



Rita Gunther McGrath

Some Talk Topics

NOTE: Many more topics and issues are referenced at my web site:
www.ritamcgrath.com

Dynamic Strategy: The problem of transient advantage

For years, the ultimate goal of strategy was presumed to be a 'sustainable' competitive advantage. Strategy when advantages are not sustainable, however, can be just as powerful. It does require completely different approaches to budgeting, resources, and talent management, as well as an increased emphasis on creating a pipeline of innovations. This talk describes some of the counter-intuitive aspects of dynamic strategies, for example that it may make sense to sub-optimize some processes in the interests of preserving flexibility. Among the key dilemmas that are presented are:

- All advantages tend to come under pressure
- The window of time to capitalize on an advantage is shrinking – everything is moving faster
- Because you need to innovate more, failure will become more common and needs to be well managed
- The organization's past competences can trap it as fear of cannibalization and internal power struggles prevent innovations from gaining support
- All of this takes time, and no one in today's high pressure organizations has sufficient time

Discovery Driven Planning

Discovery driven planning is a planning methodology designed for highly uncertain initiatives. The core premise of the method is that when there isn't enough information to develop a conventional business plan, the thrust of planning must instead be on learning, while at the same time reducing cost and risk. Conventional planning tends to lock an organization in, too early, to a specific operational trajectory. Discovery driven planning comprises five interdependent practices: 1) define success and drive the plan from this definition; 2) benchmark against key external variables; 3) think through operational specifications; 4) document assumptions and 5) re-assess assumptions and



goals at key checkpoints. It imposes strict discipline on new projects, but discipline that is appropriate to their uncertain nature. Examples might include an entrepreneurial business, SAP contemplating entry into SaaS, and a chemical company evaluating a new product introduction. With a bit of preparation, an example can also include an in-company project.

The talk is based on the best-selling article in the *Harvard Business Review*, where it is consistently named as one of the most important management innovations. It has been cited by Clayton Christensen as the antidote to “innovation killers.”

Creating an Opportunity Portfolio

It is all too easy for a growth strategy to flounder because an organization lacks an effective process for creating a solid growth portfolio, in which the mix of initiatives it funds support its core business, create opportunities in adjacent spaces and invest in options for the future. Instead, you want to figure out how to best align your growth strategy with the projects and people necessary to make it happen. During this session, we’ll analyze the existing portfolio of projects within a given portion of the company and discuss processes to bring portfolio elements into better alignment. The financial logic that makes sense for each component of the portfolio will also be addressed.

Entrepreneurial Mindset: Leadership roles essential for innovation and growth

Using the Procter & Gamble “Spinbrush” example and contrasted with the example of a company that has difficulty getting its act together, in this session we will discuss three key kinds of leadership roles that are essential to the growth of a large organization. The first is the framing and establishing the commitment to growth at the most senior level – if this isn’t done correctly, the organization simply churns in trying to find its way. Then we’ll talk about the internal entrepreneurs who manage specific ventures, and what challenges they face. And most importantly, we’ll focus on the difficult job of the manager in the middle, who has to navigate the political and resource dilemmas of fitting together the growth mandate with individual business opportunities. We will also compare the practices essential for growth with a recent article highly critical of Microsoft’s approach to innovation.



The financial discipline of high uncertainty: Real options reasoning

We are all familiar with the logic of using tools such as net present value to estimate the attractiveness of making corporate investments. But net present value calculations, which project cash flows into the future and discount them back, are basically meaningless under two conditions that are highly prevalent in today's environment: 1) when you can't really anticipate the probability of cash flows; and 2) when rapidly changing environments can de-stabilize the boundary conditions under which your projections were made. Instead, you can learn from organizations that are highly successful, even though they struggle with considerable amounts of disappointment. The financial logic they use is far closer to 'real options' reasoning, in which you make small investments today to create the right, but not the obligation to make more investments in the future. This approach allows you to limit risk and learn as you go. We will use the example of the failed "Iridium" project to illustrate how using the wrong kind of financial discipline can end up resulting in substantial disappointment.

Making the Most of Intelligent Failures

Most of us suffer from a pervasive anti-failure bias, in which things that go wrong instantly become undiscussable and the potential benefits of failure are lost. Here's the problem: in fundamentally unpredictable environments, failure is unavoidable. Moreover, it is essential if your organization is to take the risks and engage in the innovations crucial to effective competition. Failures are critical to competitive advantages because they facilitate trying more; attract resources and attention; help you learn what doesn't work; create leadership variety; and help you build skill and intuition. To gain these benefits, follow six principles: 1) Plan to convert assumptions to knowledge; 2) be quick about it; 3) contain the downside risk; 4) uncertainty is genuine, but not overwhelming; 5) intelligent failures are celebrated; and 6) Learning is codified and transferred.

MarketBusting: Overview

What do coin-changing machines, smart aircraft brake shoes, cement delivered within a delivery window and new ways to package materials for the Internet all have in common? They are examples of "marketbusters" – strategic moves companies made that allowed them to capitalize on significant strategic growth opportunities. A talk on



MarketBusting can cover one or more of five 'lenses' that companies can use to identify opportunities for breakthrough growth. Each 'lens' comes with a strategic framework or tool and the opportunity for application.

The examples and application can be tailored to the needs of the audience.

MarketBusting: Customer experience innovation

Sad, but true: Most companies have potentially disastrous blind spots with regard to truly understanding their customers' experiences with their products and services. This session introduces a simple, intuitive tool – the customer consumption chain – to help companies visualize the activities customers go through to address their own needs, some of which might involve making a purchase. When the chain breaks down, is unsatisfying, or is less convenient than that offered by a competitor, a company can be at a competitive disadvantage. Choice of customer segment, based on behavioral differences, is key. The goal is to improve the customers' total experience, thus improving margins, revenue opportunity and loyalty. Examples might include Amazon.com, Coinstar, and the Kone Corporation.

MarketBusting: Redesigning customer tradeoffs

For any given customer segment, every product and service has some attributes (or features) that that segments regards as positive, some they regard as neutral, and some they don't care about at all. By understanding the tradeoffs customers are willing to make, companies can better tailor their offerings to the needs of specific segments, often adding positive elements and reducing cost in the process. This session introduces a simple tool, the attribute map, to help companies gain a better understanding of the reaction of specific customers to the attributes of an offer and potentially redesign the offer. Examples could include business-focused hotels, diabetes treatment and car rentals. If desired, we can also use the tool to speculate on current product competitions, such as that for e-readers.

MarketBusting: Identifying new business models

In many industries, competition is not so much between different industry participants as it is between different business models. With the advent of on-line music, for instance, the CD-based business model is losing share to the by-the-song-online



business model. In this session, participants will be provoked to consider whether it is time to explore a new business model. The issue focuses on two interrelated questions: Can the unit of business be changed (what you sell) or can the operational activities that deliver a unit of business be altered? Changes in unit of business might involve selling products as services or subscriptions rather than by the unit, while changes in key metrics might involve reconfiguring (sometimes drastically) how operations take place to generate efficiencies or customer differentiation. Examples might include GE's locomotive operation, Mexican concrete producer Cemex, Provide Commerce ProFlowers offer and Software as a service as opposed to on-premises operations.

MarketBusting: Anticipate industry shifts

Industries go through different types of changes that can, to some extent be anticipated. Step changes are sudden and irreversible. Cyclical changes are those that appear and then reverse themselves. Trends are slower, but significant. Value chain shifts result in changing power relationships among buyers and suppliers in an industry. This workshop will ask participants to identify key shifts that they can foresee in their industries, and then to consider one of three possible responses: anticipating and preparing for the change; benefitting from second-order effects or even provoking a change themselves.

MarketBusting: Tectonic Shifts

Slow shifts in underlying social, technological and other forces can sometimes create the opportunity to explore entirely new markets. In this session, we'll explore some of the ways in which new categories, capabilities, and needs emerge to create a fruitful ground for opportunity. The practice of developing early warnings of a new category evolving can be used.

Disruptive Innovation and Category Evolution

Clayton Christensen famously introduced the concept of 'disruptive' innovations some years ago. In this session, we'll review those ideas – that the most powerful sources for growth can be non-users, that often the biggest threats come from places which incumbent players do not find attractive, and that low-end markets can be highly disruptive to one's business model. We'll then put disruptive innovations within the context of category evolution as a way of identifying which types of firms will be at an



advantage and which will be disadvantaged as categories evolve. I'd like to use the current examples of tech firms becoming vertically integrated (HP, Oracle, Dell) and the competition in e-readers, with reference to the different strategies of Barnes & Noble, Amazon and Apple.

Screening and Scoring Projects

Most companies have far more promising projects than they could ever fund and develop themselves. There is therefore a need to develop some way of screening and scoring opportunities to make sure that they are consistent with the firm's strategy and that sufficient resource commitment is made to allow those that are 'screened in' to be successful. In this seminar, we'll cover the basics of what makes a screening system useful, how works, and how past projects might have scored (to help validate the screens). We'll then apply the ideas to screening projects the participants are working on right now.

Managing the internal politics of innovation

Any innovative project, by its nature, will tend to threaten the status quo within an organization. Being able to navigate the political environment is essential, therefore, if an innovation is going to be successful within the internal context of the firm. In this seminar, we'll cover the basics of how one might prepare a political game plan, then discuss specific moves that are appropriate for dealing with the various kinds of political actors. Participants will be asked to think through a political analysis for an innovation or change effort they are currently involved in.

Guerrilla Strategies: Speed, Stealth and Selective Attack

In many markets, innovators don't have the luxury of competing with a great deal of resources. This session outlines the principles of so-called 'guerrilla' approaches to entering new markets, involving very selectively targeting precise client groups and serving them in such a way that other organizations can't or don't want to compete for them. Also called "judo" strategies, these reflect ways in which entrepreneurial companies can use competitors' strengths against them. This session also discusses multi-market competitive moves, when a move made in one area can affect a company's activities in another area. The key learning is that if you are not aware of



multi-market dynamics, your competitors can force you to spend resources in ways that do not benefit you.

Disengagement: When it's time to constructively shut down a project

Unfortunately, innovations often don't work out as planned, yet most companies have poor processes for constructively shutting down projects and capturing whatever value and learning might have been generated within them. This seminar will cover the topics of first, recognizing when you may be escalating commitment to a project that is failing, next, developing a disengagement plan if you have concluded that stopping it is the best thing to do, and finally coming up with a way of capturing as much value as possible from the experience of having done the project. Depending on the interest of the group, we may use the example of Hewlett Packard's "Kittyhawk" venture as an exercise.

Leading Change and Dealing with Resistance

If change is the only constant in business life, why do companies still struggle so hard to cope with it? One reason is that there are not many clear, agreed-upon ways to constructively motivate change, inspire those affected and break through the obstacles that stand in the way of moving forward. In this talk, we walk through an approach to dealing with change that addresses these issues and takes on the substantive and symbolic challenges of dealing with resistance.

Assessing Organizational Alignment: The Kite Framework

The "kite" metaphor is meant to symbolize the interrelated processes of strategic execution, many of which are not amenable to formal control or dictates. If any element of a kite's structure is not coherent, a kite will not fly. Similarly, one can't force a kite to fly – it needs to be built correctly, launched into a suitable windy environment and guided appropriately by its string. As with a kite, if the elements comprising an organization's core systems do not align and support each other, the organization will not deliver high performance. This talk is accompanied by a diagnostic that participants can use to self-assess their degree of organizational alignment and make appropriate changes.



Diagnosing and Motivating the Culture of your organization

The major dilemma with changing the culture of an organization is that it refers to the invisible, often taken for granted beliefs that underlie behavior. One goal of the session is to make these invisible beliefs tangible, so that people can start to discuss them and act on changing them. Building on a foundational cultural framework, in this lively and hands-on session, participants “live” a real culture contrast situation in a simulation. They then use the experience to design a culture change workshop or other intervention.

The Strategic Learning Cycle: Situation Analysis

The Strategic Learning Cycle is a model developed by Professor of Practice Willie Pietersen, which covers 4 integrated activities: doing a situation analysis, achieving focus, creating organizational alignment, and executing the strategy. In this session (which can extend over a series of events) we will discuss how companies can create a compelling situation analysis by looking at 5 “C”s.

- Customers
- Competitors
- Complementary relationships
- Company and capabilities
- Context

By examining each of these areas, participants can develop key insights that will inform the strategic choices to follow.

The Strategic Learning Cycle: Focus and Prioritization

Having assembled key insights, the next step of strategic learning is to generate alternatives (more are better); select among the best ones; and create a “winning proposition” that captures the essence of the firm’s strategy. A great winning proposition spells out which customers the firm seeks to serve (and by extension, which it does not); how the firm will be differentiated from competition; and why customers should be prepared to pay a premium to do business with the organization.



Corporate Strategy: Adding Value

Competition always happens at the business unit level. Moreover, shareholders can readily diversify their holdings rather than requiring a company to do it for them. How, therefore, does being part of a corporation, rather than a single business unit, add value? In this session, we'll trace the history of corporate strategy, look at lessons learned from past successes and failures, and develop a perspective on how a corporation can add value today. We will also examine things that generally can't be done at a business unit only level – certain kinds of strategic alliances, M&A, market entry and so on.