**RedZone Podcast Episode #115: Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen with Rita McGrath**

Bill Murphy: 00:01 Hello, and you are listening to Bill Murphy's RedZone Podcast. I interview leaders who inspire me in the areas of exponential technologies, business innovation, entrepreneurship, thought leadership, enterprise IT security, neuroscience, philosophy, personal development and more. Welcome to the show.

Welcome back to the show everyone. This is Bill Murphy, your host of the RedZone Podcast. I'm super excited about having some of the guests on recently that have just been, for me, exponential insights into world changing ideas and some of the best leaders in the world at innovation. I'm super happy that you're able to listen, to being a fly on the wall to my conversation with the best of the best, and today will not disappoint you. My guest is Rita McGrath. She is a best-selling author, a sought after speaker, and a long time professor at Columbia Business School.

She's widely recognized as a premier expert on strategy, innovation, entrepreneurship and growth in times of exponential change and uncertainty. She has received the number-one achievement award for strategy from the prestigious Thinkers50. Google that. Thinkers50 is amazing. I also have a link to a book, it's a free book, called, The Chief Strategy Officer Playbook: How to Transform Strategies Into Great Results. It's wonderful. She's been consistently named as one of the world's top 10 management thinkers in its biannual ranking. As a consultant to CEOs, her work has had a lasting impact on strategy and growth programs of the Fortune 500 companies worldwide.

She is highly sought after as a speaker at exclusive corporate events around the globe such as the Global Peter Drucker Forum. She's also the author of several books including the bestselling book, The End of Competitive Advantage, and her new book, Seeing Around Corners, I love that title, Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen. She has written three other books notably, Discovery Driven Growth cited by Clay Christensen, the amazing Clay Christensen as creating one of the most important management ideas ever developed. She has received her PhD from Wharton School at the University of Pennsylvania and has degrees with Honors from Barnard College and The Columbia School of International and Public Affairs.

What are you going to get out of this conversation? What you're going to get is an understanding of a couple of key things, and certainly some interesting stories like Walmart, how Walmart a behemoth, a massive giant innovated in response to a restricted culture. I mean, they tried and they tried and they tried, but how did Walmart finally out innovate itself? And how to see around corners. This general thesis that Rita has, how do we see around corners? That's important. She gives some practical ideas on how to do that.

We talk about the red box strategy used by a successful innovator Adobe and we talk about Rita's superpower when she's working with organizations. Then, how to navigate inflection points personally. How do you bring innovation to an organization where you haven't personally been pushing the envelope with your own innovation and your own psyche? Then, how retail will rebound, again we learn and we're sucked into the media talking about how retail is dying. Well, how will retail rebound?

What are some successes that we're seeing right now? Then, snow melts from the edge. How, as an organization, do you scale and sense and touch your organizations where that snow is melting and where this potential disruption happening so that you can plan as a leader to innovate and to react to that before it disrupts your organization?

Then finally, how innovation proficiency defangs an organization's antibodies. I love that. Innovation proficiency defangs an organization's antibodies. I love that. With that, I want to introduce you to this amazing conversation with Rita McGrath.

Bill Murphy: Rita, I want to welcome you to the show today.
Rita McGrath: 04:34 It's a pleasure to be here.
Bill Murphy: 04:36
Well, I love that your book that I just have him in front of me, Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen. I see that the Foreword is written by Clayton Christensen, I was fortunate to have a chance to listen to him a couple of years ago - live in a small setting of about 40 people. It really made me pause and grab the book. I wanted to start off by, asking if you can talk about how did you got into the innovation, I don't want to call it an industry, but you were in innovation probably before it was so popular to be in innovation. I'd love for you to talk a little about your journey of how ... what were some of your stepping points that got you into this point of being a really a world leader in the innovation space?

Rita McGrath: 05:23 Well, I think it started really with my first job after graduate school, which was taking manual processes in IT and actually digitizing them. I didn't think of it as innovation at the time, but it really was. It was working for city government and moving things that had been done a certain way for decades and decades into what we would now think of as the cloud. But that was a long time ago. Then I went back to do my PhD at Wharton and ended up in the Entrepreneurship Center there, working on basically corporate venturing. The real spark was a grant that we got at Wharton for a three-year study of innovation at Citibank. Our sponsor there was very interested to know what was it that made the difference between ventures that were successful and ventures that struggled.

What we did was a very intensive series of case studies of 23 Citibank ventures that ... with a mix of successes and failures. We called it the Citi Ventures Program. Out of that came a really foundational white paper, which never really got published, but had few academic papers come out of it and so forth. But really outlining the very first principles of what allows a corporate venture to succeed as opposed to fail. It was very, very instructive and that really was what set me on that path.

Bill Murphy: 06:52 It was interesting. I was just in a CIO innovation lunch in Raleigh that we were hosting. I got a sense that the folks at the table were, the CIOs at the table, that some of them were just flat out afraid of voicing what they knew to be true. When I actually asked the obvious question, the really fear was that they were afraid of either losing their job or afraid of challenging a position. How much of the emotion of fear comes into play with innovation within an organization?

Rita McGrath: 07:28 Oh, it's huge. We've learned this from the seminal work of Amy Edmondson among other people who study psychological safety in organizations and teams. One of the biggest reasons companies have blind spots is because people are afraid to talk about what they see actually going on. Senior leadership a lot of times shuts down those conversations so it can create a tremendous blind spot.

Bill Murphy: 07:56 How about with the generation of ideas? It's interesting, we did some exploration of idea generation. It seems to me that there's no shortage necessarily of ideas that are voiced. It's the execution and testing on the ideas. If you were talking about ideas, what is the challenge between ideas and the testing them and creating a portfolio that can be tested? Is that something that companies struggle with in your opinion?

Rita McGrath: 08:28 Oh Yes. I think the mythology of innovation is that it's an idea problem that .... Oh my God, if we just had more good ideas, that would be great. But the real issue is not ... between now and lunch, any organization will have a thousand ideas. That's not the problem. Human beings are very ingenious creatures. We come up with stuff all the time. The real challenge is that bit in the middle, which is how do I decide which are good ideas? Because let's remember really terrific ideas and really horrible ideas look almost identical at birth. You need to recognize that, right? How do you decide which ones deserve more attention? How do you then, once you've made that decision, how do you get them into some kind of process of experimentation to see whether they are worth spending more time on?

How do you then incubate them? Then finally, how do you transition them to this scaling up, moving forward process, which I call acceleration. To have a real innovation proficiency, I think you need three practices. You need the practice of ideation, indeed generating ideas. Then you need incubation, which spans the journey from, let's do some initial experiments all the way through to okay, we've got something that we feel confident we can take to market. So that's the incubation process. Then you have acceleration, which is taking your little fledgling idea and maturing it so that it can become part of the corporate parent. That's a completely different phase in the life cycle of an innovation. Frankly, your blank sheet of paper great ideas people are not necessarily the ones you want designing your supply chain or your compliance processes. It's a different kind of skillset.

Bill Murphy: 10:19 The concept of acceleration you had mentioned, are you saying with most organizations right now it's the ... I think sometimes we get ... I know within the groups that I am pulling together, they think that these ideas have to be these groundbreaking game-changing ideas. If you had to lump them all together in your experience, would you say that most of the dramatic change can come from internal process type innovation or is it the net new, the unexplored market? How would you respond to that?

Rita McGrath: 10:48 Well, Clay Christensen will tell you, there's different kinds of innovation, right? The vast majority of innovative things basically say, okay, I'm going to take the hammer I used to use one way and I'm going to make it a better hammer because I'm adding a digital layer to it. Well, the thing about that is it doesn't really create net new growth. What you're doing in that case is you're simply taking something I used to do one way and replacing it with something I used to do another way.

The really groundbreaking innovative ideas are the ones that open up a whole new vector for growth. They solve an entirely new problem where they respond to an entirely new kind of need. By definition, those are the scarier, riskier ones because they hadn't been done before.

Bill Murphy: 11:31 So, from the ‘seeing around corners’ part, because that's one of the fundamental parts to your book, which I find interesting. I think of my strategic assistant, and we joke about it, but I said, one of your primary job responsibilities is to read my mind. We joke about it, and it's funny. If you don't ask, we definitely won't end up in the universe of possibilities, but in your book, ‘Seeing Around Corners, you had an interesting perspective on that because you go to these conferences and you always hear about the failures, the Kodak’s, the grocery store industry, the pharmacy. You just hear about the constant failure, but then you actually mentioned a couple big wins like DSM and Fujitsu and others. They must have the ability to see around corners. Is that part of what you're saying?

Rita McGrath: 12:19 Well, I think ironically, the successful companies haven't seen around a corner and by and large, made a big huge jump. What you see them doing is a lot of small-scale experimentation and what I call the edges. One of the chapters in the book is called Snow Melts From the Edges. The idea there is that the things that are going to be super important for your business don't present themselves neatly at the conference table at headquarters. They happen out, where customers are living or where your people are sort of reporting that something new is happening in the world or where there's change afoot. I think the more successful companies are really good at putting some resources and time out there at the edges. So, when a change starts to make itself felt, so they're not taken completely by surprise, they've been tracking it all along.

I think the mythology is that we saw this big change coming and we mobilized an army and we leaped on it. When you look at how this works in reality, you've got a ton of small-scale stuff happening often for a decade or more before the thing actually makes itself felt in your core business.

Bill Murphy: 13:30 You talk about these different types of decisions, type one and type two decisions, and I also like the concept of this kick ... I had never heard of this Kickbox. Maybe you could talk a little bit about that as far as how you see organizations being able to distribute decision making and pull from the edges.

Rita McGrath: 13:50 This is actually a concept that Jeff Bezos talks about. He said, "You need to be cognizant that there are type-one and type-two decisions. A type-one decision is highly risky, it could cause enormous damage if you get it wrong, it's irreversible, it has enormous impact." That needs to be given tremendous consideration and careful thought and you really need to have a fair degree of confidence that you know what you're doing. Type-two decisions on the other hand are low risk. They're reversible. So if it doesn't work out, you just stop and go back to what you were doing before. It doesn't have huge organizational impact and so on. And he said, "The problem with large organizations is what happens over time is every single decision is treated as a type-one decision.”

You end up having this sort of organizational rigor mortis that sets in because ... a request for $50,000 gets treated the same as a request for $50 million. So you end up with this sort of inability to get things to a habit happen?. I think one of the things that is valuable I think is for senior leaders to make a distinction between the two. Then for the type-two decisions, where you really want teams taking initiative and experimenting, how do you now create some kind of vehicle or instrument to make that a reality? This is where I think the Adobe Kickbox program is so interesting. Anybody in the company can request a Kickbox. It's a little red box, and inside are some instruction manuals, a candy bar, a Starbucks card, a couple of notebooks. But the most important thing in the Kickbox is $1,000 gift card. You don't have to ask permission for how you use that $1,000 to conduct a small-scale experiment.

The only requirement is that you do the experiment, but then you have to describe what you did and how it worked in their database that they use to subtract and share these things. The CEO was asked, "Well, you give out a thousand of these things, it can cost $1 million, isn't that hugely expensive?" First of all, for a company the size of Adobe, no. Secondly, he said, "Just think about it in terms of outreach training. You've now got a thousand people that understand something about innovation. Not that they're necessarily going to have that as their main job, but they at least understand some of the mechanics and how it works. I think that's just a super interesting approach to fostering this kind of type-two decision making.

Bill Murphy: 16:21 Yes, it seems like there's a couple thousand ideas that materialize, but maybe 20 to 26 have made it up to the top of the chain, which is probably the right probability on it. But it's interesting how they've been able to galvanize, to your point, about the snow melts at the edges. It's how they keep their hands on the pulse of the organization at scale.

Now, about why you've been brought in, your super power so to speak… If you had a primary super power that you were able to do when you're brought in - to either research an organization or to, somewhat if a team company is looking for your expertise, where have you been able to really help organizations or individuals within organizations build momentum in this conversation we're having?

Rita McGrath: 17:13 Well, I think a couple of things that someone like me can bring to the party are, first of all, I see a lot of organizations and so you see an awful lot of patterns. For most corporate people, they've been in, what? Five, 10 organizations in their entire lives? They're very deep in the one or two places they've been, but they don't have that breadth of exposure to lots of industries, lots of companies, lots of different situations that somebody like me would have, by virtue of my role, right? By definition, I'm going to be in contact with dozens of organizations over time. I think the first thing is that perspective that comes from, here's a set of patterns that I can tap into. I think the second thing that I help with is being able to get that external perspective and that sense of reality that comes from that, which is, here are the assumptions that I see you making.

As you think about how you make decisions in an organization, over time, certain assumptions, they're taking for granted, they get to be like the air that you breathe and you don't really think about them anymore. One of the things I can do is say, "Hey, do you realize this is the assumption that you're making and is that really what you think you want to be doing?" And do that in a nonthreatening way. I think that's really important. Then, the third thing that I try to do is really connect the reality of what's going on with the possible actions a company might take. There's lots of people running around and saying, "Oh my God, the sky is falling, this and that." But then, [inaudible 00:18:44], well, okay, but what do you do about that? I think having the ability to really put it into practical tool-based on the ground action is really critical.

Bill Murphy: 18:55 Oh, for sure. One of your big chapters is how innovation proficiency can, you call it defang the organizational antibodies. I love that term, organizational antibodies. Can you give us a little idea of where you're going with that whole thesis?

Rita McGrath: 19:10 Organizational antibodies exist for a reason. They're there because executing against a proven business model requires consistent, repeatable, scalable process. You can't have everybody in the company coming in and suddenly deciding, "Oh, we're going to do it radically different today. I think the first observation I would make is you need to have respect for the fact that to keep a large enterprise moving along, it requires a certain level of discipline and continuity. At the same time, if you want to do something new, all those things that you're doing to depress variability and to make sure things are handled consistently, etc. - all those things get in the way. I think the first recognition is that there is a set of processes that make a lot of sense when you're executing against a proven business model and those are different processes when you want to discover a new business model. So I think that's the first instinct.

Secondly, I think once you recognize that is understanding that the two things require discipline, but that there are different disciplines. when I talk about innovation proficiency, I talk about the recognition that governance is required, the culture has to be open to doing the things that you need, resource allocation in terms of talent and management and that it is a process that can be made much more systematic. When you have high levels of innovation proficiency, your innovation doesn't depend on one champion or one person saying, "Oh, I think this is a great idea. It's sort of embedded in the fabric of how we do things around here. That's a really different model than just saying we're going to execute like crazy against something we know how to do.

Bill Murphy: 20:56 So it's really a couple of different parts. You said that there's a governance culture and a resource allocation to it that if you have a highly proficient organization at this, they have multiple layers to it. Is there usually a leader, a primary leader? Have you found that there has to be someone pretty high up in the organization that is in charge of innovation or do you find it's better working at as it's kind of decentralized in different business lines?

Rita McGrath: 21:21 Well, that's a function of how related the innovations are to your existing business. You're starting from square one, right? My innovation proficiency scale has seven levels where square one would be, I'm the post officer, so I'm a government regulated utility. My job is 99.9% execution. I really don't do innovation. That's a separate challenge than a company that's moved along on the innovation maturity scale. To get innovation going from a standing start, you really do need a senior champion. I just have not seen any examples where it happens without that. As you move up the maturity scale though, what becomes interesting is that the leadership of innovation can become a lot more distributed. At really high levels of innovation proficiency, you still need senior level support. It's hard to make it happen where senior people aren't behind it, but what you find is it's not so completely dependent on one or two people being the champion and pushing it forward. It's more embedded in the structures of the institution.

Bill Murphy: 22:27 Yes, I can see that and I can see how that, as you climb up that scale that you're referring to, I can see how that, it starts with that senior leader, but then I see it can build musculature. It's almost like you're learning a brand new skill and then learning how to do it proficiently.

Rita McGrath: 22:41 Exactly, exactly.

Bill Murphy: 22:43 How do you take the academic approach? When would you actually take it into a customer and say, "Here's what we've come up with, would you actually buy it? And would you buy it for 1,000? Would you buy it for 5,000? What stage do you actually bring it to the market and say, "Would you buy this if it were on the market?"

Rita McGrath: 23:04 Well, first of all, I wouldn't phrase it that way. I think what you want to do is get increasing evidence of customer desire and acceptance.

Bill Murphy: 23:14 Okay.

Rita McGrath: 23:15 A great example of someone who does this really well in is Alberto de Savoia, who wrote a great book. It's called The Right It. In that book he talks about a concept he calls pretotyping. One of the ideas he has is, he calls it an innovation readiness caliper. He looks at the kinds of evidence of customer desire that you gather beginning with zero, which is somebody said, "Oh Yes, I'd definitely buy that," through too much stronger, you get more points, or somebody that clicks on a website and says, "Yes, I'd like more information." You get a lot of points if somebody says, "I'll give you my credit card, please send it to me." There's a lot of ways of testing an idea that have varying degrees of robustness in terms of the proof that that idea is actually desirable.

For example, if you put up a website that says, hey, do you have this problem? Click here for more information, and people start clicking on it. That gives you more information than just talking to somebody and saying, "Here's my thing. What do you think? So you want to do is get data about actual behavior.

Bill Murphy: 24:20 I see. You said Alberto, what was the Alberto's last name?

Rita McGrath: 24:24 de Savoia.

Bill Murphy: 24:25 de Savoia, and the name of the book was called the Right It?

Rita McGrath: 24:27 Yes.

Bill Murphy: 24:27 Oh, okay. From a digital enterprise, you're saying you could put up a website and test related to that. What about physical? When companies are taking bets, where have you ...? Because what we were talking yesterday about the digital leaders going in, actually into the field and meeting with customers, and you have a whole chapter talking, not about that concept necessarily, but I would love for you to know, when you actually have to prove your new model and like what level of proof do you need to have at the edge before you can actually introduce it into the core of the company to try to scale it.

Rita McGrath: 25:05 Yes. Well, I think you want to have something people will pay money for, right? I think if you start with, and today it's so easy to do prototypes, right? The prototypes, wire frames, whatever. I think what you're looking for is that visceral emotional, oh, I really want that reaction from customers. Today, you can AB test things, you can have smoke tests where you put up a website or whatever and say, "Hey, if this thing existed, would you buy it?" There's a lot of different ways of getting to proof point. I'll give a specific example. Take something like Crest Spinbrush, which was a toothbrush innovation introduced a couple of decades ago now, but basically the concept was we're going to make a toothbrush that has the functionality of an electric toothbrush, which was priced at about 50 bucks at the price point of a high end manual toothbrush, which was priced at about 10.

Among the tests that they did was, the entrepreneur behind this thing took over an aisle at the local Walmart for a weekend. Happened to be a buddy that owned that particular Walmart and put a bunch of prototype toothbrushes in the store and watch what customers did. They looked at [inaudible 00:26:19], that gave them the confidence that this was something people actually would walk into a store, take off the shelf and pay good money for. Exactly, you can then take the thing further.

Bill Murphy: 26:30 I love that story. That's a great way to explain that concept. I just find it endlessly interesting how ... because there's a certain bravado that came from jobs that, and I think we hold them up as this mythic figure, probably rightfully so, but in some respects he was quite an interesting person in the sense that he never had focus groups or at least he said he didn't. He said, if I asked the customer what they want, I wouldn't have been able to create something brand new. I think even Ford did the same thing with the car, that if I'd ask someone what they wanted, they would have gotten a faster horse or something like that. It's like, how do you make innovations not so that it's an extraordinary endeavor or a person and make it more, not egalitarian, but you can spread out. It seems like there's higher risk when you just push it onto an individual.

Rita McGrath: 27:22 Oh, I agree. One of the core ideas there is something I read about in the book, which was an idea that Clay Christensen made [inaudible 00:27:30], which is you've got to think about the job a customer is trying to get done. One of the big mistakes companies make is they start with what they do and innovate outward. I make widgets and therefore let's look at market or widgets, [inaudible 00:27:45] addressable widget market and blah, blah, blah. They frame the world in terms of what they do. Instead of you frame the world in terms of what are the outcomes your customer's trying to achieve, what are the jobs they want to get done in their lives, it opens up your mind to completely new possibilities. People always talk about Steve jobs as this incredible innovator, but it's important to remember Apple never did leading edge technology, at least, since he came back in 1997.

They never were innovating technologically. They took technology that kind of worked, was already available in the world and thought about what's the thing customers want to get done more than anything else? And then designed their innovations around that.

Bill Murphy: 28:29 Interesting. I think it's just so important to get out of the Steve jobs mindset as your point is made because you can get stuck there and I think it's debilitating for people. When you say clarity of purpose versus strategy, is there a difference in your mind that is important for listeners to understand where the two clarity of a purpose versus clarity of strategy?

Rita McGrath: 28:53 Well, do they go together? Right? Your purpose really relates to what it is you're trying to accomplish and your strategy is really how you're going to get there.

Bill Murphy: 29:03 When I was reading in your book about Nadella, and he said his overall goal for the company was a hundred ... basically, how does he find deep meaning in work and there's essentially there's a quest, but it seems to me that from your point about culture, is it possible to take a company that that has ... you're trying to retain the existing revenue streams within an organization and then build in these new revenue streams on top of that. So you trying to take care of the existing, it's like trying to change the tires on a moving car. Have you found that the ability to be entrepreneurial or kind of those company trying to find the people that have entrepreneurial tendencies within an organization? Do they have to be separate from the organization from a strategy perspective so you can protect the core while you're building up brand new?

Rita McGrath: 29:54 Well, different ventures, different organizations do it any number of different ways. I think the core really is thinking about how much interdependence is there between what you're trying to accomplish with the new venture and what the existing company is able to do. If you think about it as an existing business that's trying to innovate, if all you're doing is creating a separate entity that's doing something in a completely way, it has no relationship with your core business, well you're no different or no better than a startup at that point. The only reason that you want to leverage what you can do as an existing establishment is because something about what you know how to do, some capabilities, some routine is going to give you an advantage relative to a startup. Because don't forget, an existing company always has legacy, right?

So, you're already handicapped in the startup world in the sense that [inaudible 00:30:51] advantage out of those, then you're no better off than a startup. I would say the thing that makes a corporate venture better than a startup is leveraging something about the secret sauce of what you know how to do. Now, that could be customer relationships, that could be brand, that could be technology, it could be any number of things. In the book, I talk about the two metal services company, Kloeckner, and what Kloeckner basically said was, "Look, we've made our money in steel or decades by basically selling steel products and that model is going to give way to a much more value added services model. In that services model business, if we can digitize the steel supply chain, what we'll have an advantage of doing is leveraging the decades and decades of deep expertise we have in the core company. That's what's going to give us actual customer value and make us differentiated from what any old startup could do."

Bill Murphy: 31:54 That's because of this deep intellectual property value, is that what you're saying?

Rita McGrath: 31:59 Yes, they have people who've been working in steel and fabric metal in Germany for decades. So, it's going to be impossible for a startup to match that.

Bill Murphy: 32:10 Is there a time and place when you say seeing around corners that it's a bridge too far and that a company would need to look at acquisitions? Is there a way to gauge where you've seen around the corner in the corner is a precipice and the best idea would be to ... is that a part of corporate decision making now that you see as a part of the innovation conversation?

Rita McGrath: 32:32 Oh, absolutely. I think there are times when it makes it a lot of sense to acquire. Building something from scratch takes time and it's very unpredictable. You are uncertain as to whether it's really going to work out. If you are under time pressure and you need to make something happen quickly, then an acquisition may be your best route. I think that's super important to bear in mind. The make, buy, borrow your partner decision is really a function of timing, a function of how critical you think building this capability could be and a function of whether you think you've got the DNA to make it happen. An interesting example there would be, Walmart has known that it's got to develop digital capability for decades. This is not a new thing, and it's tried and tried and tried and tried.

The DNA of the core business just really pushed back and resisted. What Walmart ended up doing was making a massive acquisition of a company called Jet.com, which was founded by a guy named Mark Lore who that, I think was his third venture. He had founded, right after college, a company called diapers.com which actually took on Amazon and was acquired by Amazon. He worked for Amazon for a couple of years. He and Jeff Bezos didn't see eye to eye, he left. Founded Jet.com, it's purely digital buying sort of company. And then into a meeting of the ways with Walmart and basically it was what people call an aqua-hire. It was, I made the acquisition but I did it so I could acquire this talent. He is now running Walmart's digital division, which is not profitable yet, but they're generating pretty decent revenue and it's really injecting a whole new kind of DNA into the parent company. That's an example of an acquisition where your goal really is to shift mindset and culture as much as it is to acquire a new way of doing business.

Bill Murphy: 34:28 Yes, it's interesting. The pond in the forest, it doesn't get the new ... it might be a great pond that support a lot of life, but if it's not getting that inflow of freshwater, it essentially will stagnant. I actually love the Walmart story that you just talked about because it does show, especially in the very competitive retail, how space, how a big behemoth it can make very important shifts to take on a digital competitor like Amazon.

Rita McGrath: 34:52 I think we're at a very interesting inflection point with this whole physical retail versus digital. I think you're going to start to see newspaper headlines about, oh, the return of physical bricks and mortar retailing because digital is great, but there are things digital doesn't do well. If you want to understand the look, the feel, if you want to experience the essence of the thing. A brown box that shows up on your doorstep doesn't generally do as good a job of that as an environment where you can go and experience different things. For example, in New York there's an interesting retail concept called show fields.

Bill Murphy: 35:23 Show fields?

Rita McGrath: 35:24 Yes, Show fields, which is a retail store. It's four floors down in Soho. Very cool. What Showfields founders have speculated is that there are these niche brands that don't have the resources to open up their own store, but that would like some kind of physical presence so people can go and experience what they have to offer and try things out. Interestingly, for a retailer, they've got another hypothesis which is, so let's say I've got kitchenware and I've got makeup and I've got cool little electronic thing and I do a bike, well, guess what? There is a certain kind of shopper who would be the right target market for all of those products. Rather than having them compete with each other, the concept is let's make synergy by having a whole shop full of goods that might appeal to a certain kind of customer segment. Rather than being competing with each other, we're actually complimenting. I think is a really [inaudible 00:36:24].

Bill Murphy: 36:24 Rita, it's interesting that you brought that up because isn't that the way ... our experience with buying cars? They lump all the car dealers together and they're all competing manufacturers, but they're all within like a mile of each other or even closer.

Rita McGrath: 36:36 Right. I know. That's always astonished me how they kind of go in clumps.

Bill Murphy: 36:42 Yes, but to your point though, it's funny from a human behavior perspective, that's worked there, why not try to get that working in a different angle, what you just explained. I now understand where you're going with retail and potentially what can emerge there. Do you think it's the shifts that we're going through, essentially ...? I always come back to the horse drawn carriage. It's funny if you look at old pictures in the early 1900s of New York city, mostly horses are down the streets and commerce going back and forth with horses. Then within a 10 year shift, all of a sudden, it was mostly cars that were flowing. You got to wonder the horse breeders and all of the accoutrements that go with running a horse downtown and the waste delivery and removal and all that all got disrupted. But it was replaced with something else.

I'm wondering, as we go through a lot of these shifts, do you think within organizations, and culturally, do you think that it's going to all play itself out in a positive way versus the negative media angle that we generally are listening to?

Rita McGrath: 37:48 Well, if you take a 30,000 foot level, human beings had never had it better. There are fewer people in poverty, fewer people that are food insecure. Despite all the draconian headlines, the human race has got it pretty good. I'm fundamentally an optimist. Yes, there are negative warning signs and there are things that one would like to do better, but as a general rule, innovation creates more prosperity for more people when looked at in the long run. Now, I think part of what we don't do well, and I'll speak specifically to American society, what we don't do well is the kinds of innovations that benefit a lot of people a little bit, but negatively affect a people a lot. I'm thinking here of globalization, right? Shut down a manufacturing plant in Tennessee, and globally, yes, it's better for many people that that's happening, but that local community is very much affected in a negative way. I think that we haven't figured out how to deal with those kinds of displacement effects very effectively.

Bill Murphy: 38:59 Yes, I would agree with that. it's very much like the human body, in some respects, the interconnection, even though we got a cut on our hand, that's fairly insignificant in the sense that it's not going to get infected, it's not going to take us down, but it's deep enough and it's bothersome enough that it affects our typing, ability to lift objects, grab a cup of coffee, it's just affects us and we feel it for a couple of days, but it doesn't take the whole human body down. Then, there's gradual impacts. It's funny, a change in some part of the globe or community does have an impact and it can be large or small. It's funny, not funny, but it's interesting how these changes in the more connected we are, there's a general connectedness that is very similar. I look at like a living, breathing organism of impacts.

Rita McGrath: 39:54 Yes, absolutely.

Bill Murphy: 39:54 As we wrap up, there's a chapter that I found very, very interesting in Seeing Around Corners in your own life. And there's a reason you pick that to wrap up your book. I don't want to give away all the clues to the people that can go out and buy the book, but generally, I'd like to know, have you share with the audience, what were you thinking related to the last chapter as far as being able to, because we've been talking about the organization and sort of ... talking about an organization is different than talking about your own ability to see around corners in your own life, and I'd love for you to just spend a couple minutes just talking about that as we start to wrap up.

Rita McGrath: 40:31 Well, one of the reasons I thought it was important to have a personal chapter was organizations are collections of people. We talk about them as though that the separate thing, but they're really not, and the extent that our readers are we missing inflection points, I think that's very potentially negative. The reason I want it to have a chapter on personal inflection points was any decision that you make as a leader or a member of an organization is going to be related in part to where you come from as a person. As an example, Satya Nadella at Microsoft attributes the fact that he had a severely disabled son to his ability to be empathetic and to his drive to have that empathy for customers and for each other and for team members as a key part of his management style.

You can't really divorce the person from the leadership. One of the things that I talk about in the last chapter is using inflection points almost the way the Apollo 13 used the gravity of the moon. The mission got in trouble, and the conventional wisdom would have been, well, let's just fire up the engines and try and get back as quickly as we can so try to get back to safety as it were. Unfortunately, that wouldn't work. What it's attributed to a graduate student or what they worked out was, if in fact, instead of trying to avoid the inflection point, you accelerated toward it and you did a boomerang around the moon, you could actually use the moon's gravity to give you greater acceleration, and that proved to be the maneuver that eventually got the astronauts home safely.

I think if you think about that in terms of your own life, an inflection point can give you that extra momentum and move to the next step, if you look at it openly and embrace it. One of the activities I talk about in the last chapter is really doing almost an introspective look at where you want your future self to be. So, write an article from the future about yourself and have that inform the decisions that you make today.

Bill Murphy: 42:43 I think that's so powerful. I really think that that ... many folks, just a short time ago, just a generation ago, 20, 25 years ago, if you were in your 40s and 40s, you're getting ready to the end of your career. A lot of the folks now, it's like, with longer life expectancies and longer time at work, it's like many people need to reboot their whole approach to work, especially if you've been in the workforce for 10, 15, 20 years. I can't agree with you more on the need to have that introspection. I think you can't expect innovation to come out of you if you're not actually really applying that to your own life.

Rita McGrath: 43:22 I agree. Yes, absolutely. I would add one other thing is that, we've not taken into account the real inflection point that is represented by the massive move of women into the workforce. We've built organizations for the people that lived in them, and historically those tended to be white males, at least in Western society. What we're seeing now is the very first realization that, for women, our careers are totally different in terms of pattern and rhythm than a men's career would be because of ...it's just a different way of living life. So, I think what I'm seeing is a lot of women in their 50s, even their 60s are just ... it's like, it's our turn. We're going like gangbusters, and it's a whole new kind of career pattern.

Bill Murphy: 44:10 I had never really thought of it from that angle. That is really interesting. We're having a women in innovation event coming up in the spring. I'm not saying this from ... I don't believe women are victims in technology, that they're underrepresented. I just mean that the leaders that I run into that are women as leaders in technology are exponentially better leaders than the men. I don't know why that is the case, but they literally run circles around the men. Even though they might only be 10, 15, 20 maybe 25% of the total population, just by definition, you're going to have that representative group is going to be better. And I don't know why that's the case. It's not my field of study, but we're going to have an innovation event because I just think that I get invigorated talking about the women in innovation just because of, I don't know what it is, but there's probably people out there studying this, but that they're just able to affect change at scale better, easier.

It comes more natural and it's not so much of a struggle and they just demonstrate it. One of the interesting women that I'm interviewing on the podcast, she, just a quick story, she won the Orbie Awards down in the DC Area recently, and find this theme, they tackle any challenge that is presented. There's no limits. One of the things I've just observed is that they're asked to do some things that are career changing and they tackle them. There's no pause, there's no second guessing, they just jump right in. Even though it might seem insurmountable, it might seem a stretch, and I don't know what that is. Maybe you have a comment or two on that.

Rita McGrath: 45:56 Well, there's a really interesting book out with the title, something like Why So Many Incompetent Men…. A very interesting thesis that the author puts forward is that as we select people for leadership roles, we mix up confidence with competence. I would argue that for a lot of women who are incredibly competent leaders but they just don't sort of do the chest thumping, I'm the best blah blah blah kind of self promotion stuff that a lot of men do. So, the men get the nod because they are out there sort of starting their peacock feathers and the women who are actually better, no. So, you got this really I think interesting dynamic, where incredibly competent leaders are overlooked because they don't do the self promotional work that less competent leaders do. That's one.

The second thing I would observe is, if you look at studies of how women lead and you'll see comments like well, they're very collaborative and they build horizontal connections and they empower people and they support people and give feedback. Just go down the list. Now, what we're realizing is that's what we're looking for in leaders in general. In a way, women's leadership historically is what we're looking for all leaders to be like today. I think you've got this very interesting moment where we're starting to recognize that what we're looking for in leadership is what, and I can't tell you why, we don't know whether it's nature or nurture or whatever it is, but women tend to be very good at empowering teams and letting people take credit for their work and creating psychologically safe work spaces. All those things women tend to be better at that.

Bill Murphy: 47:46 Yes, it's interesting. It's like the industrial revolution just in the span of humanity is really quite a blip and how long we've been on the planet as a species and we've survived through that selection process. It's interesting, we're just focused on the industrial revolution as a one little 100, 200 year marker, but as that's changing with the digitalization of everything, it's interesting how the native skills that are generation upon generation deep and women probably will start to rise up big time. It's interesting. It's a really interesting conversation.

Rita McGrath: 48:23 Well, thank you.

Bill Murphy: 48:24 Well, Rita, this has been fantastic. There's just endless writing that you've done in this book, Seeing Around Corners. I love. I love the title, How to Spot Inflection Points in Business. I highly recommend it to, to our listeners and I'm going to put your links to it to be able to review it and your other work on the podcast show notes. But as we wrap up, is there anything that you were just dying for me to ask you or a final comment that you're like, you know what, I got to leave with, any particular message?

Rita McGrath: 48:56 Well, I think some resources for your listeners. I have website, which is very creatively called ritamcgrath.com and I publish a monthly newsletter. What I do in the newsletter is I take a sector of the economy that I think is ripe for going through some kind of inflection point and write about it. It's one of my ways of trying to stay fresh. It's free. You can subscribe, you just go to my website and put your name and email in and you'll get it about once a month in your inbox. That's another resource. Then also, on the website we have access to videos and lots of other content if you're interested in digging deeper.

Bill Murphy: 49:36 Oh that's fantastic. So, ritamcgrath.com, and I'll put that up as a resource on the show notes page. Again, this is a pleasure talking to you, Rita. It's been a lot of fun and hopefully, we can do around two in the future.

Rita McGrath: 49:50 That'd be great. Well, lovely to chat with your audience.

Bill Murphy: 49:53 Thank you. Have a good day.

Rita McGrath: 49:55 Thanks. Bye.

Bill Murphy: 49:58 So there you have it. This wraps another episode of Bill Murphy's RedZone podcast. To get all the relevant show notes, please go to our blog at ww.redzonetech.net/podcast. Additionally, make sure you go to iTunes and leave your comments in iTunes about the show. This helps our show rankings enormously and help support the show. Until next time, I appreciate you very much for listening. Thank you.