ends up on a white shirt, it becomes dirt. We all want to be organized — that is what defines us as civilized people - therefore we want matter to be in its right place. Over the last decade we have heard the word "disruption" again and again — new technologies and new business models that threaten incumbent industries. They are considered 'matter out of place' and the new start-ups unconsciously become 'dirt'. Consequently, we don't embrace the new opportunities as we should, but reject them because they are a threat to our established order.

With this report we hope to help business executives to understand the 'new business civilization' and bring the organizations into it.

Amrop Denmark in collaboration with Inception in London have interviewed entrepreneurs, leaders of start-ups, of business incubators and accelerators. We have monitored thousands of tweets and hundreds of newsletters and blogs, to identify new business trends and new patterns of business behavior in Europe, Asia and America, with the purpose of identifying how business executives can successfully lead their business to new, and hopefully exponential, growth.

This is what we learned. We hope you will be inspired, and make the world new again.

Amrop Denmark and Nils Elmark.

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Christian Reich

Christian is a Partner in Amrop Denmark, with strong expertise in Professional Services, the Maritime and Energy sectors, Pharmaceuticals and Biotech. He works with executives on their most important issues, including growth and innovation.



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Nils is Founder of Inception, a London-based organization that advises organizations on creating new commercial visions. As a consulting futurist, Nils Elmark identifies global trends and new business models and creates haute couture business scenarios.



Getting Across The Chasm

Over the last twenty years, we have seen a new generation of companies that don't look like anything we have seen before. It started with the Internet but it didn't really take off before Apple launched the first smartphone in 2008, in the middle of the financial crisis. This marked the beginning of the 21st century. The smartphones made a chink in the middle of the business landscape. This chink has widened over the last decade, and is now a chasm that the majority of incumbent companies try to cross with great difficulty.

Many believe it's about digitization and the innovation of existing business models, but it is more than that. What we have seen, on the other side of the gap, is a whole new gameboard with different players that play by different rules. We see it when we compare the new and the old companies on the stock exchange.

A bank like Barclays has 120,000 employees and a market cap of \$36 billion, whereas a company like PayPal has just 12,000 employees but is worth \$134 on the stock exchange. They do the same thing — move other people's money around - but PayPal does it 30 times as efficiently per employee compared to the value created for its owner.

In other industries there are even more extreme examples. The Hilton Group with 140,000 employees has a market cap of \$27,9 billion, whereas Airbnb with only 6,100 employees has a valuation of \$35 billion. Without a single bed, Airbnb's staff outperform Hilton's by 30.

This is the challenge the incumbent companies face across all industries! They have to move their business from the old to the new gameboard, learn the new rules, understand new technologies, and create new business models fit for a new century.

For the last decade we have seen this process as a defence against "disrupters". The old industries have felt that the new generation of ultra-efficient entrepreneurs try to take their existing businesses away. And that is true — they do. But young entrepreneurial companies do not have a monopoly on the use of new technology and the creation of new business models. These opportunities are open to everyone, even the incumbents.

The biggest challenge may be for the incumbent industries to go from a defensive to an offensive mindset. Most businesses have an 'immune system'. We face a new world in the making. During the last century, businesses have developed the global society as far as possible with 20th century technologies such as combustion engines, wireless communication and economies-of-scale industries. Now we have to re-create it all over again, this time for 9 billion people who all want to live a happy life. We have to redesign our cities to host another 4 billion people; over the next 30 years we have to produce more food than we have done in the entire history of mankind; we have to create a new mobility infrastructure, implement a new 4th generation manufacturing industry, we have to establish a green energy supply that enables us to reshape the global climate, develop a new healthcare system for all people, and educate everyone to live a productive and meaningful life... Plus a lot of other challenges we haven't even thought of yet.

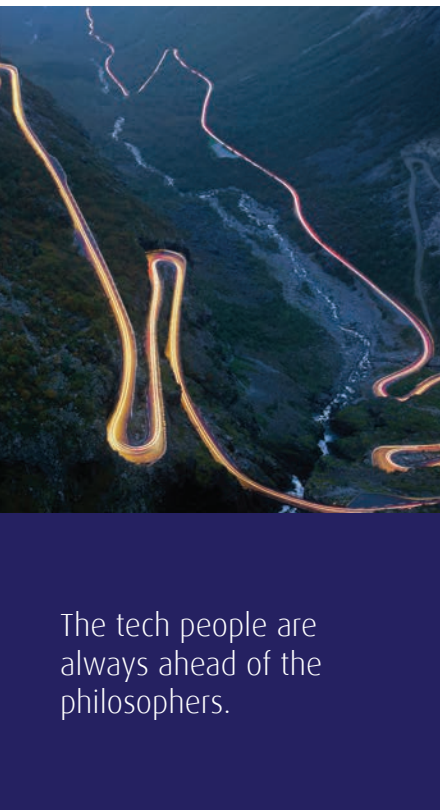
Look at the changes we have seen in the last decade: that is only the very beginning. Business opportunities will be endless; what companies have achieved over the last one hundred years for 3 billion people, they need to re-accomplish over the next 25 years for 9 billion people. Business will be exponential. Never have we lived in such exciting times, and never have we had so much to do, or such great technology at our disposal.

This report outlines how we may succeed, and how the people at the top of business organizations need to think, act and collaborate to cross the business chasm and create a brave new world.



Most businesses have an immune system.





The tech people are always ahead of the philosophers.

The New Growth Scenario

Reality is only a few years old. Five years ago, hardly anyone knew the names of either the present French or American presidents, nobody thought of #metoo or imagined that Britain would leave the EU; the 4th industrial revolution was practically unheard of until World Economic Forum in Davos in 2016 and a game-changing technology such as blockchain is not much older, in public awareness. If all these events and technologies that play a major role in global business today popped up only a short time ago, we must assume that an unknown future is similarly only 4-5 years away.

This is why trends are important. They indicate in which direction the world is moving, and give the observant leader an advantage. Understanding the trends doesn't necessarily make it possible to predict the future — the last 10 years have shown that - but if leadership understands the forces that are shaping the world, it can make strategic decisions. And, if your key business decisions and investments are based on strong trends, you will eventually get time on your side.

Almost all progress is based on new technology. We often need new thinking in order to benefit from new technologies, but the tech people are always ahead of the philosophers. They are the ones who bring the inspiration. We may think that Ernest Hemingway independently developed a new and modern way to write, using as few words as possible. But this was actually sparked by his editor on the Toronto Star, who had to pay for each word Hemingway wired home from Europe: *"Ernest, use fewer words, please. Long sentences cost me a fortune!"* Hemingway had to learn to write for a modern, wired world.

Therefore, to understand a fast-changing future and the opportunities it brings, you need to identify the new technologies and understand their potential for your business. Established industries and businesses have had difficulties doing this. Over the last decade, change has primarily come from the outside.

If we look at banking as an example, during 2018 more than \$30 billion in venture capital was invested in so-called fintech startups: young entrepreneurs who claimed to have a new and better way of providing financial services to the market. They are the 'disrupters' that often grow out of incubator/accelerator programmes that resemble X Factor-type shows on TV. Thousands of startups are scanned and evaluated — and the best one per cent is selected and developed in fast-operating business factories supported by venture capitalists. Spotify, Uber and Airbnb are examples of accelerator-grown companies disrupting the incumbent music, mobility and hospitality industries, with total global revenues of \$30 trillion.

In short, very short, the players on the old gameboard are challenged by new players on a new gameboard but only few of these new companies are making any profit. 80 per cent of all new IPOs in 2018 were unprofitable when floated. In other words, old companies making profits are challenged by companies in the red. How can that be? There are three reasons: the new startups have far better business processes than the incumbents, they often have better brands and, finally, investors expect the newcomers to generate a growing cash flow in the coming years whereas incumbents are expected to shrink.

In the following pages we'll analyze the trends that define this scenario.



Five Mega Trends

The future business environment is being formed by an endless number of trends and technologies. We have boiled these down to five mega trends. These trends are all related, and constitute a movement from the past into the future.





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Blockchain: It's the technology behind the crypto currency bitcoin but it is only within the last 4-5 years that we have explored its application in new and different contexts. It may very well turn out to be a game-changer that can revolutionize global business in the 21st century, especially with commerce and supply chain management. Logistics is about moving goods, information and money. Often this takes place in three separate systems, and \$9 trillion is tied up in the global supply chain: everybody is waiting for others to pay.

If supply chains are put on a blockchain which cannot be tampered with, people will be made to pay the moment they sign for the goods, freeing trillions of dollars from the system. At the same time, fraud would be impossible.

If you buy an Australian steak in China, chances are only fifty-fifty that the beef is really from Down Under. Put on a blockchain, all logistics would be transparent. We would know the provenance of our food, medicines and valuables. It would have a huge impact on the way insurance companies operate, and on all other industries, for that matter. Blockchain is an operating system for exchanging values without intermediaries and a number of new systems are in the making. Maersk works on a blockchain platform for containers; Walmart has a similar system making food safety transparent, and medical companies are working on projects that will eradicate fake drugs.

Blockchain will also be the foundation of new currencies; the Russian messaging service Telegram is close to launching TON, its own currency, which may lead to the creation of a commercial network of 200 million people who can transfer money to each other without middlemen. Yes, that is a threat to the banks and payment companies.

Facebook has similar plans for a global coin for its 2,2 billion users; why should Zuckerberg be satisfied with ad revenue when he can have a share of the world's growing e-commerce and its cash flow?

Artificial Intelligence or machine learning is as revolutionary as blockchain. It means that computer systems become smarter and more useful without being programmed. It enables machines to understand what we say to them, recognize our faces and learn our patterns of behavior.



It's being used everywhere without us thinking about it. Google uses AI to prevent its email clients from being spammed or receiving malware, LinkedIn uses AI to match people and Facebook uses it to detect if people are suicidal or plan to harm themselves, and send health resources to the person at risk. Banks use artificial intelligence to detect fraud and to understand people's behavior. AI enables banks to distinguish between millions of customers and give everyone an individual profile.

AI is used to generate investment advice from robots and also to increase the quality of personal service. For instance, a fintech startup such as Fountain Money helps investment advisers screen customer mails and avoid simple questions that a computer is better qualified to answer. This means that an advisor could service 2,500 customers compared to the 250 he or she can handle today. Banks could get new capacity to support customers that they don't serve at present.

The potential of AI is staggering. It can help health authorities diagnose millions of people who have no access to a doctor or a hospital, and prescribe a treatment. Or AI could be used to identify and survey everyone in a country and control entire populations. Elon Musk of Tesla claims AI is more dangerous than nuclear weapons, and will go rogue at some point. Mark Zuckerberg of Facebook has the completely opposite view: he is a proponent of artificial intelligence and sees it as a tool, one which will bring freedom of creation to mankind.

On a philosophical level AI and computer-advanced algorithms are worth a discussion. AI can help you find the next song on Spotify, or find the right place to go on holiday based on your likes and dislikes, but where will that leave human beings? Jean Paul Sartre claimed that our identity is formed by our choices in life. But if our choices are a result of AI and algorithms we don't understand, what will be left of human identity? Think!

Today, the big tech companies are building their own AI systems, and you do need to be big, because data for AI is like electricity for an E-formula racing car. But the big tech companies are not going to keep AI for themselves. In the past few years, Google Cloud Platform, Amazon Web Services, Microsoft Azure and IBM Developer Cloud have begun to provide artificial intelligence as a service. And this will escalate in the future, giving small and nimble startups and entrepreneurs an opportunity to provide smarter products and services than the incumbents.

Internet of things (IoT) will be the operating system for the coming 4th industrial revolution, although the format has not yet been agreed upon. We still have a lot of fighting to do before we know which standard will win. IoT will connect billions of devices that will collaborate in a borderless industrial community.

We will add **blockchain** and **artificial intelligence** to the IoT environment, along with a lot of other technologies that will pop up in the singularity curve, where we have more tools and technology than imagination. Imagine electric autonomous cars communicating with each other and the power grid. The cars will themselves know when they are about to break down, they will book spare parts and a robot will be ready to replace the broken part in the most cost-effective and convenient way.

To understand the internet-of-things, think of the human body. We have some 10 billion active brain cells that can make new connections with each other and exchange information. Then we have a body full of organs that communicate with the brain through the nervous system. The body, with its nervous system, looks after itself — we don't have to think about breathing, or about keeping our blood circulating, for example.

We are in the process of creating a planet in the human being's image. Soon 10 billion people on the planet, each with a mobile, will be connected via social media. Now we add an industrial nervous system — the IoT. Copying the human body is not done consciously by the inventors: it's done because it's the smartest approach.

For 72% of all digital companies, IoT has top priority above AI and Blockchain.

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This new business model, based around ecosystems, works like a set of Lego bricks and is being introduced by entrepreneurs in every industry. And the reason is the emergence of better interfaces. We are now able to connect systems and services, seamlessly.

The former CEO of Nokia, Stephen Elop, explained the collapse of the Finnish mobile giant with the words: “We were not fighting with the right weapons. The battle of devices has become a war of ecosystems” and the innovation editor at the Financial Times, John Thornhill, agrees when he writes that platform businesses may wipe out classic 20th century companies.

It’s hard to prove them wrong. Airbnb, founded 10 years ago, only employs 6,100 people in the company but it has attracted 1.5 million hosts, from 90 countries, on their digital platform. It’s the same picture with Uber, which went public in May. The company only has 16,000 employees but uses 3 million drivers in 65 countries and, even if it is only 9 years old, it’s already preparing for the next generation of self-driving taxi cabs. Uber’s business model is a transactional platform that allows everyone to do business with each other. Like Uber and Airbnb, companies such as eBay, Alibaba and Amazon don’t own the value chain, as did companies in the 20th century, they own the platform and facilitate business. Every time there is a new need or a new opportunity, they attract new players to their ecosystems. They create change and adapt to change.

A lot of next-generation financial institutions are created on a digital platform. A challenger bank like the German N26 or the British Starling Bank develop their own core banking systems, but a lot of the financial services are developed and owned by other fintech startups. If N26 customers want to transfer money abroad, they can do so from their mobiles, and whilst it looks like N26, the actual provider behind the screen is TransferWise, a remittance expert 8 times cheaper than a traditional bank. Germans still use a lot of cash, and N26 is an online-only bank. Therefore it is collaborating with yet another fintech startup, Barzahlen, which operates a network of 12,000 shops that help customers get cash in and out of their current accounts.

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A global giant like Adidas and a small car manufacturer in Arizona like Local Motors are both examples of new industrial ecosystems. They can attract the best subcontractors and integrate their services and designs directly in the manufacturing process, regardless of where they are on the planet, and their production time is drastically reduced.

Speed is one thing that comes with the platform economy. In 2013 the Chinese insurance company Ping An decided to go online, and offer a billion people better insurance, in collaboration with China’s two leading tech companies, Alibaba and Tencent. The new company was called Zhong An and today it has 400 million customers and a portfolio of 13 billion insurance policies. Zhong An is part of five major ecosystems with more than 307 ecosystem partners.



For the facilitator of an eco-system, the term platform economy makes a lot of sense. The platform gives a company an opportunity to set up the ideal team for a task or project and, afterwards, dissolve the team and put a new one together.

The system behind the six-year-old insurance company is packed with artificial intelligence that makes it possible to immediately assess, and compensate for, damage. The three Chinese partners from 2013 are now, at the speed of thought, in the process of creating a similar competing health platform, servicing 1.3 billion people on their way into the middle class.

For the facilitator of an ecosystem, the term *platform economy* makes a lot of sense. The platform gives a company an opportunity to set up the ideal team for a task or project and, afterwards, dissolve the team and put a new one together. From a traditional employee perspective, it becomes the *gig economy*, which turns more and more people from employees into freelancers as they go from one gig to the next. This will have a radical effect on the rest of society — people will prefer short-term solutions such as: *“I don’t know my future income, so I’ll rent a flat rather than buying one.”*

In short, we see transactional platforms and technological frameworks that enable people and technology to cooperate as being far more efficient than the propriety systems of the 20th century. The future is obviously being built as a network and an endless line of connections, and no longer like a pyramid.

In China we are starting to see e-commerce version 3.0. Alibaba and Amazon are transaction platforms 2.0 but now new **engagement platforms** are emerging, such as Pinduoduo, where friends shop together online to get discounts. Another is Xiaohongshu, which allegedly has 200 million users who display their purchases and link to the shops where you can get the items for yourself. The new e-commerce is also called **social commerce**, and it’s considered a serious threat to the established online platforms such as Alibaba and Amazon. We see a growing number of influencers, bloggers and Youtubers whose sites or channels can be turned into online-shops at a click on a smartphone.

Facebook is serious about getting a share of e-commerce and social commerce, and is preparing its own crypto currency to enable better shopping on the Facebook and Instagram platforms. Hundreds of millions of pictures are posted every day by influencers who show their latest purchases: *one click on the dress I’m wearing and it can be yours, dear followers!* You don’t have to go to any other platform to get it — just stay with me on my social platform. The 22-year-old former reality star Kylie Jenner has 118 million followers on Instagram and her influence on teenage girls is immense. 70 % of all Chinese teenagers prefer to buy via social media.

In China the new social commerce platforms are carving out a growing number of independent marketplaces, even within Alibaba and JD.com, so while bricks-and-mortar shops are worried about e-commerce, their online-platform rivals are facing a new generation of competition from social media.



The new generation of companies don't rely on the crowd only for capital; they draw on the crowd for talent, too. A very small company like Local Motor in Arizona has designers and engineers all over the world; attracting talent from the outside is an integral part of the ecosystem economy.

It all started in 2009, with Kickstarter in New York and Indiegogo in San Francisco. It was in the middle of the financial crisis, and young entrepreneurs with ideas and ambitions were frequently being rejected by banks that refused to lend them the money they needed to start their own business.

Instead, the young dreamers presented their concepts on Kickstarter's website, and asked the crowd for the capital needed to put their ideas into production. It could be anything: a documentary, a fancy jacket or a smartwatch. The new crowdfunding idea was, and is, that you present your prototype and ask for investment, and all backers are subsequently paid back with a film ticket, a jacket or smartwatch. One such case was the *Pebble*, one of the first big success stories of crowdfunding. In six weeks, it got \$10 million in backing from 67,000 small investors who, as a reward, could sport a cool smartwatch two years before Apple introduced the iWatch, and in the following years more than 2.5 million Pebbles were sold.

Crowdfunding created a new business model. Now you did not manufacture your product before you had a market, and did not need a bank. When Elon Musk introduced the Tesla 3, in 2016, he used the same model. He only had a prototype, which he sold to a crowd of 330,000 backers, all of whom were willing to wait for their car for years. Musk raised \$12 billion within a week: three times the sales revenue of the previous year.

The trend of the power of the crowd has grown over the last decade. Not only in the reward-based version of Kickstarter and thousands of similar sites, but also the so-called equity-based crowdfunding, where investors are paid back in equity.

Crowdcube and Seedrs are two of the UK's successful equity crowdfunding sites. A number of online-only challenger banks such as Monzo, Revolut, Dozens, Coconut and Tandem have raised part of their capital through these two websites, and so has the UK's most successful craft brewery, BrewDog. Most tech startups are now fuelled through crowdfunding and venture capital; they don't even get near a bank.

But the new generation of companies don't rely on the crowd only for capital; they draw on the crowd for talent, too. A very small company like Local Motor in Arizona has designers and engineers all over the world; attracting talent from the outside is an integral part of the ecosystem economy. Even a huge company like General Electric has realized that there is more talent outside GE than inside, and the company has established FUSE, a community of freelance engineers, partnering with the freelance site UpWork, which gives GE access to millions of free agents.

Thanks to the ecosystem economy you now have the whole world at your disposal.





An endless line of entrepreneurs closer to local markets and better in touch with customers are trying, little by little, to tear P&G's global \$36 billion revenue apart. It's death by a thousand cuts.

As a result of the trends mentioned one of the basic rules of 20th century industrialization is open for disruption: economies of scale. The idea that bigger is better is embedded in traditional management thinking, but the idea is under severe attack. We are heading for a new economy model: "economies of unscale".

The biggest problem for incumbent companies is their legacy systems. They have created factories, information systems and infrastructures that new technology has made obsolete, and it is practically impossible to change them. Banks and insurance companies often spend 70-80% of their investments on maintaining old software, whereas their new entrepreneurial competitors spend 100% on new systems.

The new tech-based disrupters buy a lot of their processes as a service from the cloud. Netflix doesn't have servers and tens of thousands of staff looking after their IT-systems, they have their business installed on Amazon Web Service, as do many new banks. The founder of challenger bank Monzo, Anne Boden, said in an interview: *we can see all the old banks copying our services but they can't copy our cost base.*

If you want to launch a publishing house, you can do so with zero investment. Creating a website is free, you can print your books on demand, marketing will be done via social media and if you absolutely need capital you can raise it through crowdfunding. This has brought Kickstarter onto the top-five list of publishing houses in America.

We are seeing, and will continue to see, ever more startup companies unbundling incumbent market leaders and brands. The world's biggest branding machine, Procter & Gamble, spends a stunning \$7 billion on advertising each year. No startup company in the world can match this, but a small, specialist player can attack one of P&G's 63 brands and this is happening every day. An endless line of entrepreneurs closer to local markets and better in touch with customers are trying, little by little, to tear P&G's global \$36 billion revenue apart. It's death by a thousand cuts.

And when 20 to 30% of your revenues have disappeared, your business model often breaks.

Netflix started its streaming service in 2007, at the same time as the launch of the iPhone, and it now has 150 million subscribers all over the world and around 500 million viewers. Yet it only employs 7,100 people. Thanks to the unscaled economy, having the right idea, and the will and talent to put it through, mean you can outperform the entire global media industry.





Industrialized globalization has ignited a trade war between the two strongest economies in the world, and Western populations are starting to revolt without knowing what to put in their place. You can see it when they vote, and on their yellow vests.

The economic model we see today is not sustainable. Global tech companies Hoover up clean growth, capital and jobs from the old economies to the new ones. Last year, the British department store Marks & Spencer paid more taxes in the UK than Amazon had in its entire 20 years of existence.

Industrialized globalization has ignited a trade war between the two strongest economies in the world, and Western populations are starting to revolt without knowing what to put in their place. You can see it when they vote, and on their yellow vests.

But change is coming. Manufacturing a smartphone on the other side of the planet, or growing food 1,500 miles away from the people who will eat it, will not make business sense in the future. For example:

Adidas, with its FutureCraft 3D printing technology, has begun to take parts of its manufacturing back from China, so cool sneaker models are now manufactured locally in a number of cities. And the company predicts that, in a not-too-far-distant future, shoes will be printed in the local sports shop while customers are waiting.

Growing Underground is a London-based vertical farming project where vegetables are grown in old 2nd World War bunkers 100 feet below ground, and delivered to local restaurants and supermarkets in the neighbourhood above.

Local Motors in Arizona is an independent car manufacturer that creates micro-factories à la IKEA, based on modern 3D-printing technology. No need to manufacture a car in Munich or Seoul: you can do it at a factory near you.

In London, local currencies have emerged - the East London and Brixton Pounds, based on blockchain in order to facilitate a stronger local economy. Money is kept longer in the community and new jobs are created.

As long as economies of scale support your business, it makes sense to manufacture on the other side of the planet. But if new technology removes the assembly line advantage, as is happening right now, companies and people will manufacture goods and services in their communities.

This doesn't mean that people, businesses and communities will isolate themselves. They will collaborate with other communities in never-ending networks, and we will still have global players, but small will be beautiful again under the umbrella of global tech companies. Why should consumers prefer a global Uber or Airbnb, with global tax-avoiding schemes, when they can have hundreds of small and local Uber-like companies delivering better services in sync with community needs?

When assessing the future impact of a trend you should never expect an endless, unbroken curve. For each trend there is an opposite trend, which at a given point will interfere. We have experienced a centralized hyper-globalization over the past 30 years; now we feel the consequences and a new, decentralized globalization is in the making.



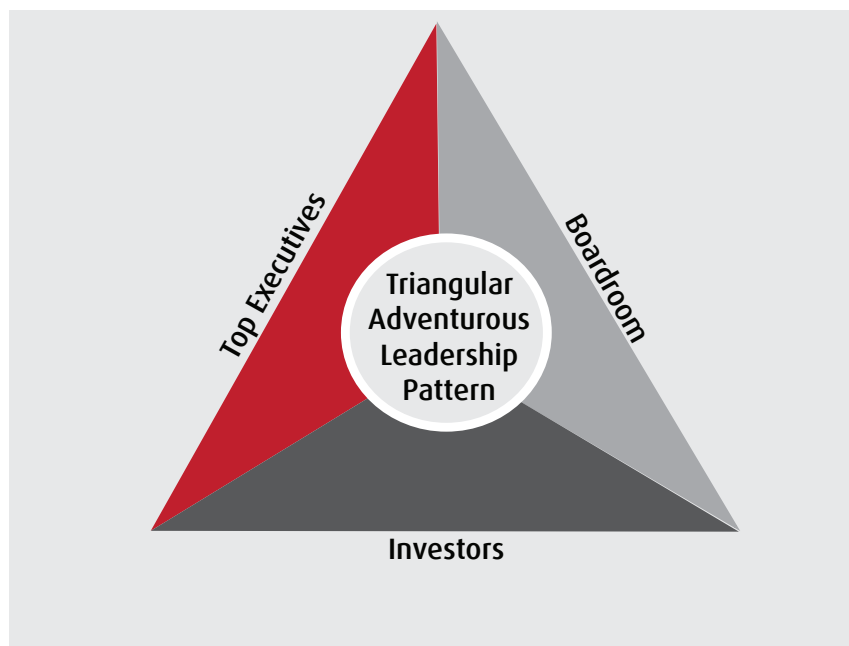
The Leaders of the Future

In the previous section we analyzed the forces of future business — the five trends - and the operating system organizing business creation — the new ecosystem economy. But we still need to identify what successful leadership will look like in the future.



Future Leadership | 3 Perspectives

Identifying what successful leadership will look like in the future has to be done on three levels: executive, boardroom and investor. It's not just about who is running the daily business, it's about the board, too, and the money invested in future growth.



What we see here is a repeated pattern where the Founder/CEO gets leadership-backup from a team with a different skillset. Number two has what number one lacks.

Executive Leadership

For the last 20 years and in particular the last decade, we have seen a breed of extraordinary entrepreneurs changing the global business landscape via amazing companies such as Apple, Microsoft, Google, Amazon, Facebook, PayPal, Virgin, Tesla, Space X, Alibaba and Tencent.

Behind each of these companies is an adventurous founder who had an idea that he was able to materialise into a global game changing company.

But when we look at the men (no women, alas) we find that they all have, or had, a sidekick, someone to compensate for their blind spots and make them complete in their leadership role. These right-hand men and women all have qualities which the founders lack.

Steve Jobs had Steve Wozniak at his side. Tim Cook has Jony Ive. Bill Gates had Steve Balmer. Richard Branson had Will Whitehorn. Elon Musk has Gwynne Shotwell, and Bjarke Ingels has Sheela Maini Sogaard.

What we see here is a repeated pattern: the Founder/CEO gets leadership backup from a team with a different skillset. Number two has what number one lacks.





These close leadership alliances at the top seem to be forged very early in company life. It takes a long time for newcomers to be accepted into the inner circle.

Steve Jobs was visionary but lacked marketing and business skills, which Steve Wozniak has.

Tim Cook, who took over at Apple after Steve Jobs, is an outstanding businessman but what he lacks in design sense he gets from Sir Jonathan Ive, who has created the coolest design studio on the planet.

Bill Gates was a geek with a vision, not a businessman. But thanks to the close collaboration with his partner Steve Balmer, who ran Microsoft's day-to-day business, he created one of the most successful tech companies ever.

Richard Branson is, perhaps more than anyone, a true entrepreneur, but he has his limitations and he is aware of it. He is dyslexic and not a born communicator in the traditional sense: in a broader sense he is a genius. To overcome his difficulties, Branson has had the communication wizard and special advisor Will Whitehorn at his side, or rather a step behind him, but always there. And he has been supported since the formation of the Virgin Group by his outstanding executive assistant, Penni Pike.

Elon Musk is an entrepreneur like Branson, waging "business blitzkrieg", constantly getting radical new business ideas and, like a circus artist, working 16 hours a day to keep all his balls in the air. At his side is Gwynne Shotwell. She is a skilled engineer and President and COO of SpaceX. She runs the day-to-day business and cleans up the mess that Elon Musk often leaves behind him. SpaceX would not have survived without her.

The extremely successful challenger bank **Revolut** has two founders: ex-banker Nikolay Storonsky, and Vlad Yatsenko, a software engineer who designed financial systems for 10 years before he met his partner. One has the business talent, the other the tech skills.

Until this year, **Mark Zuckerberg** had Chris Cox at his side for 13 years. Cox was put in charge of some of Facebook's most important features, including Instagram, Messenger, and WhatsApp.

Peter Ma, who heads China's largest insurance company Ping An, has a wing woman, the 41-year-old Jessica Tan from Singapore. She is mentioned as Ping An's tech czar and the company's second-in-command. She's been with the company since 2013, and gets a lot of credit for Ping An's formidable growth in recent years. In five years, her team has grown from 3,000 to 20,000.

All the leaders above are flawed (or just human), and their right-hand men and women cover their flaws. But the lieutenants are not people with different views of the future; they are aligned with the founders and share their vision. They are loyal but strong-minded personalities themselves. The wingmen/women respect their boss, who respects and listens to them. One thing is remarkable: these close leadership alliances at the top seem to be forged very early in company life. It takes a long time for newcomers to be accepted into the inner circle.

Another characteristic is that they are not risk-averse and they are all familiar with failure. Steve Jobs ran down a couple of companies, Richard Branson has run down even more. The famous architect Bjarke Ingels was close to bankruptcy but was saved at the last moment by the former McKinsey consultant Sheela Maini Sogaard, and Elon Musk is constantly struggling for survival.



Investor Leadership

Game-changing companies need adventurous investors the same way that they need adventurous founders and leaders. The PayPal Mafia — pure, genuine Silicon Valley venture capitalism - is a clear example of this. PayPal was founded by Ken Howery, Luke Nosek, Max Levchin, Peter Thiel and Elon Musk, and these five venture capitalists and entrepreneurs have had a shattering effect on the world. There is hardly any group of people who have created more “disruption” than the PayPal Mafia.

They started their global money transfer business 20 years ago, and handle payments for 22 million merchants today. Peter Thiel has created Palantir, one of the world’s leading big data analytic companies. With Luke Nosek and Ken Howery, he set up Founders Fund, which has invested in startups such as Facebook, Airbnb, Lyft, Spotify, Stripe, Oscar Health & SpaceX. The latter has recently attracted a billion dollars from Google. Other great investments by the PayPal Mafia are LinkedIn and YouTube.

Luke Nosek established his own venture fund: Gigafund, and was the chairman of Deep Mind, London’s most successful AI company, before it was acquired by Google. There isn’t an industry on this planet that has not been disrupted by a tech startup which doesn’t have the fingerprints of the PayPal Mafia somewhere in its makeup.

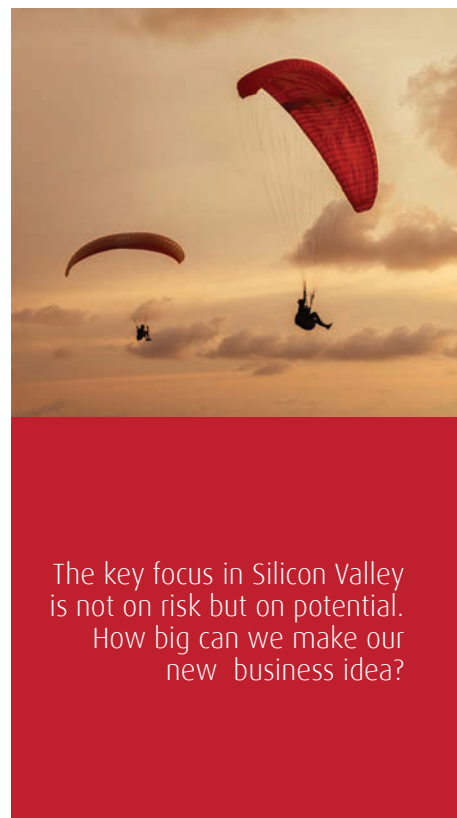
We know how they think. Luke Nosek explained it in a rare interview: It’s about “*first principle thinking*”.

“We boil everything down to the fundamental parts until it cannot be reduced any further; then we de-construct it and then they re-construct. Elon Musk does the same. The price of a car tunnel underground may, for instance, be a billion dollars per mile and the price is determined by the amount of earth you have to remove + the time it takes to cast the concrete + the speed of the drilling machine. To which Musk says: “*if we can reduce the size of the tunnel to a quarter and increase the drilling speed 5 times, we can bring down the price of a tunnel to \$50 mill. per mile.*” Then we can afford to remove the cars from the streets in our cities. Typical for the PayPal Mafia is that they invest in people who have long term ideas, who believe they are the only ones who can do it, and who never do it just for the money”. Peter Thiel: “*I made a mistake when I invested in CleanTech, those people all wore suits and ties. They were only in it for money. In the future I only work with people in t-shirts. They are interested in solving problems*”. Luke Nosek has the same approach: “*I only invest in people with global ambitions, people with motivation to re-shape industries and an ability to think 20 years ahead.*”

When the five venture capitalists founded PayPal, their ambition was to create a new global monetary system, and they almost made it. Now Facebook, with its coming global crypto currency for 2 billion users, will be having a go at it.

The key focus in Silicon Valley is not on risk but on potential. *How big can we make our new business idea?* In Bavaria, Seoul and Detroit they think of the auto market as 80 million sold cars per year at a price of \$20,000, which is \$1.6 trillion. In Silicon Valley they think of a mobility market where people drive 10 trillion miles at a price of 1 dollar per mile, and suddenly the marketplace is \$10 trillion and 6 times bigger.

Jack Ma from Alibaba has a similar approach. He doesn’t hire extreme intellectuals; he would rather choose people just below the top but with emotional intelligence. Having the best education and the highest IQ may make you arrogant but if you care for other people, are hard-working and highly ambitious, you will achieve much more for the company and its customers. Similarly, when Luke Nosek has selected a company he believes in, he never fires the CEO.



The key focus in Silicon Valley is not on risk but on potential. How big can we make our new business idea?



The five venture capitalists are adventurous, both in their investments and in their personal lives. Elon Musk is obsessed with flying to Mars and he is willing to risk the journey himself. Richard Branson is similarly willing to risk broken limbs and black eyes. They are both drawn to space. So is Jeff Bezos from Amazon, whose space company Blue Origin intends to send an unmanned mission to the moon. Interestingly, Musk outlined the Hyperloop idea, and Branson invested in it and was for a period of time, chairman of Virgin Hyperloop One. Ken Howery is a member of the famous Explorers' Club, and has travelled to 87 countries.

Boardroom Leadership

Chairman Peter Ma from Ping An declared last year that his company was no longer an insurance company but a tech company. Amazon, Apple and all the other global superplayers say the same: We are tech companies. New technology is defining corporate future, regardless of industry, which is why the general interest in the term 'digital transformation' has increased 10-fold over the last year.

Yet, when you look into corporate boardrooms, technology experts are conspicuous by their absence. A number of research projects show unanimously that between 80 to 95% of all American and European companies have boards where there are no non-exec members with tech expertise. This is confirmed by an Amrop report which reveals that only 5% of board members in non-tech companies have digital competences, whereas tech companies have 43% techy non-execs.

If there is nobody in the boardroom with expertise within AI, blockchain, internet-of-things, social media, cloud computing and similar key technologies, how can the people responsible for developing new corporate growth strategies steer the company into a fast-changing future?

The short answer is: *they can't*. They need highly-skilled geeks for that, plus a board that is willing to take a risk.

Jessica Tan from Ping An: *"6 years ago, we were the first company in China to put all computing in the cloud — no company in the world had done that before. We are not afraid to take a calculated risk."*

Her company is running on AI, cloud computing, social media, blockchain and any conceivable technology with the sole purpose of *scaling the business*. All companies are becoming tech-driven companies, and successful companies are those that are able to scale! They are not in the insurance business, in the food industry, in financials or in retail. They are in the *scaling business*.

Therefore, future boardroom leadership is dependent on non-execs with tech expertise, but also needs daring leaders and creative leaders. As one young consultant from The Digital Dragon, a Swedish consultancy, said: *"In China they don't talk about digital transformation, they talk about pure creation."* And he certainly has a point: Amazon started off as an online bookseller; now it sells everything and soon half of its profit will come from cloud computing, and it is winning Emmy Awards and Golden Globes for its film productions.

What we see at the boards of future growth companies is a group of extremely open-minded, creative, techy, business-savvy, risk-taking non-execs: very different from the incumbents' traditional boardroom setup.



'Digitization on Boards', an Amrop report, reveals that only 5% of board members in non-tech companies have digital competences.

The Dilemma | Doing two things at the same time

The incumbent companies are in a difficult situation; they have to maintain a legacy infrastructure that serves an existing but often shrinking customer base, and all new investments have to be justified by increased profit, says Nick Taylor, CEO of the business accelerator Founders Factory.

At the same time, they are competing against a new generation of tech companies that have access to the newest technology, no obligations to existing customers, and no need to deliver immediate profits on their investments. To compete, incumbent companies have to re-build their systems from scratch and, regardless of how they do it, they have to seek talents outside. If you are a bank or an insurance company, for instance, there hasn't been any reason to have in-house the competencies and talents that you need, until now.

You have to attract new people and skills, both at leadership level, in order to understand the new situation, and on a tech level, to actually create the new infrastructure. And I think we are beginning to see this. Companies hire chief innovation and technology officers. But they still have a problem: all incentives support the existing infrastructures. Why should people innovate if the immediate result deteriorates your KPIs? We have to make new incentives for employees to reshape their business models.

I think Goldman Sachs is doing this successfully and in 2017, its CEO, Lloyd Blankfein, said *"We are a technology firm. We are a platform."* Another approach to the dilemma may be to create your own startups which compete with your own company. Mettle is an example of that. At the start of this year, the Royal Bank of Scotland launched Mettle, an online-only-bank, developed outside of the company and competing against the established RBS branches. And more banks are following suit. This means that they are splitting top management in two. One side is responsible for innovation of the legacy system, the other will be responsible for creation of a new tech-based business model.



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Setting Up the Corporate Dream Team

From what we have identified above, new technologies and entrepreneurial visions are defining future business growth at breathtaking speed. It is no longer a question of adapting to change but of taking an active and ambitious role in the creation of a brave new world.

This is the new leadership challenge.

All successful companies today are tech companies. This is why 9 out of 10 need new skills at the top of their organizations. Future leaders don't have to be able to program a smartphone or design AI software, but they have to understand how new technologies make a radical impact on their business, and how these can create new growth opportunities outside traditional markets.

Future leadership cannot allow itself to operate in a monoculture. It has to move freely between suit-and-tie and hoodie-and-sneakers environments. It has to be comfortable with generation and technology gaps. Sophisticated features on smartphones and new social media do not only concern 'young people', they concern the boardroom, too.

Future leadership has to be ambitious. The leaders today who change the world all think: *'what's the full potential of our ideas?'* And: *'how can we get there?'* Subsequently, future leadership has to be willing to make mistakes and take risks, because they are going places where no one has been before. There is no pre-defined business solution. It all calls for creativity at the very top of the organization. New leadership should be able to imagine a new future for its business — or surround itself with people who do.

All this justifies calling for a new kind of **Leadership Dream Team**. It should literally be possible to dream business dreams and realise these dreams. This report reveals that no single leader holds all these skills.

A visionary leader setting the direction is necessary, and behind every growth company there is a strong personality. At the moment it's a he, but hopefully soon it will be a she, too. These men alone do not constitute core leadership; they are surrounded by strong personalities who cover their flaws and shortcomings, and inspire them to new ideas and insights.

This group of people constitutes *the modern leadership team*. When future business builds on "ecosystems and platforms" we need a similar leadership platform that enables constantly updated leadership teams in sync with whatever skills are needed to create growth.

But what holds the new leadership team together? How can differently-skilled people with different and strong personalities collaborate so efficiently? First of all, they have a shared vision — they all know where the organization is heading, and they all agree on it. Secondly, they share a modern, creative, and adventurous business culture. They want to go on business expeditions and create a new and better world.

Isn't that what true business leadership has always been about?



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About Amrop in Denmark

Led by a team of 7 Partners, with a total staff of 29 professionals, Amrop in Denmark is a leading trusted advisor in Executive Search, Board and Leadership Services. We advise the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

The team works across a broad range of sectors, with particular expertise in Life Sciences, Financial Services, Consumer & Retail, Digital, Industrial, Energy & Infrastructure, Professional Services and the Public Sector.



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Established in 1977, Amrop operates through Asia, EMEA and the Americas through 76 offices in 49 countries. It is one of the largest global executive search partnerships.

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