



By Nigel Lake

# Perpetual Motion

Does your strategy focus far enough in the future to ensure your longevity as a leader?

Nearly everyone has come across the idea of a perpetual motion machine. This is the wheel that will continue spinning forever, where the sum of energy outputs is at least as great as the energy inputs. We all know that this is a fanciful concept, although this hasn't stopped generation after generation of inventors from creating ever-more convoluted and occasionally persuasive designs for such a machine. The inventors share a simple dream—to find a mechanism that allows less to be put in and more to be taken out.

Analogous ideas rear their ugly head in the financial world. These are the investment opportunities that seem too good to be true, where rewards appear far higher than the advertised risks, not to mention the Ponzi schemes that offer apparently certain returns, at least until the law of large numbers starts to apply and the flawed logic is exposed. But this hasn't stopped unscrupulous proponents and their brokers from promoting such schemes to the rich and poor alike.

Whether the inputs are physical, economic, or financial, a true perpetual motion machine would transform the world around us, removing many of the constraints on fiscal and social wellbeing. And it would, no doubt, make its inventor incredibly rich. The mundane,

practical reality is, however, that we live in a much more constrained world. For every action, there is an equal and opposite reaction. Expenditure must be matched by income, or debt will increase (something politicians seem to forget all too often). For every debit in the ledger, there is an equal and opposite credit. These are simple, inescapable truths.

At the most basic level, the wellbeing of our society depends on four simple things—air to breathe, water to drink, food to eat, and energy to power our lives. These are the four basic elements which unlock everything. They are anchored in human mythology, and they remain as relevant today as they have ever been. And since the industrial revolution, minerals are also important, representing the resources we need to construct buildings and machines.

Despite amazing advances in science and technology, and the accumulation of unprecedented wealth, humankind is only now beginning to share these basic necessities of life. Although taken for granted in the developed world, at least a billion people do not have access to clean air, fresh water, safe food, or adequate power, let alone many other items seen as everyday staples.

So prepare to embrace a mind-shattering revelation. An incredibly

impressive perpetual motion machine has finally been discovered by our species. And it's much more than a mere inventor's toy. This machine can create clean air, purify water, and manufacture food. It is, of course, the planet Earth—a life-support machine of extraordinary capabilities. Admittedly, it is not a true perpetual motion machine—it is powered by external energy, received in huge quantities from the Sun. Indeed, the Earth receives enough energy from the Sun in a few hours to meet all human needs for an entire year. But it does offer what is effectively a never-ending source of air, water, and food, so long as we understand how to use and share the machine properly.

Despite the shameful quality of debate in most countries over the past 45 years, and in the face of hundreds of billions of dollars invested to maintain the status quo and obstruct advances in technology and the human condition, a revolution is upon us. Slowly but surely, business leaders around the world are discovering that adopting a longer-term approach to business strategy can transform the life expectancy of their businesses. This means adopting a mindset of conserving resources rather than exploiting them, of ensuring that less is taken out by companies than they put back, both literally and metaphorically. This is true

sustainability, ensuring that the organisation will continue to exist and continue to make a genuinely positive contribution to society long after the current CEO and management have gone. Not all leaders will reach this level of awareness, but the relentless forces of corporate Darwinism will sweep those who do not into the oblivion they so richly deserve.

These changes are happening remarkably rapidly—over the past 20 years, more value has been created more rapidly than ever before, mostly by radical innovators piloting start-ups from shabby garages to 10-billion-dollar valuations in years, not centuries. The first wave of these companies, Silicon Valley 1.0 if you like, harnessed the internet to reinvent access to information and advertising. In doing so, companies such as Google and Yahoo annexed the financial property of some of the world's richest and most influential companies.

Silicon Valley 2.0 was a little more evolved—a second wave of start-ups who realised that many other Old World industries could be reinvented by harnessing the efficiencies offered by the internet and other new technologies, leveraging direct access to customers, and rewriting the business models of other businesses. Some have already become household names in nearly every country. These businesses have achieved extraordinary impact, not only for their shareholders and employees but also for their billions of customers around the world. And remember, no company in the history of the world had ever had anything like a billion customers.

But Silicon Valley 3.0 is where the idea of conservation of resources has been reinvented San Francisco-style to change the world. The latest explosion of opportunity has come through the birth of the sharing economy. At its simplest, this means recognising that there are assets that are dramatically underutilised by their current owners, and that value can be created by allowing other people to access those assets.

As an example, anyone now can access some of the world's most powerful computers, at no notice and for almost no cost, armed with nothing more than their Amazon login (the same one you use to shop online).

The extent and speed of impact of this revolution are amazing. Airbnb is now one of the world's biggest accommodation companies. It has more than 800,000 listings in 192 countries, and is bigger than Hilton. It is six years old. Meanwhile, Uber is already almost certainly the largest cab company in the world. It operates in at least 140 cities in 45 countries. It is just five years old.

Even Tesla—really a Silicon Valley 2.0 company reinventing global motor transport—has harnessed the power of sharing by making its intellectual property freely available to anyone who is serious about building electric cars. Why? Tesla is not driven to become the largest or most profitable car company in the world. Rather Elon Musk's mission is to build a car company that changes the way the world drives. Make no mistake, Tesla already has a market value of some US\$30 billion—so it is more valuable than all but a small handful of Australian companies. It already has extraordinary power and influence.

The revolution is not confined to internet businesses or motor cars—a similar revolution is impacting the world's energy sector as well, as humans finally tap into the power of the Sun on economic terms. The cost of solar PV plus battery storage systems continues to fall rapidly, as the technologies progress along the scale curve, meaning that long-term power price trends are likely to be downward for decades ahead, reflecting a Moore's law for energy costs.

At a deeper level, all these innovations are about achieving more with less. The message for leaders in business is simple. Changing your mindset from maximising profit to maximising sustainability will transform your

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company's prospects and value. Your company's growth and profitability will become increasingly resilient. Indeed, this thinking will transform your own prospects of success and longevity in the corporate world.

Meanwhile, governments should welcome these corporate revolutionaries with open arms. Of course, you must make sure that they operate within an appropriate regulatory framework, but that framework needs to be fit for the future, not fit for the past. As a simple example, think about the relative safety of riding with Uber compared to riding with a traditional taxi. In nearly every country, either may result in a journey with a driver who doesn't know where they are going, or drives badly, or is rude. But with Uber, the poor driver will score low ratings from passengers and is unlikely to last more than a couple of weeks. Traditional taxi driver licensing systems take years to work, if at all.

Arguably, these ideas are nothing new. Many of the most successful businesses and most successful leaders have had a relentless focus on long-term objectives and sustainability, from the Sage of Omaha to the founders of Google. Yet to date very, very few leaders have adjusted to this paradigm. Too many remain imprisoned by short-term thinking and tactical responses to the noise of share-price gyrations and analyst commentary.

In contrast, those who make this change and send a clear signal about long-term destination will lock in the power of economic and financial perpetual motion, underpinned by a true licence to operate that will survive whatever dramatic changes lie ahead. •

#### About Nigel Lake

Nigel is CEO of global advisory firm Pottinger and 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

#### 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 inflection points in major industries, and provide tools to help leaders guide and support their teams through this environment.