

Disrupt Yourself Podcast

EPISODE 126: RITA MCGRATH

Welcome to the Disrupt Yourself Podcast. I'm Whitney Johnson. I think, write, speak and live all things disruption.

My guest today is Rita McGrath. Rita is a best-selling author, a professor at Columbia Business School, and one of the world's top experts on innovation and growth. Her latest book is *Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen* is in bookstores today.

Whitney: Rita McGrath, it is a pleasure to have you on the podcast today.

Rita: It's delightful to be here.

Whitney: First question for you is, uh, where did you grow up and what did you want to be when you grew up?

Rita: (laughs) What a wonderful question. Well, I was born in New Haven, Connecticut and both of my parents worked at the Yale Medical School and then my dad performed a heretical act and decided to leave academia and join, um, industry. And he was recruited to join this fast growing, very exciting young company called Xerox up in Rochester, New York. So we, uh, all decamped off to Rochester. Um, some years later he, uh, joined Kodak. So we had a front row seat at all of the, uh, drama behind those two companies. And interestingly, you know, my dad was one of the more senior people at Xerox at the time and he'd gotten the opportunity to go visit Xerox Park and so he'd come home with tails of computer mice and ethernets and computers that you could just look at and know what to do, and we all thought he was crazy, (laughs) but he had visions of the future even then.

Whitney: What about your mom? What does your mom do? I know I, I, I know in reading, um, your, um, preface to your book, *Seeing Around Corners* that we're going to talk about in just a minute. You talked about your mom being a scientist, and I would love to hear what your mom did.

Rita: Right. So it starts even earlier than my mom. I'm actually a fourth-generation professional working woman, which is fairly unusual. Um, my grandmother was a private school teacher, um, and had a master's degree and my mother, uh, started at actually wanting to do animal husbandry to, to take an advanced degree in farming, basically agriculture. And essentially got told, well, women don't do that. (laughs) So she said, "Well, what do women do?" And they said, "Well, you know, you could go into science." And so she decided to go from studying great big animals to studying little bitty ones. She became the microbiologist, and she did her doctorate in microbiology. She wrote a pathbreaking thesis, which is still cited today. And uh, that, that was

her professional training. So she worked, um, mostly while I was growing up until we moved to Rochester. Uh, and then she took some time out to really focus on myself and my brother.

I was eight, he was four at the time, and I think she just felt with all the move and all the chaos that more focus was needed. Uh, she then, um, realized that, you know, she'd kind of gotten out of the slipstream of science at the time and to go back, she would have had to begin at the beginning. So she changed her talents and went into doing very technical scientific translations from German to English and vice versa. And her training as a scientist actually was invaluable because a lot of these incredibly technical manuals, like you can know the language, but you'd have no idea what they're talking about. So that became her second career.

Whitney: Well, Rita, as you may know, I have cited you in both books that I've written, well, actually I've written three, but you... Actually, you know what, I think I've cited you in all three books that I've written, *Dare, Dream, Do*, *Disrupt Yourself* and *Build an A-Team*.

Rita: Wow.

Whitney: Yes, you are in the pantheon.

Rita: Oh my goodness.

Whitney: You were in the Pantheon, anyway. So I first-

Rita: Wait, what an honor.

Whitney: I first learned about your work through Clayton Christiansen and um, he as, as you well know, which is wonderful, as he says your ideas are some of the most important management ideas developed. And one of the ideas that in particular that I learned while working with him and have since cited you in my books is this idea of discovery driven planning. Would you walk us through briefly what that is at a high level?

Rita: Discovery driven planning has its seeds in the mystery and the mystery was how come so many smart, capable companies go so badly wrong when they're trying to get into new areas. And so it started with the studies, series of studies I did of corporate flops, these were the big ones. This was like WebVan, you know, Euro Disney (laughs) and um, FedEx's, uh, a zap mail product and you know, tens of millions of dollars going into these things and yet they were ending up as complete disasters. And so what my colleague, uh, Ian McMillan and I did, was we did very careful case studies of all these things and we came to the conclusion that there's a common pattern. And the pattern goes like this. Untested assumptions taken as facts. Very few opportunities for low commitment testing. Leaders personally associated with the success of a program and like very emotionally committed to it, right from the beginning. All the money up front and essentially planning for these highly uncertain businesses as though there was a rich platform of experience that one could count on.

And that got us thinking, well what if we planned instead to recognize that in high uncertainty conditions, you need to plan to learn, not plan to prove that you were right. And that was really the seed that started us thinking about discovery driven planning. So there are five steps to it. Uh, the first step is you consider what would have to be successful. So what does success look like? The second step is, are you realistic? You know, does this imply that you're going to have 4000% market share? (laughs) The third step is what do you actually have to do? You know, how many salespeople making, how many calls to you get, how many responses? As you're doing all that, you're going to be making assumptions, and our strong recommendation is that you write those down.

And the most important step is the last one, which is planning but not planning to some sort of fantasy long run result, planning to the next checkpoint. And what you basically do is you take your plan and you go checkpoint to checkpoint and build up your learning as you go and you try to keep your expenses and your risk contained at each step along the way. So that's the idea in a nutshell and we have found it's super useful for any situation which has a lot of uncertainty to it.

One of the more interesting developments now is that with the advent of digital business models, what we're seeing is that people now are facing massive uncertainty in what used to be their core business. And that's really changed I think the profile and the attention being given to discovery driven planning as a way of thinking about, you know, what it was that I need to learn now and how do I do that quickly?

Whitney: So discovery driven planning. If you were going to advise someone who is straight out of college and trying to apply this framework to their career, what would you say?

Rita: I would say you know, think very hard about what success looks like to you because everybody's got a different definition. Uh, you know, is it meaning? Is it money? Is it, um, you know, some sense of making a, what Steve Jobs used to call a dent in the universe. So what does that look like to you? And then be very broad about the different ways you might get to that outcome. So I think you and I have seen this many times over the years. You get people who are so obsessed on a particular, you know, I want to be a senior VP of marketing at a Fortune 500 firm. And that's like the only way they can think about their future. When instead, if you really probe and you say, well, why do you want to do that? And the answers you get back, often will be thinking like, well, I want to be able to marshal resources around the creative process. I want to bring other people along with me. I want to work with an inspiring team. And what I try to get people to realize is there may be 10 or 12 or 15 ways you could get to that outcome, one of which may be indeed being Senior Vice President of marketing at a Fortune (laughs) 500 company, but many others are not. And then, um, the next recommendation would be to, well set up some checkpoints. You know, what, what's the next step you could take that would teach you something about that journey, uh, and take it checkpoint to checkpoint.

Whitney: Hmm. Such a great methodology and you and you, um, developed this, it's been 15 years now or 20 years since you developed this.

Rita: 20. 20, yeah 20.

Whitney: Love it. Okay. All right. So, what's now-

Rita: Um, one other, one other, oh uh, Whit- Whitney, just one other thing on discovery driven planning because your, your listeners, your listeners may have encountered it under a different name. Um, it, it has become used in the Lean Startup toolkit, the Lean Startup Methodology, uh, based on a book that Eric Ries wrote some, you know, few years ago. Now, um, and that's become very popular. So people may know of it through that guise instead of pivots and minimum viable products and those kinds of thing. Um, are all another way-

Whitney: Oh great.

Rita: ... You know, people might be assessing those ideas, yup.

Whitney: Great. So we actually had Eric Ries on the podcast, uh, probably about a year ago, so everybody who listened to that podcast episode, you'll know that Eric's ideas really grew from Rita's and Ian's work that they did over 20 years ago, so you can kind of go back to the roots,

which will be interesting for a lot of you, um, that we're interested in, in that work from Lean Startup. So. Great. Perfect. I'm glad that you, um, that you mentioned that. Okay. So let's now go to your next book. Um, you've written a book called *Seeing Around Corners*, and in it, you talk about inflection points, um, of all the things that you could have written about (laughs) why this book right now and what are inflection points?

Rita: Ah, well, the previous book was called *The End of Competitive Advantage*. And that book made the point that what we're starting to recognize now is that advantages have shorter and shorter life cycles. So they have the period of at which they get created. And then if you're fortunate, you have a period of time in which you get to exploit that advantage and that's great. Um, but then many times, you know, technologies change or customers get bored or something changes and the advantage goes into erosion. And that was the point made in the last book, which was don't think you can build a competitive advantage and have it last forever. So the persistent question people kept asking me was, well, how do you know, (laughs) you know, how do you know when the thing's going to take off? How do you know when it's going into erosion? What, in fact, shapes these inflection points?

And that got me thinking about, about it and the, the sort of spark that really convinced me this was the right approach to take for this book came when our actual financial advisors sent me this article. It's kind of an obscure article. And the title of the article was something like, uh, "what if you changed the world and no one notices." And in that article they described, the author describes the Wright Brothers invention of manned flight. And the authors then goes and looks at the front pages of all the local newspaper, of all the newspapers in the, in the country and no mention, right? A month later, no mention. Months and months later, no mention. It took like four years before any newspaper organization took seriously this invention that was going to change everything from logistics to rail travel to how we manage our personal lives to how we manage politics to everything, right? Um, and yet it took years.

And that got me thinking about the line from Ernest Hemingway. Uh, in his book, *The Sun Also Rises*, and one character says to the other, well, how did you go bankrupt? And the response was, well, gradually, and then suddenly. And something about that idea just resonated. I said, you know, that's it. That's the thing, that strategic inflection points, yes, they cause huge, enormous changes, but not right away. And that's the strategic window of opportunity because if you can spot it early and decide what to do about it, it can actually take your business to wonderful new heights. Whereas if you just hang out doing the same thing you've always been doing and the inflection point rolls over you, now you're in trouble. And so it was that idea of how could I help people prepare to see these things before it's obvious to everybody when there's still weak signals you can start to pick up on.

Whitney: Fascinating that the Wright Brothers, there was no mention of what they were doing for three or four years.

Rita: Incredible. In fact, people actually saw them. Like this is one of the best stories from that article. People saw them flying around and the- there was so much disbelief that this was possible that they convinced themselves that these were just um, um, you know, mirages. (laughs). They were, there was some sort of trick that was being played. It wasn't actual people [crosstalk 00:14:42] on-

Whitney: Phantasms or something.

Rita: (laughs) Right, right. I mean, by today's standards-

Whitney: Woow. Woow.

Rita: ... That sounds incredible. But you know, the thing that I think is important about story is a lot of things that we think are impossible or never going to happen or doubtful, um, you know, given enough time, often do come to be. Uh, even I remember in the book, at the early days of the internet, there was an internet skeptic basically saying, but thought that we're going to actually consume content on a computer is ridiculous. (laughs) You know, you're not going to lug a computer to the beach (laughs) and it's a beautiful example of how you look at something through the lens of your existing experience, you really can miss it.

Whitney: So Rita, what's the airplane? What are the airplanes of our day?

Rita: Oh, um, there are a number of them. I'd say, you know, and a lot of them get talked about a lot. Um, I'd say definitely one of the ones I'm watching is this transition in business model from traditional value chains sold through retail, to much more direct to consumer models. Um, you know, we used to have this really clear definition in business - well you're a B2B business or you're a B2C business. And, uh, you know, a business to business, business or business to consumer business. And now we're seeing all these different hybrids where people are basically saying, no, you know, whether I'm a business or whether I'm a person, I want to be interacted with in a rich, you know, digitally informed, human, empathic way. And it's a whole new set of relationships I want to have with the people I'm doing business with.

So I think that's one really big one that is taking many traditional companies by surprise. So if you look at the spate of acquisitions of traditional companies buying, um, these new direct to consumer startups, so you have Walmart buying Jet and Bonobos, you have Edgeworth buying, um, Harry's. You had Unilever buying Dollar Shave Club and on and on. And what they're basically recognizing is this, this way in which customers and stakeholders want to be engaged with is really changing. And they want it to be immersive. They want it to be connected, they want it to be respectful, they want to have, you know, very good experiences at every step. And that's just something that's completely new in terms of customer expectations. And that's not going anywhere, that, that's, that's here now.

Um, you know, other technologies that are going to make a big difference, clearly the people understand that technologies like AI, um, and machine learning are going to change many things. Uh, they're going to make a lot of old jobs, routine, they're automated, uh, they're going to allow us to interrogate our world in a much more precise way than we used to. Um, and you know, concerns with that are who's training the AI? You know, is it the same band of usual bros that are using data sets that don't represent women, for example, or underrepresented minorities or people that aren't part of the mainstream, you know. And so there's a lot of opportunity to get that wrong. Um, but I think that's clearly one we're watching. Um, changes in our physical world.

So the Internet of things where everything you interact with becomes smart and has data flowing around and you know, what happens to that I think is a huge question. I think we're having a huge moment around things like who do your data belong to? Who has control over them? Who has the right to monetize them? And you know, the, the, the pace at which this, this sort of Internet enabled data economy has way outpaced our ability to understand it or regulate it. And I think we're going to start to see the beginning of regulatory regimes around some of those questions. So those are some big inflection points for our time.

Whitney: Interesting. So, um, yeah, I was just wondering as I was, I was thinking, you know, is they didn't really believe, like they were looking at them thinking their phantasms or, you know, like you said, mirages they're not really flying. And I wonder if there's something super similar or equivalent to that today where we say, you know, digital currency doesn't really exist, or, um, artificial intelligence doesn't really exist anyway. You just have me wondering about that. Um-

Rita: You know, I think one that does come to mind is, um, smart money. Um, and there's this-

Whitney: Mmmh.

Rita: ... Sort of interesting people making the observation that the currency we have right now is pretty stupid. Right. Uh, I mean, it can't tell you where it's been.

Whitney: (laughs).

Rita: It is. It can't tell you where it's been. It can't tell you who's used it. It can't, uh, it can't vary in value depending on the situation that you find yourself in. So if you envision the idea of smart currencies and whether it's Bitcoin or whether it's some other enabling technology, but you know, imagine a mechanism of exchange which adjusted itself to the situation. So that bottle of water, you know, if I'm really, really thirsty and it's 102 outside, might have a different value than if it's the depth of winter. And, (laughs) you know, I don't really need it. Um, I mean, I'm not saying I advocate for that, but you could imagine that exchanges would be much more real-time and much more informed-

Whitney: Mmmh.

Rita: ... By the data about what happened, what's happening between the parties and that exchange, which I think might be really interesting.

Whitney: Very interesting. It's like the surge pricing with Uber.

Rita: Yeah. Yeah. (laughs).

Whitney: Interesting. Okay. Tell us, um, about a company that does this really well, that they're very good at spotting inflection points and, um, what has that looked like?

Rita: Well, I think one of the observations I would make is that in the 20 years since discovery driven planning was first written, um, innovation has gone from being kind of a sideshow to being now, like, people don't talk about their strategy without talking about innovation these days. And whether they get it right or not as a completely separate question, but at least (laughs) part of the conversation. And what I think we've seen since then is the innovation topic is now joined at the hip with the digital topic. So increasingly you can't talk about strategy without talking about innovation. You can't really talk about innovation without really looking at digital.

So some of the firms that I think have done a terrific job of this, uh, Nike would be an example. Um, you know, they started working on digitally instrumenting their business, you know, well over a decade ago they had the original, you may remember the Nike +, which paired with apple. Um, and just that was a really early beginnings of starting to get information about runners and how they ran, and what they did and so forth. Um, today Nike derives about just shy of a third of its revenue through its digital direct to consumer channels. And that's unusual, you know. They've, they've really made a big transition to embrace, you know, the digital channels not to get stuck in that kind of retail (laughs) existential threat that is retail today.

But you know, it's very consistent with their vision, which is to support and encourage athletes. So this is another thing about inflection points, which I think is worth mentioning. Nike's been on a journey about this, you know, they, they didn't suddenly decide in 2015, oh my God, we need to go digital. Whoa, let's go digital. Um, you know, they've systematically absorbed and built up that capability over quite a long period of time. And so the gradually, then suddenly theme, you can see it there too because you can't just decide on Monday you're gonna be all

digital on Tuesday. The deficit is too great. And to, to, to, to, this actually was what Jeff Immelt was, has gone public and said, he said, you know, I didn't realize when we started our digital journey, You may remember they were trying to do, they were trying to be the platform for the Internet of things. He said, "I hadn't appreciated how deep our digital deficit was when we began."

So it's hard to leap in-

Whitney: Mmh.

Rita: ... The last minute when it's obvious to everybody. So I'd say Nike's doing a fabulous job. Um, I'd say another company I really admire for their courage is Adobe. You know, Adobe completely changed their business model, um, to go from software that you bought to software that you rented. And their customers initially absolutely hated of it, hated it. I mean, 5,000 of them signed onto a Change.org petition.

Whitney: (laughs).

Rita: ... Asking Adobe not to do this. I mean, (laughs) that's pretty bad, but they stuck to their guns. And today that has fueled, you know, future, future health, current health and future growth. So they saw the inflection point to the cloud coming and went after it, unafraid. You know, another company on my list, much to my complete and total astonishment is Microsoft. Um, funny story about that. So I was hired to give a keynote speech about leading change at a Microsoft senior leadership event. So they're sort of top 500 people or so at Microsoft, fly to Washington, and get to Bellevue, go into the hotel where this meeting is being held, walk in the door to the ballroom and on a screen like in letters two people tall is the word Empathy. (laughs) And Whitney, I thought to myself, I said, oh damn, I am in the wrong place (laughs) like Microsoft and Empathy, who would have thought it?

Whitney: (laughs).

Rita: But what Satya Nadella has done I think is really transformed the way that company thinks about its relationship with its customers. And he makes a great point, which is, look, the profits and revenue are all great and they will come. But before we get those things, we need to have customer love and uh, and that's what's going to drive engagement. That's what's going to drive adoption. That's what's going to drive everything else. So you can't have customer love until you have empathy for your customer. And so he's made that the linchpin of his, uh, incredible transformation at Microsoft.

Whitney: Fascinating. I want to come back, we're going to go back to talking about how you spot inflection points are, you know, what, what, what are your early warning signs? But before we do that, I thought what would be interesting if you could go to page 48 in your book and you have this really interesting grid. You talk about the importance of leading indicators and lagging indicators. And can you, and you had this really interesting grid on page 48 of your book where you say, for example, a lagging indicator is customer churn. A current indicator is customer satisfaction and a leading indicator is employee engagement. Um, you have a lagging indicator is revenue from new products, a current is customer usage. And then leading is customer love like you just described from Satya Nadella. So can you just talk a little bit about that and how this kind of grit and these indicators play into the premise of your book, *Seeing Around Corners*?

Rita: Oh, absolutely. So the reality is that most of us deal with lagging information most of the time. And I define a lagging indicator as something that you can't change. You know, it's an outcome. Uh, so you know most of your financial data, right? It, it's represents something that gives you information, but it's information about something that's already happened. So a great example

of this is, um, Jeff Bezos was congratulated by a stock market analyst about having a great quarter at Amazon and he chewed the guy out. He said, "Are you, what, you know, what kind of an idiot are you? The seeds for this quarter were laid four years ago. Don't, don't congratulate me on the quarter. I'm thinking about the quarter, you know, four or five years from now."

Um, and so he's thinking about what are the leading indicators I need to put into place. So lagging indicators, the information that something that's already happened. Current indicators tell you kind of where you are, like what's going on around you right now. You can think about it almost like the speedometer in your car. How fast am I going at the moment? A leading indicator is something that gives you information about what *might* be happening in the future. So when Satya Nadella says, if, if I can get customers to love me, that's the leading indicator. Chances are they're going to use my products more, that's the current indicators of current usage. And that in turn will generate revenue and profits from my new businesses, if I can make those things happen. But if I just focus on revenue from new products, that's not going to lead to the right action. I need to really think about the leading indicators.

And I think a lot of companies spend way too much time on the lagging indicators and way too little time on the leading ones.

Whitney: Well, something you've said, and I, I think my, my guess is the reason we spend a lot more on lagging indicators as opposed to leading indicators, as you say in the book, leading indicators tend to be qualitative rather than quantitative, narratives or stories rather than in meticulous charts. And so I think we tend to say, well, what do I do with this? And you talk a little bit about how come it's gradually and then suddenly is that, because the leading indicators are at the low end of that S curve? Uh, I think you described it as the primordial soup-

Rita: (laughs).

Whitney: ... Confusing and frustrating. You don't know what to do with it. Um, and so that's part of the reason why it's so difficult for people, right? Is there just all this information, and they don't know what to do it, do with it. You've got these leading indicators, but they're mostly stories. And so what advice would you have for people who are saying to themselves, okay, you know what, I really am committed to looking for these inflection points. Number one, how do I do this? And once I start to do it and look for it and you know, process for doing it, what do I do with the information? How do I sort through this information to start to have it be something that I can do something with?

Rita: Right, so I think one of the first challenges is, I'll call it the challenge of imagination. You know, a lot of companies and, and individuals that got um, blindsided by a strategic inflection point. Um, just couldn't imagine that, that outcome could happen. Like it just, it just was beyond their belief that, that this would even be possible. So I think the first exercise to kind of open the aperture a little bit is to think about some specific future states that you could, um, identify. And, uh, the way I like to do it is very simple. I take two future uncertainties. So I'll take my business to, you know, higher education. So, um, one uncertainty is to what extent is online going to be more and more material to the higher education business?

So it's going to be super important or it's not going to be, it's not going to change too much, so that might be one dimension. Uh, the other dimension might be something like, um, uh, we're going to have certification at the level of the skill or the level of the course rather than the level of the degree, right? So we just juxtapose those two against each other. You have four rather different future states, right? So if online is not a big deal and we get to you to have degrees and not too much is going to change.

Whitney: Mm-hmm (affirmative).

Rita: But, if online turns out to be a bigger piece of the higher education, you know, profit pool, and we have certification at the level below the degree. Now we're like the music business, we're going to be completely disintermediated. Um, so we have these four future states, and then what I try to do is get people to articulate a specific future event that could happen in that state. So let's take the most extreme example for higher education. I get certified at the level of the degree and, um, I, uh, I, I have everything that's online. So a specific future event might be that the brand value of a Columbia Business School decreases relative to the brand value of, say, a Clayton Christiansen.

And so what matters more is that I get certified through whatever mechanism I choose, whether it's in person, online, whatever, as a Clayton Christiansen expert, right? Uh, and that becomes more valuable than getting a degree from Columbia business school. Let's just say. I mean, and, and right now that's kind of crazy, right? I mean, you know, my dean would certainly think that was crazy. Um, but if you pick that out-

Whitney: Mm-hmm (affirmative).

Rita: ... As a time zero event, now what you do is you start to work backward and you say, okay, what are some indicators that would tell me whether this is indeed becoming more real or whether it's not? And so an indicator might be, you know, we're, we're seeing new revenue streams from online. There are, uh, players like Coursera that are actually figuring out business models.

Whitney: Mmmh.

Rita: There are people, you know, getting certifications on platforms like Udemy right, now all that is actually happening right now today. Um, so that would tell me, huh, that scenario is not completely incomprehensible. Now if I wasn't seeing any of those things, um, then I'd be saying, okay, now at that time zero event is lower on my list of priorities that I have to prepare for. So I think a really simple, you know, kind of pen and paper, paper exercise is what are two major uncertainties that we're confronting, could go one way or the other. And it's confusing and we don't know yet whether they are or not. Let's articulate then four possible futures because we've make a little two by two out of them. And then what's the time zero event that would be meaningful to my organization in each of those future states?

And you could do this, you know, three, four, five times, depending on your appetite for, you know, absorbing uncertainty. But if you then, would you then do is you sort of set up your early warning system and you say, okay, once a month, let's say I'm going to go through my list of indicators and ask myself the question, what's changed with those indicators? Is there anything looking like it's becoming more likely or is it, is it not? And so that's a very practical way to sort of get yourself more attuned to what's meaningful and what's not.

Whitney: That's so interesting Rita, and I love that you talked about it in terms of education. Um, I have a question for you on this. Do you find that it is hard to get people to go through this exercise?

Rita: It depends how freaked out they are by what's going on around them? (laughs) I tend to find three different reactions to my work. Um, and this is *End of Advantage* as well as the next book. The first reaction is utterly dismissive. Oh, you know, don't, don't talk to me about this stuff. Private wealth management has been private wealth management since the dawn of time, it's not changing. I give, you give me money today. There should be more of it when you come back in 10 years. Why do you think this is going to change? Right? So that, that sort of dismissiveness.

That we have the kind of freaked out, right? Which you're like, oh my God, the sky is falling, the world is changing. Autonomous Vehicles are, here, tomorrow and I, I, I don't know what, Ah,

you know, um, and, and you have to kind of get people calmed down before you, (laughs) they get into the third stage, which is okay, you know, it's not on our doorstep yet. We can still pay the bills tomorrow, you know. The earth has not fallen in, let's, let's systematically now look at what our alternatives are and what do we need to learn to take that next step. And I've found in that third stage actually discovery driven thinking, I wouldn't call it planning necessarily, but discovery driven thinking in terms of let's, let's plan to the limit of what we know, and then stop and assess and then let's plan to the next step. So rather than making some big giant leap of faith into something that's really uncertain, take it systematically.

And so that tends to be the, uh, the reaction. So by the time I get people into that third stage, they're usually pretty willing to go (laughs) forward with it.

Whitney: As you were talking about that I was just having this feeling of sometimes, at least for me, and I don't know what this is what happens to other people, it's not even so much that you're in denial. It's more, and I guess there is some element of denial, but it's just overwhelming to think about all the future, um, outcomes. And so you think I'll just kind of keep plowing ahead and I'll figure it out. I'll be discovery driven, but probably d- not discovery driven enough because you won't be prepared to deal with it once, once the, that inflection point hits. It's just interesting. I'm just thinking about the emotional aspect of it and, and how this framework, it sounds like it helps people manage through the emotional piece of it, but you have to get to them to the point where they're ready to actually even engage around it.

Rita: I think you're right Whitney. And I think, um, the, the tendency, if, if you, if, if people get too freaked out, like climate change would be a perfect example of yeah, climate disasters now that we're calling it. Um, you know, there are a lot of people right now going, I can't influence this. There's nothing I can do. It's all got to be managed, you know, by faceless people who I don't know. So I'm not going to do anything at all. And I think that's dangerous, you know. I think, I think you want to be engaging at whatever level you can-

Whitney: yeah.

Rita: Right. Um, and I, I don't, I can't solve climate change by myself, but there's a lot that you can do, um, both to prepare yourself and to try to be helpful with respect to, to that. So I think giving people a path forward where they can see, well, here's the step I can take. Um, I think that's really, really helpful.

Whitney: Yeah. I, and I really like your framework. In the book, you give people tips for how some things that you can do so that you can start to spot what's happening. What are the trends, um, what inflection points are around the corner? Can you share, um, two or three of those with us?

Rita: Sure, so I think the, this is probably a good place to define what I mean by a strategic inflection point. So any business, that grows up over a period of time has a set of key metrics that it, it, it, it lives by. And these metrics come from the constraints that were in place when it was growing up, right? So if you think about traditional retail would be a really easy way to envision this. Up until recently, your success as a retailer completely had everything to do with how well you used your real estate, right? So all the metrics, sales per square unit, um, sales per square foot, same store sales compared to last year, all those kinds of things are the measures that people use. And those measures take on a reality in people's brains. And so enter digital, right? And firstly, you're no longer constrained by real estate, but secondly, digital enables a completely different relationship people can have with their customer. But if you're Proctor and Gamble, let's just say, and you sell Gillette Razors, and you've got a formula, right?

You, you invest in R and D to make a better razor, which allows you to charge a higher price. You sell them to your retail outlets. And that channel then is where customers go to pick up

their boxes of razors. Well, along comes Dollar Shave Club and Harry's and everything and says, wait a minute, first of all, you don't need to spend that much money. Secondly, why should I have to go to drugstore and get somebody to, you know, unlock the razor fortress for me (laughs) and all that kind of thing. Um, so what an inflection point does it change or makes irrelevant, the assumptions about your business and why people so often miss them is because they're so ingrained in the way of looking at the business, uh, that they've inherited historically. They don't really think about, well, what could cause this to change?

So when you think about how do I look at, um, you know, w- where might an inflection point be relevant to me? Um, I would say look for any new thing. And that could be technology. It could be a change in social norms, it could be a change in what's acceptable, but any new thing that could cause like a 10 x shift in some variable that I've just taken for granted as being the way things work, uh, that's where I would focus my attention. Um, because, because that's where the pressure is going to start to show up. So I'll go, I'll go back to my business again in education, right. I did this as a thought exercise the other day. Um, I said to people, well, why would you spend a quarter million dollars to send someone to Columbia Business School?

And I get back, oh, well, you know, the network is fantastic and, and you know, you're so right in the city and the brand value of the brand. And I mean, we've got to item like 22 before somebody said, oh yeah, they might learn something. (laughs) So, um, so you know, what keeps that brand dominance in place is all these other things. And then you have to ask the question, well, are those things amenable to being disrupted? Because clearly the, the content, you know, if I want to know how to do-

Whitney: Mm-hmm (affirmative).

Rita: A Michael Porter's Five Forces analysis, right? I can learn that on YouTube. I don't have to pay for that anymore. So what keeps the model in place is all these other things? So I'd be asking the question, well are those durable or are those, is there something out there in the environment that could make those less valuable?

Whitney: What are some tips now for you to start, you just went through this exercise, but some tips you talk in the book, um, about some ideas or things that people can do to start, um, spotting that there are some early warning signs and things that they need to be aware of because an inflection point is on the horizon?

Rita: Absolutely. So I think the first Uber premise is that these things don't land on your conference table at headquarters, (laughs) you know, fully formed and ready to be analyzed, they just don't. They start percolating, (laughs) you know, they start percolating out there at the edges of your organization. And the way that I talk about this as snow melts from the edges, it doesn't, it doesn't appear, (laughs) you know, to you in, in, in Clarion call. Um, so that first principle, I would say people want to think about is - how often do I really get personally out to the edges of my organization. You know, how often do I personally see what's going on, um, for myself rather than having, um, you know, multi digested well done information presented to me. So a great story that brings this to life to me is a story about the, um, The Gap.

Um, and The Gap wanted to give its retail workers more predictable hours. And so this New York Times reporter was asking store managers, why is this so hard? And the store managers have two things I thought were fascinating. The first one was, a corporate, you know, corporate says we're having a nationwide promotion on skinny jeans on Thursday and all of a sudden they've got double overtime shifts getting all the skinny jeans to where they're supposed to be to fit with a national promotion. But the other thing he said was even better, it was, oh, and then there's executive visits, you know, I mean, just last week I had an executive coming by and visit and I had three extra shifts on board to make sure the store was ready.

Now let that sink in a minute right. So here's this executive trying to find out what's going on for real in their retail landscape. And yet the retail landscape that they are visiting is not the retail landscape you are I go into, it's something that has three times the labor hours into it. So the organization itself will try to create blinders for you from what the really, w- what the real experience is. So there's just no, um, substitute for getting out there and seeing what's actually going on for yourself.

Whitney: Hmm. Interesting. Any other tips on that that you'd like to share?

Rita: Sure. So um, I think diversity of thought is super important, right? One of the easiest ways to get blindsided is if you are only spending your time with people who've shared experiences with you and are like you and are the same, you know, gender, education, geographic location, whatever. You really want to get out there and get some, um, diversity, uh, in thought. And that's one of the things that, um, uh, you know, Peter Sims and his group, BLK SHP are fabulous at doing, just bringing together people from such radically different backgrounds to look at situations and say, hey, what could we do that might be different? So I think diversity's another one that's super important.

Another one I borrowed from, uh, Scott Anthony of Innosight, um, and it draws on William Gibson's observation that the future is already here. It's just not evenly distributed yet. So here's a fact that you can take to the bank if you want to understand what tomorrows 20 year olds are going to be doing in 10 years. Every single one of them is alive today, and they're 10 years old today. (laughs) And if you think about it, well, okay, you know, when was the last time I had a conversation or an interaction with a 10 year old?

Um, because, you know, think about it, what, how are they interacting? Are they going to sit there and watch appointment television? I don't think so. Are they going to expect to be connected at all times to some kind of, of communicative technology? Absolutely. So you can't make predictions, but you can start to build awareness. So those are the kinds of tips that, uh, that, that are, throughout the book, that I try to use.

Whitney: So what do you do if you're a person in an organization who you see inflection points, like you're, you see the, you see the future. How do you recommend that, that person goes about getting support that they need so that the organization will actually listen to them?

Rita: Mmmh. That's a huge challenge. You know, because the sad reality is in a lot of companies today, the, um, the future is very threatening to the most senior leadership, you know. They've, as I said earlier, they, they've not been involved with innovation. They've not had to do that. Um, and if you're looking at something like, let's say I'm an old-style retail manager, I know about merchandising and I know about the supply chain and I know all that stuff and somebody comes along and says, well, you know, two guys in a garage can use YouTube to get the word out and, uh, build flexible supply chains from Korea and they're going to completely undo your business. Well, who's going to want to hear that? Right? So I think there's a need to very carefully select who your tribe is going to be and you first need to socialize it with a few people who are prepared to be open minded.

Um, you then need to figure out how to get that conversation into, um, you know, into a place where it will be listened to, you know, and, and make your case, you know, make as much data as you can about your case. Um, and, and then, and then build a constituency around it.

I think you want to find those people who are most likely to be willing to hear the message and then, and then have a path, you know, try to, try to get people to say, well, okay, you know, autonomous vehicles may not be here tomorrow, but here's something we can do to set out a feeler for if, if they were here, what we could do. So I'll go back to Nike again, right? Um, digital

everything was not available to them in 2005 but it is available to them today. But it's the actions they started to take in 2005 that positioned them really well for the inflection point we're living through right now.

Whitney: Right. And as I'm listening to you speak, it occurs to me that as you're trying to garner support for your ideas, as you're seeing these early warning signs of inflection points, you can actually use discovery driven planning or this approach, this methodology as a way to get buy in and use that. You know, what would need to be true, walking through it. And so almost use that as a template for getting the buy in, in your organization.

Um, just a couple more questions as we wrap up. If you're a leader who's listening to this and you wonder, am I doing a good job of allowing for the people who are seeing warning signs to be seen and heard, what questions could they be asking themselves or behaviors could they be looking for that would indicate to them that they're doing a good job or potentially not doing a good job? Any phrases or, um, things that come to mind that they might be hearing themselves saying?

Rita: Well, this is actually, this is right at the heart of Amy Edmondson's work on psychological safety, and she's published this fabulous book called *The Fearless Organization* and what she has done is really laid out a blueprint for how we can make sure that people feel safe introducing uncomfortable or divergent topics in the corporate conversation. And I think her work is just terrific, but it's questions like, um, you know, do I have a diverse team looking at this? If someone were to raise a question, um, that, that doesn't go with the, you know, the, the, the broad norm, uh, would I feel comfortable entertaining that and get some feedback? Do people find me approachable? You know, you might want to get some anonymous feedback or having a coach work with you. I think that that's something that, for example, Marshall Goldsmith does a lot, which is, you know, honest feedback that's anonymous at the point of people, of the people giving it, but the person receiving it gets the unvarnished truth.

And I think that's just so important. The other thing I think for leaders to realize is the farther up you get, the harder it gets to get that real unvarnished truth. Um, because everybody's watching you, you know, and, and it's just, they're going to do what you want them to do. So one thing I would recommend is, you know, in your meetings, don't start off with what you think. Get everybody else's opinions first. Um, don't signal where you want the thing to go because that's where it's going to go if you're powerful enough. Uh, so techniques like that I think are super helpful if you're trying to get the best out of your people in terms of new information.

Whitney: So I guess the last, second to last question I have for you is you have told a story about what do you do when the future is coming, and I would love it if you would set the, the context for that and then share that story or metaphor.

Rita: Sure, So. As we all know, Apollo you know, the famous Houston. We have a problem, uh,(laughs) you know, scene and there were two different debates about how this damaged rocket could be returned. Um, and the one debate was, well, we'll just, you know, fire up all the power we possibly have and try to turn the thing around and come back to Earth. And I would describe that in human terms. It's kind of like the fixed mindset that people talk about, which is I'm just going to do what I'm doing harder and harder and harder and just try to go back to the way things were. Uh, and instead what the other camp have come up with was they said, well, no, actually if we lean into this situation, metaphorically speaking, if we accelerate the progress of the rocket toward the moon and sort of have it orbit around the moon, what we can do is leverage the moon's gravity to give it that extra propulsion, they call it the slingshot effect.

And I think with a lot of these inflection points, you have that moment where you're trying to decide between, do I lean into this, do I trust that I'm going to be able to get through this and use the power of the inflection point to catapult me forward? Or do I back into retreat and try to use the old way of doing things, which based on what they said, you know, the analysis is done subsequently that, that wouldn't have worked. It would have ended up in disaster in that particular situation. And I think on a human level that's worth thinking about, you know, what are the things I can move toward that gives me that, that flywheel effect to, uh, add energy to what I'm doing rather than hear it and try to avoid it.

Whitney: Great Metaphor. All right, last question for you is what corner would you like to see around?

Rita: This is a very large question, but one of the things I'm very, very worried about is what some people have called capitalism committing slow suicide. Um, I think we're at a really pivotal question mark about how do we create shared prosperity. And there are a lot of political points of view on this, but I do think something has changed in our understanding of who wins and who loses in our society. And we really, we urgently need to start getting our heads around that because it causes so many other knock on effects. So I could see around that corner and come up with what, you know, what, uh, a set of programs would be to give us better shared prosperity. I think that would be really worth doing.

Whitney: Are you sure you're going to do it?

Rita: I'm hoping to - I've got a whole bunch of fellow thinkers who are working on this problem. Um, but you know, it's one, it's going to take a whole lot of people to, to make the kinds of changes that we need to make to see it happen as a reality. The good news is we knew how to do this once. Um, we used to have what people thought of as stakeholder capitalism, where the view of people running a company was they needed to look after the interests of all the stakeholders, the employees and, and the suppliers and the investors in the communities. And you know, we've gotten away from that and I think we need to return to it.

Whitney: Any final words or thoughts as you wrap up that you'd like to share with our listeners?

Rita: Yes - I would encourage them not to be frightened. Being motivated is good to being terrified is not, (laughs), and the good news is these things don't, uh, don't happen overnight. (laughs). And so if you can teach yourself to start paying attention to them, chances are you'll be able to be appropriately positioned when the thing does finally emerge.

Whitney: Thank you. Rita McGrath, thank you so much for being with us.

Rita: It's a pleasure. Thank you!

Making decisions about the future is one of the trickiest things leaders face. Competitive advantages don't last forever, but when things are going well, it's tempting to coast and pass on those hard decisions. But as Rita said, the things that seem impossible or doubtful today could be your reality in 10 years, and those realities need to be planned for.

When you don't know what is around that proverbial corner, instead of getting paralyzed by uncertainty, you can use this framework to project out what might happen. As Rita advises--Plan to learn. Don't plan to prove that you

were right. If you will plan to learn, to be discovery-driven, if you will use this framework to systematically tackle uncertainty, you will in the end feel more certain, even secure.

Practical Tip:

As a leader, if you're concerned that the people around you may not be giving you an accurate picture of what is happening in your organization, ask for anonymous feedback or get a coach who can help you get you that feedback. Making your organization a safe place for innovation, can feel overwhelming. If you need to hire someone to help you walk through those situations, that's okay. I've done it. You may want to too.

Thank you again to Rita McGrath for being our guest, thank you to sound engineer Whitney Jobe, manager / editor Macy Robison, content contributors Emilie Davis and Nancy Wilson, and art director Brandon Jameson.

I'm Whitney Johnson

And this is Disrupt Yourself.