

April 2014 Newsletter

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What do The Weather Channel, Apple's iPod and Banking services all have in common?

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RITA GUNTHER | **MCGRATH**

Author. Speaker. Consultant.

Dear Colleagues,

Strategy and Business: Video Series



The End of Competitive Advantage was named the #1 strategy book of the 2013 by Strategy + Business magazine, **with an insightful review by my colleague**, author of **The Lords of Strategy**, Walter Kiechel. As he says in his review:

The End of Competitive Advantage gets particular punch from the author's comparison of her outliers' modus operandi with how traditional organizations approach the problem of disappearing competitive advantage. The contrast also suggests the wrenching change required of old-line outfits if they want to compete in this new world of transient competitive advantage, and illustrates what a feat of leadership it is to work that change.

Allow me to reiterate – it can be done and there is a lot to learn from companies that have done it!

The Latest News

What's keeping company leaders up at night?

In this video interview with Nadim Yacteen, a Senior Advisor at Booz & Co and a colleague of mine at Columbia Business School, we talked about three things that are keeping company leaders up at night:

- Do we have the right talent in the right place?
- How can we get better at managing innovation and growth?
- Do I have the right line of sight to what is going on in my operations to be able to make smart decisions – in time?

These can be addressed, but they have to be on the agenda.

Why Do Companies Struggle So Much with Innovation?

In this part of our interview, we got to the subject of why companies have so much trouble with innovation. I suggested that the first problem lies in how they define it in the first place. Too often, innovation is confused with technical invention. Instead, I think we need to use a different definition, like the one that Scott Anthony of Innosight has developed, namely “something new that creates value.” Even if you understand what innovation is, however, there’s a real tendency to talk about innovation but to do other things. In the interview, we delve into some of the root causes of this problem: lack of experience, mis-aligned incentives, lack of critical talent and so on.

Digitization is a Big Deal

This short interview touched on what the effects of digitization have been for strategy. I called out four major places in which the digital economy is having a massive effect:

- Digital businesses are businesses in which traditional entry barriers have been swept away, making competition from anywhere at light speed possible
- New kinds of products which are “asset light” become possible
- Entirely new demands are going to be placed on IT departments, demands that are incompatible with their traditional way of doing business
- Many business models will be inherently less profitable – we’re trading “analog dimes for digital pennies”

...ance for digital presence

Is Your Strategy Stuck?

We also got to talking about the question of whether strategy, as a concept, is stuck. I argue that if you visit our classrooms or look at how many companies still do strategy, we're using tools and concepts developed for an earlier era. Today, we need more dynamic approaches to making strategic choices – and the best leaders of today are out there discovering what those are by experimenting with what is working and what isn't.

Eroding Advantages: More Places

In a couple of blog posts, I discuss how the erosion of competitive advantages are changing the likely future strategies of the Weather Channel, Apple's iPod and banking. The real question is whether anyone is paying attention!

New Inc Columns: Education and Global e-commerce

The future of education? Getting beyond MOOC's

I argue in **one of my latest columns** for *Inc.* that despite all the hoopla that the new market for digital education has not yet really materialized. For one thing, there doesn't seem to be a business model. For another, it's a little unclear what problem such offers as MOOC's (Massively Open Online courses) are designed to address. And in the midst of the fuss, we've forgotten that on-line education, such as the Open University in the UK and Penn State's online offerings, have been with us for a long time. Like the discovery of advertising funded businesses on the Internet, however, it's likely that we'll eventually have a breakthrough, ushering in a disruptive phase in the education world.

Inc.

Global e-commerce – Pretty slow going!

In my *Inc.* column, I did a little further rumination about **what the future of global e-commerce is likely to hold**, based on conversations at Davos.

In the Works

After a super hectic travel schedule (India, Switzerland,

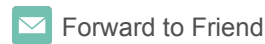
France, Singapore, Jakarta, San Diego), it's nice to have a few days to collect thoughts. I'm delighted to have given a



talk on April 24th to Princeton-area Columbia Business school alumni. May finds me traveling to several places on a thought leadership tour for the **SAS Institute**. May also marks another run of my well regarded Columbia Executive Program, **Leading Strategic Growth and Change**, which begins on May 19.

It's an amazing week, featuring not only faculty, but also very cool visits to interesting companies and places where we work on personal cases that can really move things forward.

Enjoy our well-deserved Spring,
Rita



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