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# RGM NEWSLETTER

RITA GUNTHER | MCGRATH

## Anniversary Edition – Not a Moment too Soon!

September 2020



Dear Colleagues,

*Seeing Around Corners* celebrated its first anniversary on September 3<sup>rd</sup> and even I could not have predicted its timeliness. While strategic inflection points feel as though they knock you flat when they reach a tipping point, instead they typically proceed “gradually, then suddenly.” Wow! Did we get a crash course in that this year... But, even the global pandemic, economic, social and environmental inflection points that are coming together with such vividness now had many an early warning.

**So let’s look back.**

**Data Brokers and Social Media.** In the book, I suggested that the economic model of using people's personal data to sell targeted advertisements would come under threat. That hasn't slowed Facebook down, yet – its revenues were over \$70 billion in 2019, strongly up from 2018. Still, 2019 saw the passage of the California Consumer Protection Act (or CCPA). Even more radical is a proposal by startup entrepreneur David Heinemeier Hansson, "The solution to our privacy problems... was actually quite simple. If companies couldn't use our data to target ads, they would have no reason to gobble it up in the first place, and no opportunity to do mischief with it later."

**Microsoft.** I was enthusiastic about Satya Nadella's talent for his ability to galvanize the famously internally competitive organization toward a common goal. Well, if stock price is any indication, he did not disappoint. The price on the publication date of *Seeing Around Corners* was \$136.04. One year later, it is at \$226.19. Its market capitalization is \$1.7 TRILLION dollars. It is, as one observer noted, "one of the most compelling turnaround stories in recent history." And it all sprang from a simple concept – empathy.

**Klöckner.** I've long been enthusiastic about this German metals-distribution company and its digital champion, CEO Gisbert Rühl. Klöckner had a difficult 2020, as did many firms that depend on smooth flows of global commerce and demand for steel in sectors such as automotive. The company suffered lost profitability in 2020, but interestingly enough at the one-year anniversary of the book's publication, its stock had nearly recovered to its previous levels, a strong indication of investor confidence. In true "Seeing Around Corners" style, the company created its own inflection point by making a huge commitment to digitalization before they needed to. Without that, the current downturn could have been catastrophic for them.

**The energy grid.** One of the early warning scenarios that I pointed to in the book involved the switch in energy provision from centralized grids, generally running fossil fuels, to markets leveraging renewables. That was indeed what came to pass, and even vaunted General Electric, in its acquisition of Alstom's mostly fossil-fuel based business missed the scenario in which demand was relatively flat and renewables became price competitive.

**Pharmaceutical Spending.** Todd Bisping, Caterpillar's Compensation and Benefits manager took a steely look at Caterpillar's exploding costs for pharmaceuticals for its massive workforce. Using skills honed as both an entrepreneur and with his supply

chain background, he figured out that there was somewhere in the neighborhood of 30% “waste” in a system that appeared to be deliberately designed to lack transparency. He tackled each piece of the tangle that represents the system as it has grown up, from creating an in-house formulary to negotiating with pharmacies. As other companies seek to follow Cat’s lead, we may well see a shift in the balance of power in the way drugs are priced and distributed in the United States.

**Women’s Leadership... or was that just Leadership?** In *Seeing Around Corners* I made the case that many of the behaviors we have long associated with women’s leadership – building webs of inclusion, being open to new ideas, creating greater levels of psychological safety, recognizing the contributions of others and fostering healthy debate and feedback – are coming to be recognized as qualities that we should aspire to seek in all our leaders. Tomas Chomurro-Premuzic and I had a very revealing [Friday Fireside Chat](#) about why we so often end up with disappointing leaders, many of whom are male. His conclusion is that if we really looked for the qualities we know we want, we would make it harder to confuse confidence with competence and for incompetent leaders to rise.

**Higher Education.** The onset of COVID-19 has revealed that the life-changing, coming-of-age experience students are paying for is only lightly correlated with what happens in classrooms. The financial implications of COVID are existential for many schools with revenue that used to come from sports, housing and other services coming to an abrupt end. This may reshape the higher education market entirely.

**What happens next?** Well, that is the question on everyone’s mind right now as we grapple with four strategic inflection points – a pandemic, an economic crisis, a crisis of justice and an underlying looming environmental disaster. So, let me close this anniversary newsletter with some thoughts.

1. There will be no instant snapping back to whatever we did in the ‘before’ times. Inflection points create fundamental change – those that emerge stronger are likely to have made decisive choices about what to stop doing and how to redirect their resources into future-seeking activities.
2. We have the conditions for a potential rebalancing of power among the various stakeholders of business. While this was being given at least lip service in the Business Roundtable’s statement that businesses should be responding to the needs of all their stakeholders, we’re starting to see some evidence that a new social contract may be feasible.

### 3. The crisis has already released enormous creativity.

When one path forward is blocked, perhaps that is the incentive to find a new path. My hope for you all is that the new path be a fruitful one!

#### A note on how this newsletter works

We try to keep the newsletter we mail to you fairly short (hey, we're all pressed for time). But, I always write a longer version with links and **deeper examples**, which you'll find on my blog, or **click on the "read more" link**.

[Read more](#)

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## Reading List

A curated roundup of interesting articles and books to get you thinking:

- **Stakeholder Capitalism Gets a Report Card. It's Not Good.** Jeffrey Pfeffer ([New York Times](#))
- **Unapologetically Ambitious.** Even in the midst of a pandemic, we have to be thoughtful about our next career moves, what kinds of support we'll need to take our next step and what being ambitious - especially for women - really means. ([Grand Central Publishing](#))
- **Why Do So Many Incompetent Men Become Leaders?** Asks the provocative title of Tomas Chamorro-Premuzic's recent book. He suggests, we all too often confuse confidence with competence, meaning people who achieve formal leadership roles are often not actually very good leaders. ([Harvard Business Review Press](#))
- **Digital Goddess: The Unfiltered Lessons of a Female Entrepreneur.** Told from the unique, female entrepreneurial perspective that unpacks all the hurdles other female founders may face in their own journey to the top, Victoria Montgomery-Brown shares the real-world lessons she's learned along the way. ([Harper Collins](#))
- **The Innovation Stack: Building an Unbeatable Business One Crazy Idea at a Time.** Jim McKelvey chronicles his experiences of the early days of Square (and a lot of his other start-ups) in his recent book. ([Penguin Random House](#))

- **No Rules Rules: Netflix and the Culture of Reinvention.** Here for the first time, Reed Hastings along with culture guru Erin Meyer, dive deep into the controversial ideologies at the heart of the Netflix psyche, which have generated results that are the envy of the business world. ([Penguin Random House](#))
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## Upcoming Events

### September 30: [Corporate Innovation Hub](#) (Virtual)

The opening keynote for our third annual Corporate Innovation Conference will be given by Rita McGrath the world-renowned expert in leading innovation and growth in times of great uncertainty.

### September 30: [Virtual Ascent Conference](#) (Virtual)

How do you get out to the edges of your organization where the snow is melting - meaning, where the weak signals of a pending inflection point are starting to bubble up that may mean something important for your business? I'll be discussing ways to do this and taking questions at the Ascent conference. You can grab a **free general pass** if you use my **speaker code: RITAGENFREE**.

### October 2: [Fireside Chat with Sylvia Acevedo](#) (Virtual)

One of my heroes and role models, Sylvia Acevedo grew up in anything but privileged circumstances. Her Girl Scout leader changed her life - giving her a way to channel her determination and grit into a fabled career. She attended Stanford, literally became a rocket scientist and is currently CEO of the Girl Scouts of America. I'm so looking forward to our conversation!

### October 6: [ExecConnect 2020 - Virtual Work Keynote](#) (Virtual)

A strategic inflection point creates a 10X change in some aspect of how your business works. For leaders in established organizations, you need to discover new recipes for success, learn what is important now, and bring your people along with you. In this session, you will learn about: 1) why the tools of innovation are so relevant as we work our way through the current crisis; 2) how to revisit your portfolio of activities and determine which are still relevant and 3) how to determine when it's time to make a commitment to a given course of action.

**October 9:** [Fireside Chat with Scott Anthony & Paul Cobban](#) (Virtual)

A great big myth of innovation is that it requires magical powers! My guests this week are Scott Anthony, Senior Partner at consulting firm Innosight and his co-author and client at DBS bank who will thoroughly debunk and de-mystify this idea. Their delightful new book called "**Eat, Sleep, Innovate**" describes how you can make innovators out of ordinary people by creating the right day to day habits. One of my favorite tools they develop is BEANS - behaviors, enablers, artifacts and nudges - that combine insights from behavioral science to create a culture of innovation in any company.

**October 12-16:** [Columbia: Strategy in Uncertain Times](#) (Virtual)

Strategy in Uncertain Times (Live Online) is a five-day virtual program focused on the process of finding opportunities, launching new ventures, and leading necessary organizational changes to revitalize and transform an organization in times of uncertainty. Participants will be able to immediately apply their learning to make rapid progress on an issue they identify. If you have ever worried about how to drive new growth or how to make a change initiative successful, you will enjoy the insights developed in this live online program.

**Interested in having Rita offer a virtual workshop, webinar, or keynote?**

[Learn more](#)

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## In the Press

- The World Is Less Flat: ([Dialogue](#))
- Women's Success In the Business of Wine and Spirits: A Case Study: ([Forbes](#))
- In a Moment of Change, Savvy Firms Are Finding Ways to Innovate: ([American Lawyer](#))
- Here's why Tech CEO's are taking a new look at pricing strategies ([Fintech Direct](#))
- Shaping Careers – How to Become A Superstar ([LMD](#))
- The Netflix Inflection Point ([Innovation Podcast](#))
- Top Business Books for 2020 ([Inside-Outside](#))
- Does your culture support long term success? ([CU Management](#))

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**Where there is uncertainty, there is also opportunity.**



Here's to your next advantage! - Rita

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