

MANAGEMENT TODAY

Books: Darwin in the boardroom

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This is a remarkable book. The title betrays the scale of its ambition, yet the scale of its achievement comes close to matching it. There are thought-provoking ideas on almost every page. The breadth of the author's reading and the wide range of sources on which he draws are extraordinary.

And it is chastening for an academic to recognise that it comes, not from a scholar in a university, but from someone who has spent most of his career in McKinsey.

It is, however, as Eric D Beinhocker engagingly acknowledges in his preface, a Sunday morning rather than a Monday morning book. By this he means that if you are looking for hints to improve your business right now you should look elsewhere. This book is written to change the way you think and may do just that. It will remain on my bookshelf, not just for its content, but for the trails it provides to other sources of information on new thinking.

The book divides into three parts. The first is a comprehensive review of the ways in which new ideas from outside the standard traditions of business strategy and - especially - economic theory are changing and will change the way we think about the world. This is an area in which one must tread warily. The ground is populated by charlatans who proclaim the irrelevance of conventional thinking that they do not understand and exaggerate the novelty of their own approaches.

But Beinhocker is a sure-footed guide. The discussion embraces five major headings. The first is Dynamics - the development of disequilibrium and non-linear systems. A chapter on Agents considers how people use inductive rules to make decisions, under imperfect conditions - and Beinhocker contrasts this with conventional concepts of rationality.

Under the heading Networks, the author analyses the ways in which players in the market economy interact with each other. Emergence is the process by which macroeconomic patterns are established by lower-level behaviours and interactions.

Finally, these strands are pulled together by a chapter on Evolution.

Darwin's dangerous idea - that an adaptive environment might create more complex and effective structures than any designer could achieve - is finding increasing applications outside biology. The failures of socialist planning show the superiority of the evolutionary order of the market economy.

What is true at the level of the economy as a whole is equally true of the individual business, but these implications for business organisation are not widely understood. You would still get the impression from business magazines - even MT - that large organisations are the creation of their founder and an expression of the will of their CEO, rather than the result of a successful match between organisational characteristics and external environment.

Taken as a whole, this section of the book is a comprehensive critique of economic theory as it has developed over the past 50 years. Many critics assert that modern economics is detached from the real world, too mathematical.

Beinhocker believes the first but not the second. The mathematics of the methods he advocates, complexity economics, is harder than the optimisation models of the standard paradigm, which is why these developments have largely been undertaken by physicists.

The central section of the book is the most original and for me the least convincing. In it Beinhocker sketches a general theory of wealth creation, in which entropy, rather than equilibrium, is the main concept that economics should borrow from physics. Beinhocker relates his ideas to those of Nicholas Georgescu-Roegen, a Rumanian emigre regarded as a genius by some and a crank by many. History has been moving towards the crank verdict but Beinhocker's arguments are powerful enough to make me reconsider though not change that evaluation.

In the third and last part of the book, the author reviews implications of his analysis for business and society, looking at strategy, organisation of financial markets and the political sphere. This discussion is at its best when Beinhocker interprets the rise of Microsoft as an episode in adaptive strategy; at its worst when he succumbs to providing that list of handy hints for people too busy to read the book. The 'ten commandments of culture' are predictably banal and on these pages Beinhocker has let his readers down.

If you want that kind of checklist, give this book a miss. But if you want confirmation that economics and management today are intellectually exciting, you must read it. It is unquestionably the most important business book of the year.

The Origin of Wealth: Evolution, complexity and the radical remaking of economics; Eric D Beinhocker; Random House; pounds 25.00; MT price pounds 22.50

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