

## Darwin And The Survival Of The Least Fit



A very experienced senior manager said to me this week that he was seeing in the window industry what he had seen in the steel industry when he worked there and it was evolving and altering under the squeeze of competition and price pressure. He described it as a situation where the strong got stronger and the weak got weaker but I'm not sure that is what we are seeing in the window industry as yet.

I'm not sure Darwin would recognise what we are seeing as natural selection. Natural selection implies that the weak die out and the strong thrive but whilst we are seeing business failures, often very costly ones (if you happen to be a creditor or customer) we are not seeing as many of these companies stay 'dead' as you would expect. Capacity is not being removed from a market where there is surplus. So are we seeing the survival of the *least fit*? There is even a term for it, the 'Phoenix' company. This implies something splendid rising from the ashes but I'm not sure that best describes this phenomenon, certainly not if you have to compete with companies like this. They have an advantage when they are failing (they don't pay their bills) and they have an advantage when they arise.... A clean slate and often highly discounted resources, all at the creditors (and sometimes customers) expense.

Businesses fail for many reasons and sometimes events entirely out of the control of the management will pull down a perfectly good business, the failure of a major customer, a change in legislation etc. Some of our best business leaders have the learnt the hard lessons of a failure in their past sometimes of their own making. However sometimes businesses fail because they are not best equipped to survive. In other words the strategy or the execution of that strategy is flawed and actually enterprises like this need to fail for the furtherance of a healthy marketplace. But what happens when a poorly performing business is resurrected and rises with it's debts magically wiped clean to continue to underperform? If you don't pay your suppliers you can always undercut the competition on price. If you don't pay your taxes and pick up resources from a receiver at a knock down price you gain a cost advantage.

What this does is weaken good businesses and honest enterprises that pay their bills and work hard to earn the just rewards of success.

If I was a fabricator struggling hard in this market and I saw this phenomenon threatening my business I think I'd be livid at the injustice of it all, life is hard enough! Worse this happens sometimes with the apparent blessing of suppliers that you would expect to behave with a degree of corporate responsibility, why is it that they don't see the damage this does to their loyal and hardworking core customers? Does short term expediency skew their judgement? Is there a disconnect in their own interests and those of their customers? Whatever the end result is the perpetuation of a degree of overcapacity that a falling market will only exacerbate.

So if the least well equipped to survive are given an advantage over the best equipped we are not seeing natural selection leading to developing strength. Rather we are likely to see a situation where everyone gets weaker and in the long run everyone suffers. In other words a degenerative disease that threatens the species not just individuals.

Back in 2006 I wrote an article entitled [“Are we seeing the end of the window world as we know it”](#) maybe the shift in business model postulated in that article will be the accelerated by the downturn we all expect to see over the next 12-24 months, call it what you want, credit crunch, recession whatever. Certainly the current market model is not enhanced by survival of the least fit.

To end on a positive note it's in changing markets that most money is to be made, opportunities present themselves that wouldn't otherwise be seen in a stable environment and it is the most exciting of times to be in business but change is scary stuff especially if you don't have the degree of control you would want! The senior manager who kicked off this train of thought had seen it all before in the steel industry and was happy to be back in it up to his neck! Strategic change is about a small number of very big decisions and if you have it right you don't have to change strategies often. Maybe now is one of those times and it's going to be fascinating to see how the species evolves and hopefully be part of that process.

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