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In the age of disruptive technology, management diversity helps

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Disruption and disruptive technologies have become major topics for any company, but instead of threats they should be seen as opportunities.

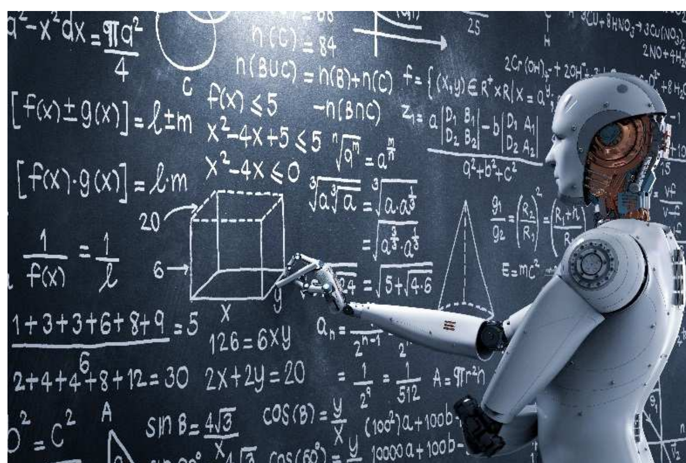
If a company can diversify its top management and boards to match the changes stemming from the advance of artificial intelligence, robotics, sensors and other technologies, they can keep on top and grow their business. If not, the disruption could wind up becoming a bigger challenge than any company would want.

There are plenty of examples of how disruption has changed entire industries. Look no further than Airbnb's impact on the hotel industry and Uber on taxis, and the casualties like Blockbuster, Kodak, Nokia and Toys "R" Us.

The threat – and the opportunity – is going to get more pervasive, according to Vivek Wadhwa, author of *The Driver in the Driverless Car: How Our Technology Choices Will Create the Future*.

"Once, technology was a discrete business dominated by business systems and some cool gadgets," Wadhwa wrote in his book. "Slowly but surely, though, it crept into more corners of our lives. Today, that creep has become a headlong rush. Technology is taking over everything: every part of our lives, every part of society, every waking moment of every day."

How can incumbents take advantage of the opportunities of disruption and avoid becoming the next Kodak?



Wadhwa said a first step is for companies to equip and empower their management to disrupt their own businesses. This can be done by training them on the latest technologies and how their convergence has an impact on business and society. AI is a threat alone, but combine it with sensors and robotics and the resulting autonomous cars are an industry shaker.

The next step is for companies to mimic the very Silicon Valley startups encroaching on their businesses.

“The choice that leaders face is to disrupt themselves — or to be disrupted,” Wadhwa wrote in a recent opinion piece for *MarketWatch*, a U.S. news site.

To disrupt a business, companies can copy tech startups by diversifying their management team in terms of age, gender and upbringing. This gains them a more varied mindset to come up with fresh ideas.

Deborah DeHaas, chief inclusion officer and national managing partner of Deloitte’s Center for Corporate Governance, has argued that age diversity is important to infuse innovation into a company.

Younger directors bring the “perspectives of a generation that is redefining technology, consumer preferences, business strategy, business models and even business risk,” as well as vast knowledge of how social networking is changing business, she wrote for *CEO Magazine*. “A younger perspective at the board level can help organizations reach and connect to this marketplace, and understand the world from their lens.”

A few companies are starting to do this. In September, The Kraft Heinz Co., a U.S. food giant, hired 29-year-old David Knopf as CFO. In 2013, 3G Capital, a U.S.-Brazilian private-equity firm, took the same step by promoting Daniel Schwartz, then 32 years of age, to CEO of its recently acquired Burger King. Schwartz, 36, is credited with turning around the fast-food chain’s sagging sales to a profit.

Even so, Knopf, also formerly at 3G Capital, and Schwartz are anomalies. On average, new incoming CEOs in S&P 500 companies are in their early- to mid-fifties, according to latest data of The Conference Board, a U.S.-based nonprofit that studies corporate governance.

There had been a rise in the preference for younger CEOs after the 2007-08 financial crisis, with the rate of succession of those aged 64 years or older averaging 25.5% between 2009 and 2014, according to The Conference Board. By comparison, the average turnover rate for younger CEOs was 8.1% over that period, a sign of the preference for fresher views, not the old guard. Since then, however, the rate of succession of older CEOs fell to 15.1% in 2015 and 16.1% in 2016, in line with the historical average, as a growing economy has improved company performance, the data show.

According to the Alexander Hughes Global Corporate Review, a thorough study we did of the structure of leadership teams in the largest listed companies around the world, older people dominate top management and the boardroom. The study found that 50- to 60-year-olds make up the brunt of the leadership, trailed by 60- to 70-year-olds. By region, the eldest are in Asia/Pacific, with 67.1% between the ages of 50 and 60, and another 26.8% are above 60. Followed by North America (50% in the 50 to 60 range and 41.9% are above 60) and Western Europe, which has a comparable spread. By industry, the oldest leaders are in professional services, trailed closely by life sciences and financial services, according our data.

Having long-tenured older managers, of course, is a benefit: it provides a wealth of experience and value.

But if a company wants to contend with — not succumb to — the success of disruptive startups, its management needs to mimic their rivals' flexibility and diversity of ages and genders in leadership, as well as backgrounds in nationalities, schooling and upbringing.

The young tech brands from Facebook to Google and Snapchat have people in their twenties and thirties taking the risks and shaking up industries. They are not relying on leaders who are in their position because of their tenure or the college they got their MBA.

If a company enables managers to think disruptively, they will feel confident to do this, not suffocated by policies, procedures and standard operating practices. They will feel that they can act with more spontaneity to take risks and voice their ideas for innovative products and solutions that customers may not have thought of yet.

Aaron Levie, the 31-year-old CEO of Box, a U.S.-based cloud content management and file sharing service for businesses, has argued that for companies to succeed in the future, this free flow of ideas will be essential.

"No industry is exempt from disruption," he said in an *Office Hours with Spencer Rascoff* podcast. To survive and even thrive, he said companies need "the shortest distance between the person with an idea and the person who can make a decision."

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