

PerspECCtive

Theme:  
Doing More With Less

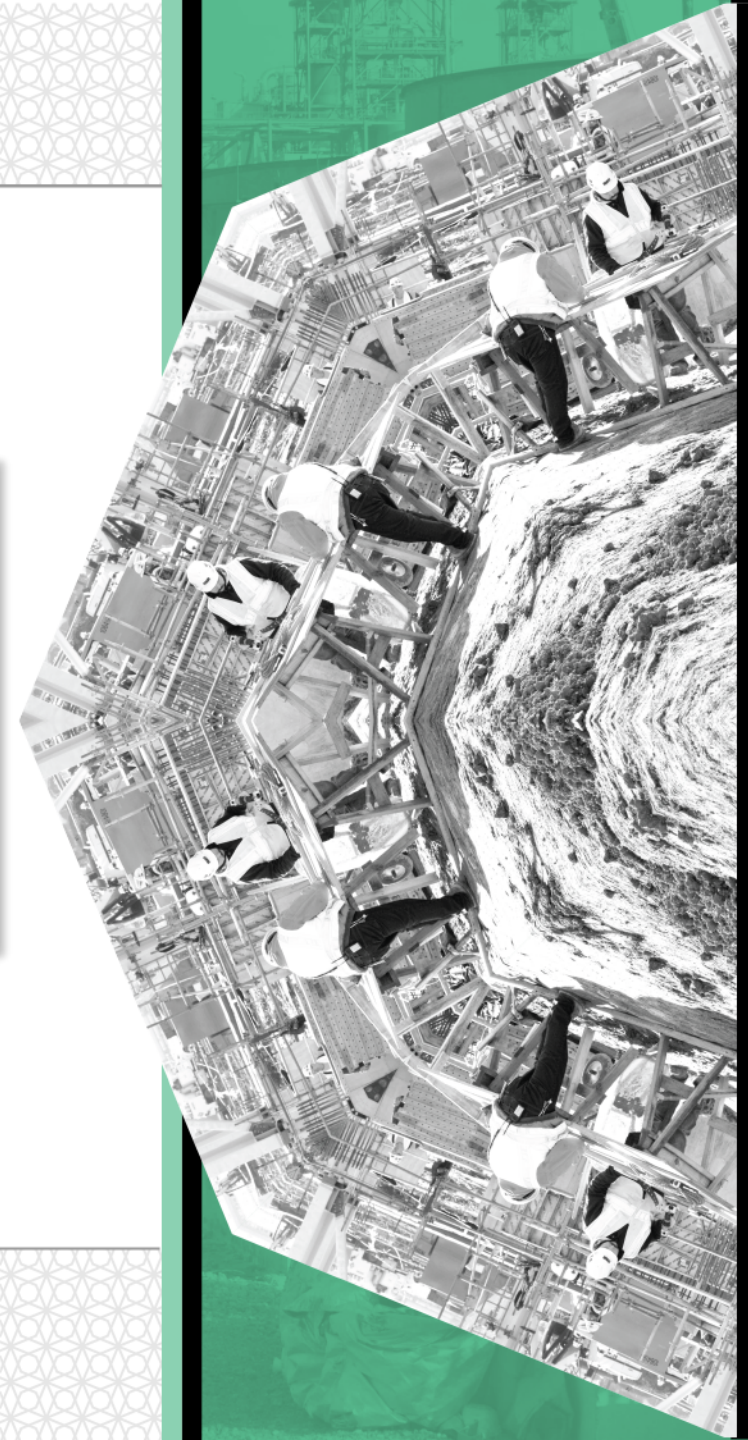
Julie Lambert  
ECC Executive Board Member  
ECC 2018 Chair  
Phillips 66



Year:  
2017

Date:  
Dec. 12-14

Location:  
Boca Raton, FL



**Rich Karlgaard / Publisher / Editor-at-Large / Forbes**

# **Three Megatrends Four Best Practices**



***The tremendous disruptive changes coming in  
the next five years – and proven tactics to thrive***



# Why Listen to Me?

*Forbes Executive  
since 1998*

*10 million global  
magazine readers  
per issue*

*70 million monthly  
unique visitors*



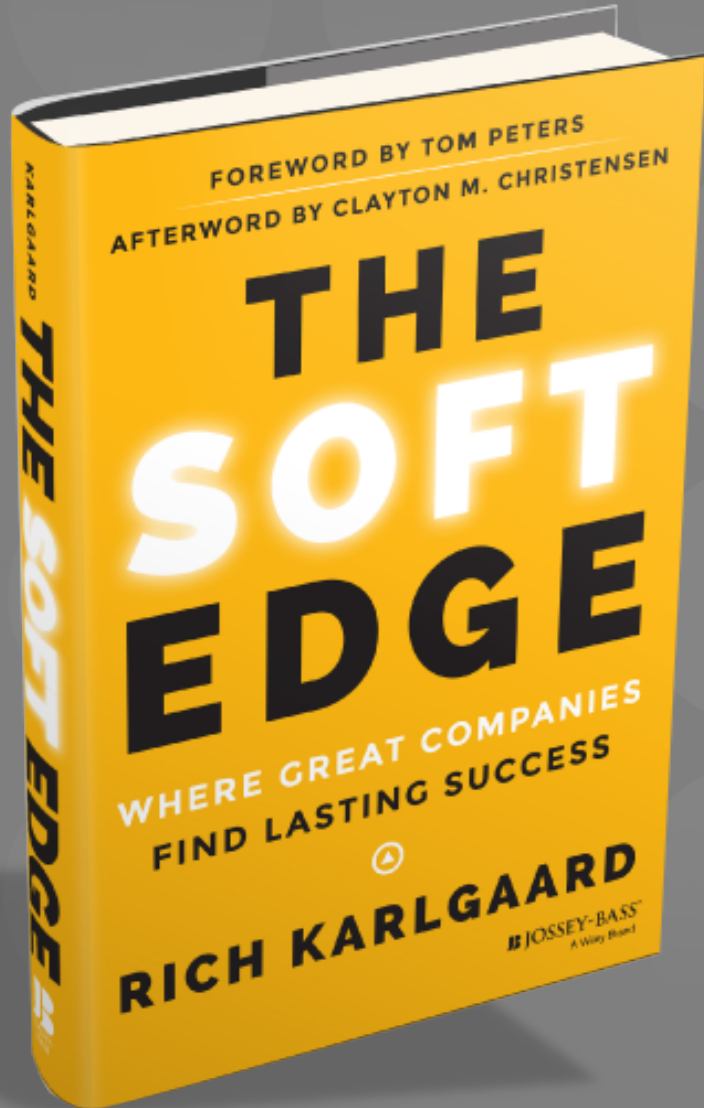
Forbes  
On Fox  
Since 2001

1.5 million  
Viewers  
Per Show





# And Written Books



*Rich is a navigator  
for the rest of us.”*

**Clayton  
Christensen  
Harvard Business School**

RICH KARLGAARD **and**  
MICHAEL S. MALONE



# TEAM GENIUS

The New Science  
of High-Performing  
Organizations

***“Advances our  
thinking on what  
makes highly  
effective teams.”***

**Satya Nadella  
CEO, Microsoft**



***Boards and Advisory Boards***



# Good News!

## *Sustainable?*



NEW RATE

A HIGH-YIELD SAVINGS ACCOUNT  
FROM AMERICAN EXPRESS

**1.15%**  
APY

Apply Now

Terms Apply.

## Second-quarter GDP hits Trump's 3% target



Akin Oyedele



Aug. 30, 2017, 11:26 AM

8,338



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TWITTER



EMAIL



PRINT

US economic growth in the second quarter is now thought to be stronger than previously reported, helped by stronger business investments and consumer spending.

The Commerce Department's second estimate of Q2 gross



# More Good News!

***Sustainable?***

## ECONOMY

[ECONOMY](#)[WORLD ECONOMY](#)[US ECONOMY](#)[THE FED](#)[CENTRAL BANKS](#)[JOBS](#)

### First reading on third-quarter GDP up 3.0%, vs 2.5% rise expected

- The U.S. economy unexpectedly maintained a brisk pace of growth in the third quarter.
- An increase in inventory investment and a smaller trade deficit offset a hurricane-related slowdown in consumer spending and a decline in construction.
- Gross domestic product increased at a 3.0 percent annual rate in the July-September period after expanding at a 3.1 percent pace in the second quarter

Published 8:30 AM ET Fri, 27 Oct 2017 | Updated 10:27 AM ET Fri, 27 Oct 2017



REUTERS

# ISM® Reports Economic Growth To Continue In 2018

---



Manufacturing Growth Expected in 2018

Revenue to Increase 5.1%

Capital Expenditures to Increase 2.7%

Capacity Utilization Currently at 85.8%

Non-Manufacturing Growth Projected in 2018

Revenue to Increase 6%



Leadership/Management

Politics/Policy

Strategy



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# CEOs Have High Hopes For The Year Ahead

By **Dale Buss** - December 11, 2017



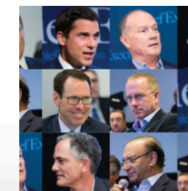
- Advertisement -

Your two-volume report contains over 300 charts with key data so you can develop a compensation plan to retain key talent.

**LEARN MORE**

CEO1000

## CEO1000 Tracker Full List



From the schools they went to to the types of companies they run, CEO1000 is tracking the trends among the CEOs of the 1,000 largest U.S. companies.

# Phillips 66 Sets 2018 Capital Expenditure at \$2.3 Billion

December 11, 2017, 07:33:00 AM EDT By Zacks Equity Research, [Zacks.com](https://www.zacks.com)



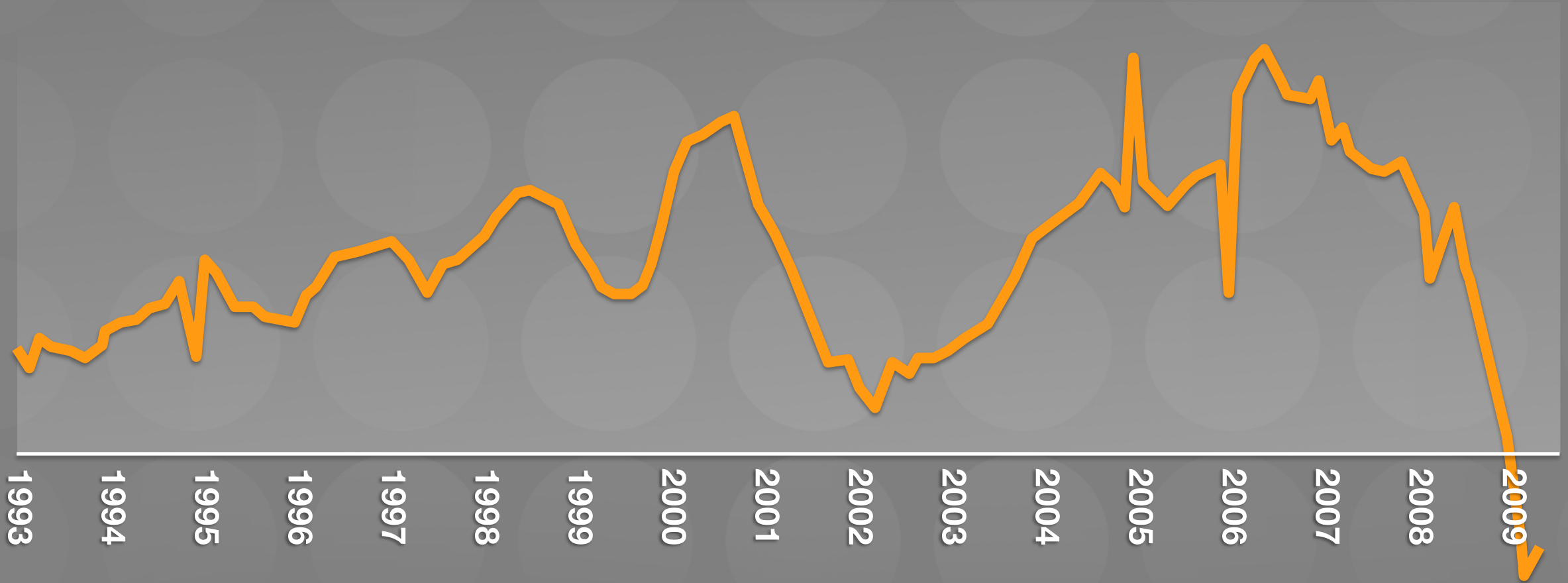
**Phillips 66** **PSX** has released capital budget of an estimated \$2.3 billion for 2018, up 15% from 2017 capex of \$2 billion. Of this, \$1.4 billion will be allocated to growth capital and the remaining \$0.9 billion will be for sustaining capital.

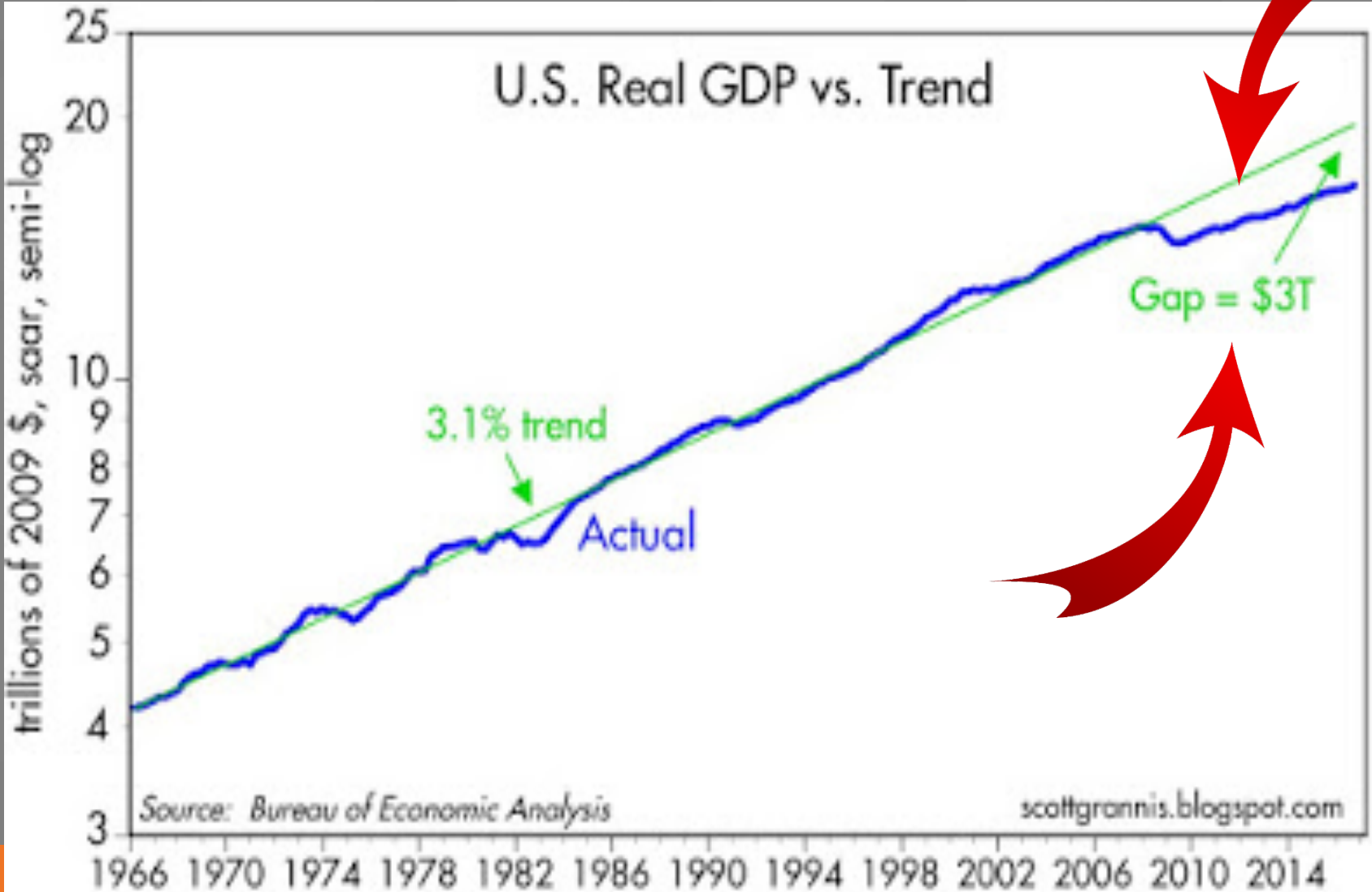
Phillips 66 has apportioned \$1.2 billion

3% growth is normal  
2% post-recession  
growth was not normal.  
***It was abnormal!***



# Great Recession: 2007 to 2009





**2% Annual  
GDP Growth  
has inflicted  
terrible  
damage.  
U.S. Economy  
would be \$21  
trillion instead  
of \$18 trillion.**

# 1933-40

**Average Annual U.S. GDP Growth**

**7%**



# Peter Thiel

PayPal Co-Founder  
Facebook Investor  
Venture Capitalist  
Trump Supporter



# Peter Thiel

**The American economy is underperforming because it is out of balance.**

**There is too much funding for “bits” companies and not enough for “atoms” companies.**

# Why Is That?

**Investment capital flows into  
“bits” companies thanks to lower  
cap investment, lighter  
regulation, faster ROI**

**“The old brick-and-mortar economy is being regulated to death. The new tech-driven economy has been given a pass to flout regulation and build vast value.”**

**Political Pollster Mark Penn**



# Hillary Clinton

**Was favored by  
voters who live in  
the affluent  
worlds of  
algorithms and  
abstractions**



**Donald  
Trump**

**Favored by  
voters who live in  
the world of  
atoms**



# Whether 2% or 3% Growth “Two Speed” Economy Remains





# John Chambers

40% of Top 500  
Companies Will  
Fail Within  
5 Years





# Failure Can Be Final



**Or ... Decline In 6 Rs\***

***Reach & Retention***

***Relevance & Reputation***

***Revenue & ROI***

**Source: 360Live Media**

# How To Avoid The Chambers 40%

***Understand Three Megatrends***  
***Apply Four Best Practices***

# Megatrend #1



**Technology Not Slowing Down  
But Speeding Up**



# OLD ENGINE OF DISRUPTION

## Moore's Law

**30%** annual  
improvement in  
digital bang for buck



**OLD ENGINE** Internet,  
Web, PCs, Smartphones, Search,  
Online Shopping, Social Media

# NEW ENGINE OF DISRUPTION

## Greene's Law

**60%** annual  
improvement in  
digital bang for buck



# **NEW ENGINE** Data

**Explosion, IoT, A.I.; Predictive  
Analytics, Driverless Vehicles,  
Augmented Reality, etc.**



# Transformation 2000-2015

***Newspapers (Web)***

***Retail (Amazon)***

***Software (Cloud)***

***Blackberry (iPhone)***

# Transformation 2016-2030

***Agriculture***

***Energy***

***Manufacturing***

***Transportation***

***Banking and Insurance***

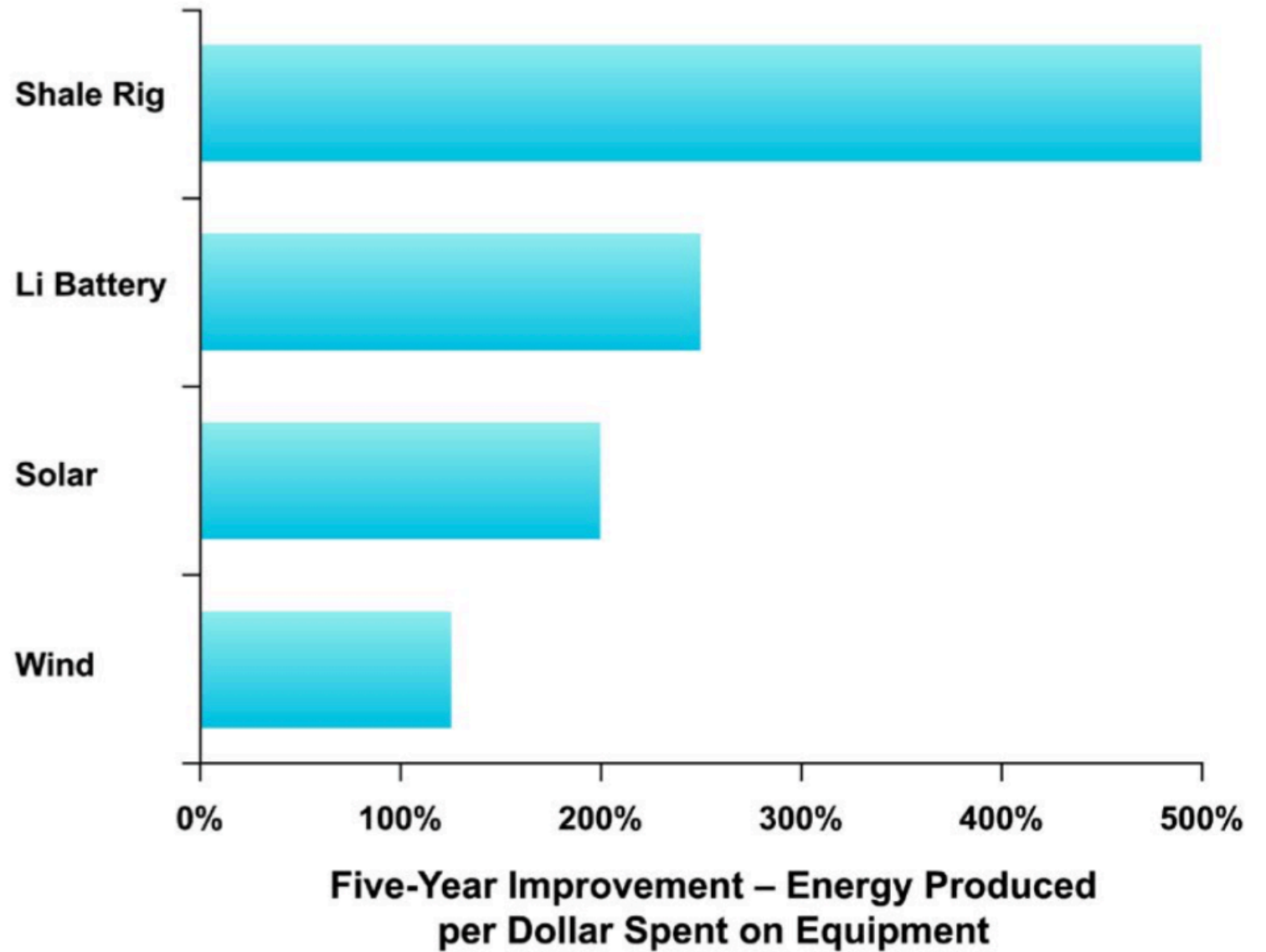
***Health Care***

***Education***

# Big 5 Drive Transformation

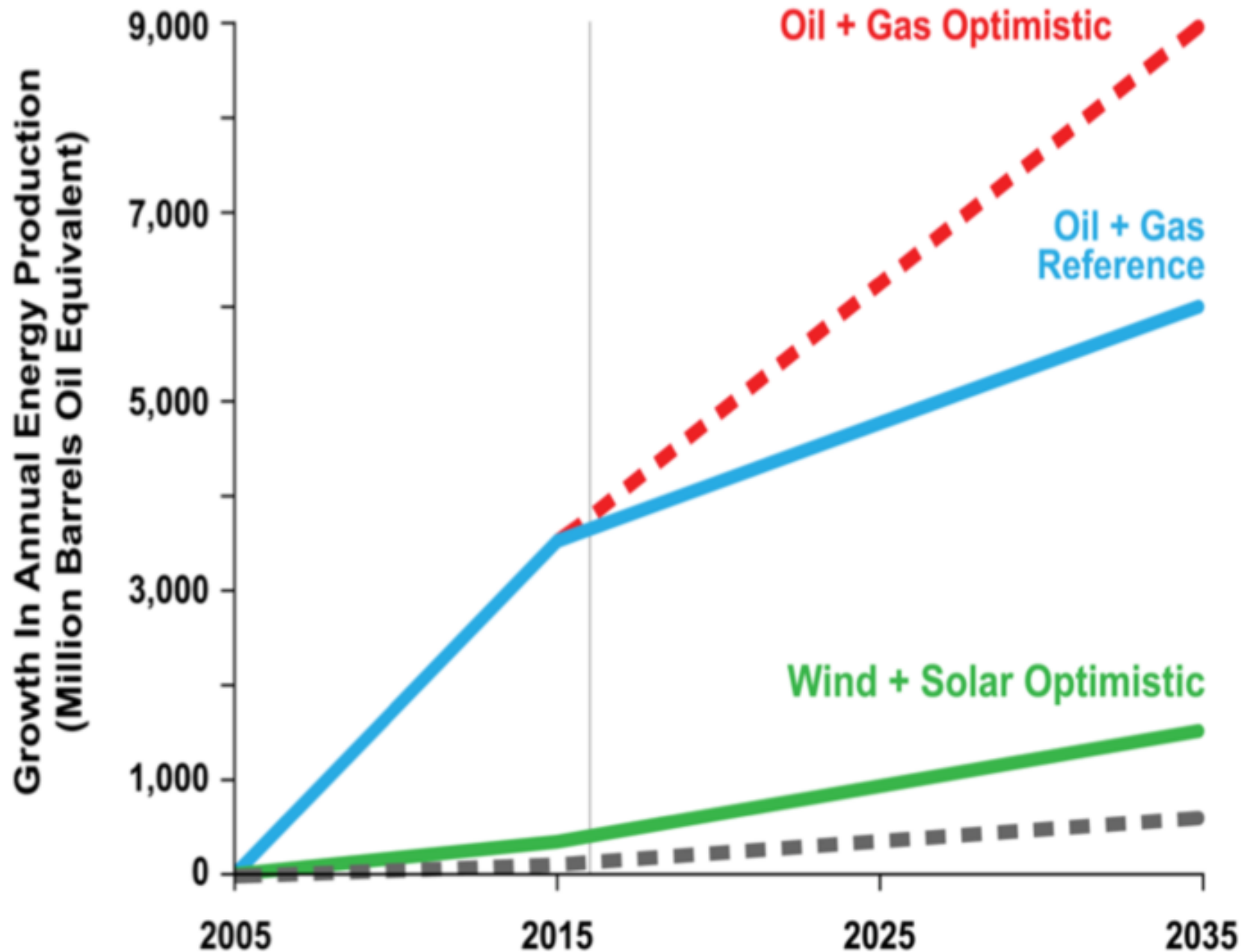
- 1. Cloud** *(Elastic Supply, Low-Cost, Scalable)*
- 2. IoT** *(Sensing of Supply Chains: 100 Billion)*
- 3. Big Data** *(All Data Analyzed, Not Samples)*
- 4. A.I.** *(Faster and Better Predictions)*
- 5. M.L.** *(Continual Process Improvement)*

# Precision Drilling



# Solar Is Growing Slower Than Oil and Gas

(Source: Mark Mills)





# Driverless Cars 2017

## 11 companies working on driverless cars: Volvo, Google, Tesla and more are investing in autonomous vehicles



By [Christina Mercer](#) | Mar 14, 2017

Share



For car manufacturers such as [Volvo](#), [Tesla](#) and [BMW](#), driverless cars will shape the future of driving and their future manufacturing [strategy](#). And with many (if not most) car manufacturers investing in some sort of vehicle autonomy, driverless cars could be around sooner than you thought.

We've listed some of the car manufacturers working on driverless cars.

Read next: [Driverless cars: 11 questions the insurance industry must answer](#)

### UK Tech Weekly Podcast: Driverless Cars



UK Tech Weekly Podcast

Episode 23 - The Internet of Top Tech Topics (IoT) B...

SOUNDCLOUD



# Megatrend #2



**Extreme Valuation Differences  
Create Asymmetric Warfare**

Born Digital

N

facebook

UBER

Google

# Market Cap to Revenue Ratio of Digitally Born Companies

<b>Facebook</b>	<b>20</b>
<b>Uber</b>	<b>15</b>
<b>Netflix</b>	<b>9</b>
<b>Alphabet (Google)</b>	<b>7</b>

# **World's Largest Companies by Market Cap (as of today)**

<b>Apple</b>	<b>\$886B</b>
<b>Alphabet (Google)</b>	<b>\$726B</b>
<b>Microsoft</b>	<b>\$657B</b>
<b>Amazon</b>	<b>\$563B</b>
<b>Facebook</b>	<b>\$520B</b>





**\$69 Billion**



**\$53 Billion**

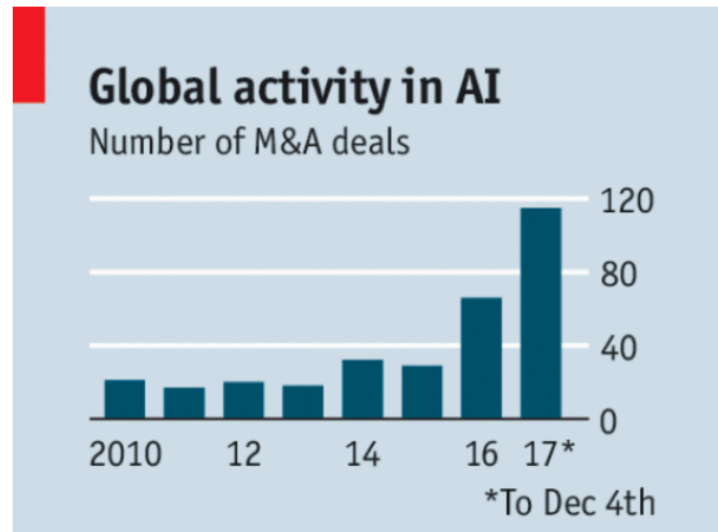
Coding competition

# The battle in AI

*Artificial intelligence looks tailor-made for incumbent tech giants. Is that a worry?*

Print edition | Leaders >

Dec 7th 2017



Economist.com

TWO letters can add up to a lot of money. No area of technology is hotter than AI, or artificial intelligence. Venture-capital investment in AI in the first nine months of 2017 totalled \$7.6bn, according to PitchBook, a data provider; that compares with full-year figures of \$5.4bn in 2016. In

asymmetric

warfare

**Asymmetric VC funding leads to repeated assaults on profit models of legacy companies ... which can't get the funding to conduct multiple defenses.**



# Regulatory Barriers

# More Porous?



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About 1,640,000 results (0.55 seconds)

## Uber Beats Regulatory Concern with Food Delivery | Big Think

[bigthink.com/ideafeed/uber-beats-regulatory-concern-with-food-delivery](http://bigthink.com/ideafeed/uber-beats-regulatory-concern-with-food-delivery) ▼

Uber drivers don't have taxi licenses and do not pay taxes on the income earned.

## How Uber Is Beating The Competition - Business Insider

[www.businessinsider.com/how-uber-is-beating-the-competition-2014-7](http://www.businessinsider.com/how-uber-is-beating-the-competition-2014-7) ▼

Jul 10, 2014 - Here Are Five Things Uber Did To Beat Lyft Before It Even Had A ... "Due to TLC regulations Uber does not currently have a ridesharing ...

## Uber Beats St. Louis Taxi Drivers' Suit Over Fingerprint Regs - Law360

<https://www.law360.com/.../uber-beats-st-louis-taxi-drivers-suit-over-fingerprint-regs?...> ▼

Oct 11, 2016 - Uber Beats St. Louis Taxi Drivers' Suit Over Fingerprint Regs ... St. Louis regulations requiring all for-hire drivers to get fingerprinted and obtain ...

## Michigan Senate green lights Uber, Lyft regulations - Detroit News

[www.detroitnews.com/story/news/local/michigan/2016/.../uber-regulations/94744106/](http://www.detroitnews.com/story/news/local/michigan/2016/.../uber-regulations/94744106/) ▼

Dec 1, 2016 - Lansing — Uber, Lyft and other ride-sharing companies would face statewide regulations for the first time under legislation approved by wide ...

## Uber won New York City. It only took five years. - Slate

[www.slate.com/articles/.../uber\\_won\\_new\\_york\\_city\\_it\\_only\\_took\\_five\\_years.html](http://www.slate.com/articles/.../uber_won_new_york_city_it_only_took_five_years.html) ▼

Nov 18, 2015 - Josh Mohrer at Uber's New York headquarters. ... in East Hampton, where Uber had ceased operating to protest local regulations earlier in the ...

## Here's How Uber Beat The Las Vegas Taxi Industry - BuzzFeed News

[www.buzzfeed.com/johanabhuiyan/sex-drugs-and-transportation](http://www.buzzfeed.com/johanabhuiyan/sex-drugs-and-transportation) ▼

Oct 4, 2015 - Here's How Uber Beat The Las Vegas Taxi Industry .... 25 hearing why it didn't resolve any regulatory issues before operating, company ...



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About 1,250,000 results (0.94 seconds)

## Ensuring that Airbnb Renters Comply With the Law: It's Simple! | Beat ...

[cepr.net/Blogs/Beat the Press](http://cepr.net/Blogs/Beat-the-Press) ▼

Sep 14, 2014 - At one point it tells readers: critics of any new regulation will likely argue ... Home; Blogs; Beat the Press; Ensuring that Airbnb Renters Comply ...

## Bureaucracy Isn't Inevitable — Here's How Airbnb Beat It | First Round ...

[firstround.com/review/bureaucracy-isnt-inevitable-heres-how-airbnb-beat-it/](http://firstround.com/review/bureaucracy-isnt-inevitable-heres-how-airbnb-beat-it/) ▼

Airbnb VP Engineering Mike Curtis on the practices and principles you can put in place to bust ... Bureaucracy Isn't Inevitable — Here's How Airbnb Beat It ..... simple good judgment, using \$500 as a rule of thumb for when to get a gut-check.

## Big Hotels' Plan to Win Customers from Airbnb | Fortune.com

[fortune.com/2016/01/27/big-hotels-airbnb/](http://fortune.com/2016/01/27/big-hotels-airbnb/) ▼

Jan 27, 2016 - Hotels and trader organizations have lobbied for laws that would slow or stop the growth of Airbnb by restricting homes and apartments that can ...

## Airbnb and New York City: Measuring the Impact of the New Ad Law ...

<https://skift.com/.../measuring-the-impact-of-new-yorks-new-short-term-rental-law-on...> ▼

Jul 18, 2016 - The relationship between Airbnb and New York state and city officials ... lasting effects on how other cities choose to regulate short-term rentals. .... Airbnb's opposition is much more sympathetic, so they're much harder to beat.

## Airbnb is dangling tax money in front of lawmakers to get legalized ...

[www.recode.net/2016/4/6/11585882/airbnb-beat-hotels-accor-ahla-paying-taxes](http://www.recode.net/2016/4/6/11585882/airbnb-beat-hotels-accor-ahla-paying-taxes) ▼

Apr 6, 2016 - Right now, little is as important to Airbnb as getting laws passed that will ... did to beat back Proposition F. Shortly thereafter, Lehane and Airbnb ...



# McGrath's Law

$\text{SusAdv} \rightarrow 0$



# Megatrend #3



**Adaptability Is Guaranteed  
to Become More Important**

# **Four Adaptability Must Haves**

## **1. Digital Fluency**

**Be Top Quartile or Perish**

# **Digital Fluency for ECC Members = Supply Chain 2.0**

**Sensors Everywhere (IoT)  
Next-Gen Big Data Algorithms  
Cloud Computing Power  
AI's Predictive Power  
M.L.'s Improvement Curve**

# **Supply Chain 2.0 Strategy for ECC Members**

**“Do More for Less” requires  
smart strategy and use of Supply  
Chain 2.0 — especially if oil/gas  
prices stay modest.**



# **Supply Chain 2.0 Strategy for ECC Members**

**You don't have to be cutting edge. However, you should aim to be in the top quartile.**

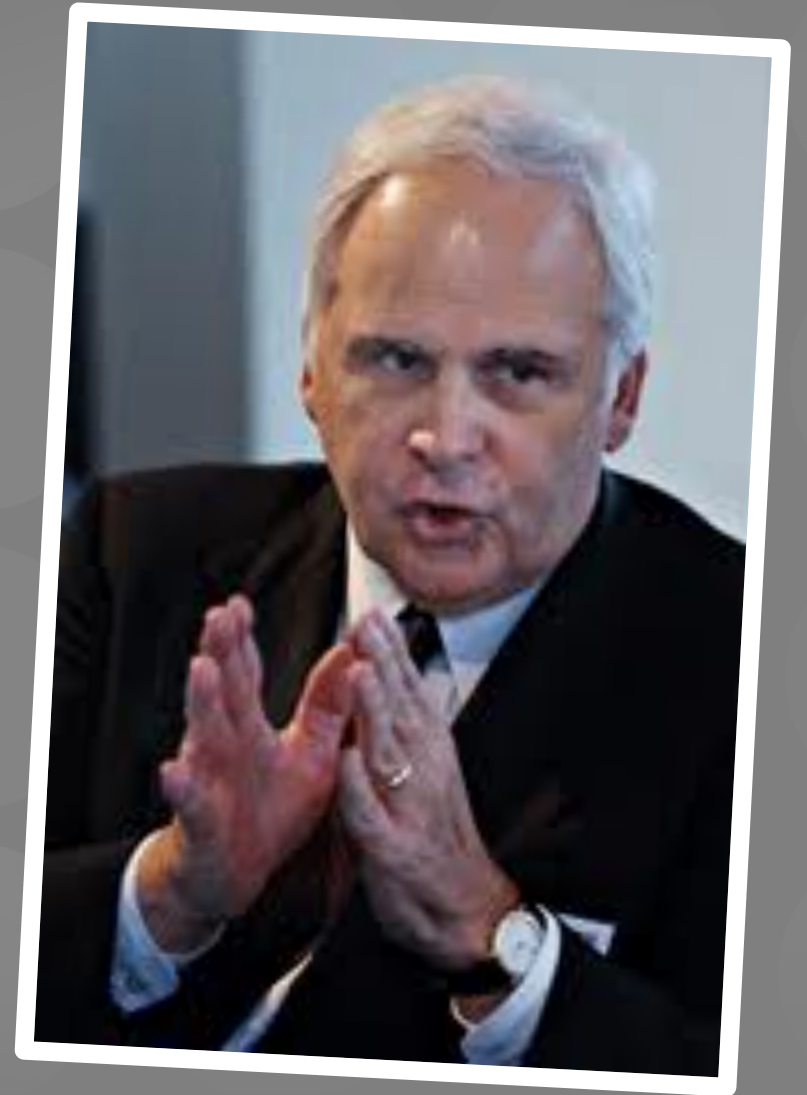
**Four Adaptability Must Haves**

## **2. Cultural Clarity**

# Hint!

**The most adaptable cultures  
are organized as triangles  
of equally strong sides**

***Fred Smith, founder  
and CEO of \$50 billion  
global powerhouse  
FedEx, explains.***



# Fred Smith's Triangle of Health for Companies





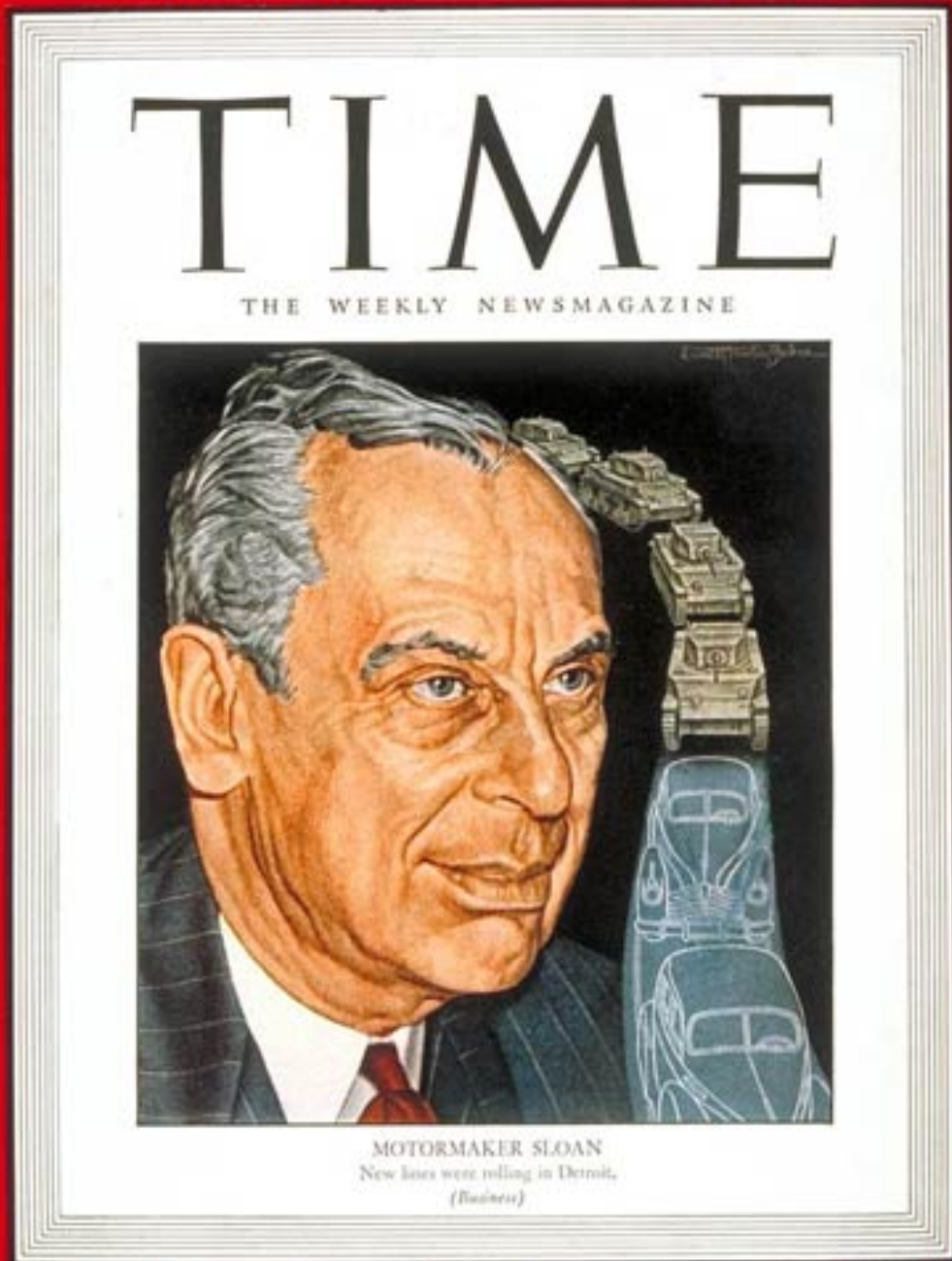
# Execution vs. Values

***Battle Royale for Resources  
Inside All Companies***

***Beware Winner Take All!***

# General Motors in 1953 — Strategy, Hard and Soft in Harmony





## Alfred Sloan

***“Greatest of all time.  
He loved cars and he  
understood finance,  
marketing and culture.***

**- Bill Gates**

General Motors in  
1970s/1980s —  
Out of Balance.  
Financially Driven.  
Analytical Values  
Overwhelmed  
Cultural Values.  
The Result?



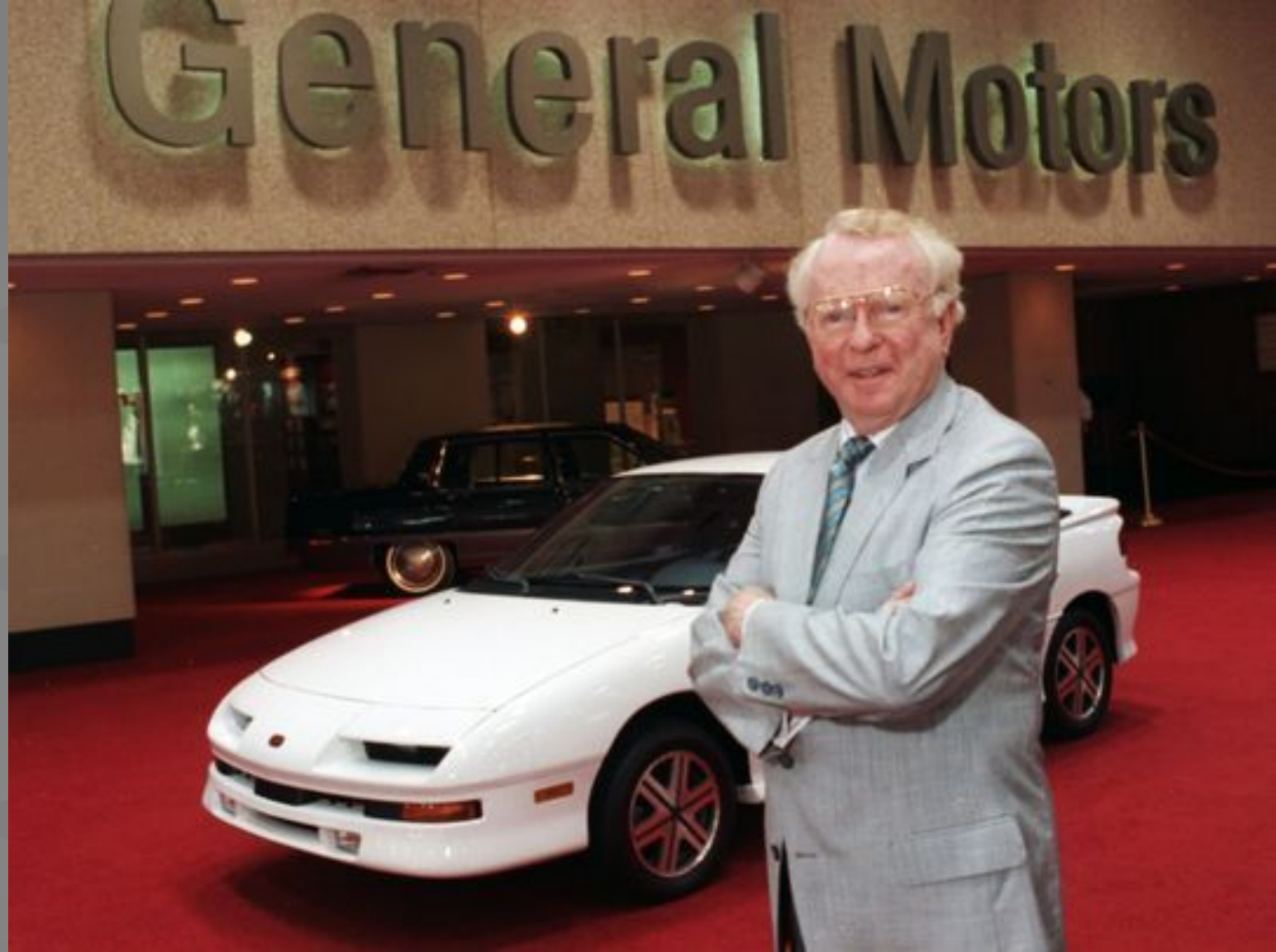
*1986 Cadillac Cimarron — Top 50 Worst Ever*



**Roger Smith**

***“Accountant who built low-quality, lookalike autos and a mountain of debt.”***

**- Fortune**





Got So Bad ...

GM's Belief  
Under 1980s  
Management:  
Customers Won't  
Notice!



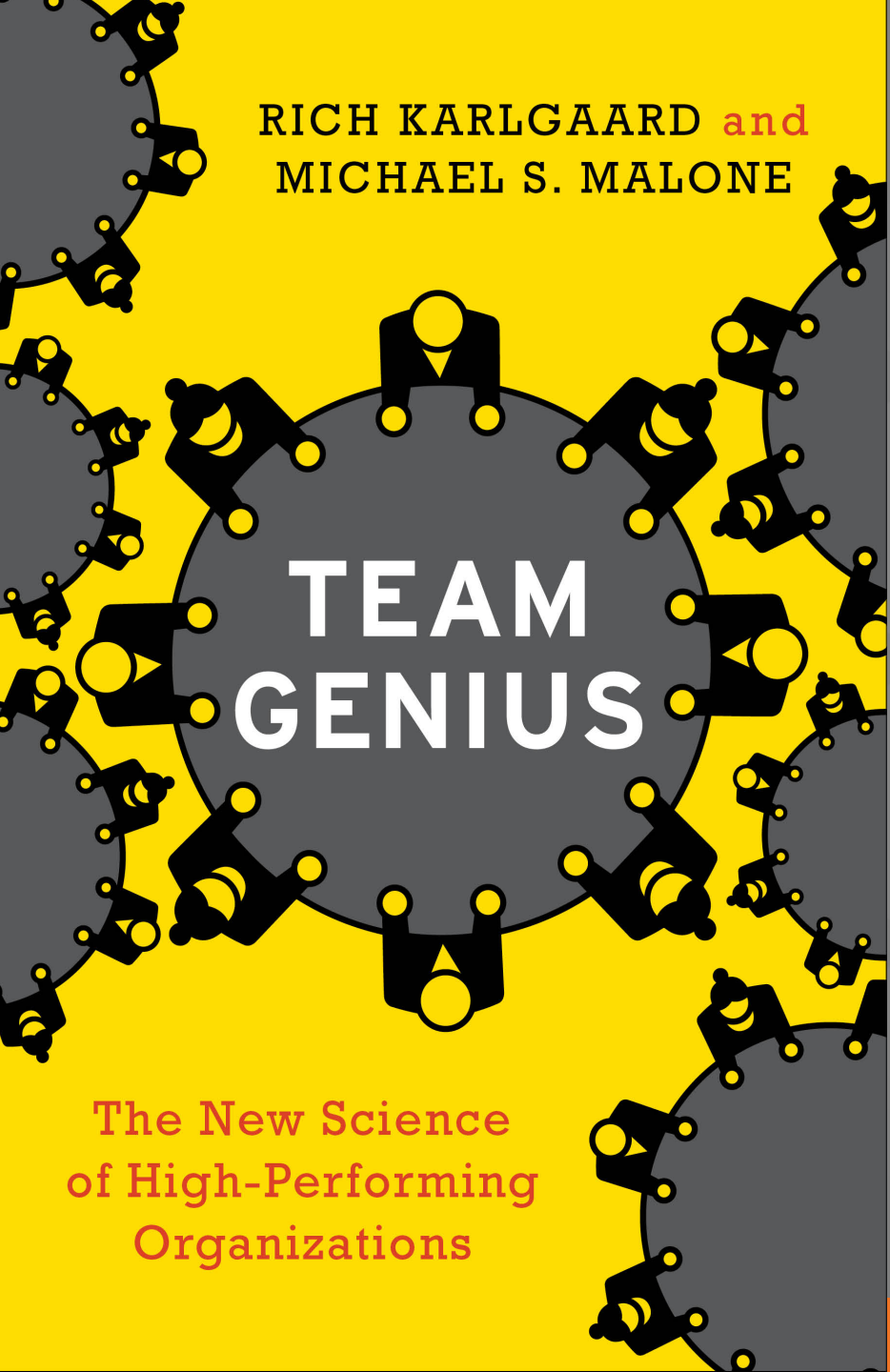
**CIMARRON vs CAVALIER**

*Same bad car — except for grille and hubcaps.*

# Four Adaptability Must Haves

## **3. Team Genius**

RICH KARLGAARD **and**  
MICHAEL S. MALONE



# TEAM GENIUS

The New Science  
of High-Performing  
Organizations

## *Team Genius*

**Academic Research  
and Great Leaders  
Agree on  
These Two Points**

*Jeff Bezos*

***“Two Pizza Rule”***

**Optimal Team Size:**

**No more than two pizzas can feed!**

# Hard Math of Impossible Connectivity

$$N(N-1) / 2$$



**2 Team Members = 1 Connection**  
**4 Team Members = 6 Connections**  
**6 Team Members = 15 Connections**  
**12 Team Members = 66 Connections**

**... breakpoint?**

**16 Team Members = 120 Connections**  
**32 Team Members = 496 Connections**

# What Breaks in the Breakpoint?

**Speed of Decision Making,  
Accountability and Trust**

# **Optimal Size Creative Teams**

**7 (George Miller)**

**5 - 7 (Susan Heathfield)**

**2 - 9 (J. Richard Hackman)**

# *Starbucks – **two** guys named Howard*







# *Terrific three*

*(they didn't like  
each other!)*

## the intel trinity



How Robert Noyce, Gordon Moore,  
and Andy Grove Built the  
World's Most Important Company

Michael S. Malone



# *Fab **four** ... Steve Jobs' Model*



*Inches Away from Death,*  
***Six*** *Pilots Trust Each Other with Life*



# *How Many Rolling Stones Required for a Great Live Show?*





MICK

KEITH

CHARLIE

RONNIE

PAST MEMBERS ▾

COLLABORATORS ▾



LISA FISCHER

CHUCK LEAVELL

DARRYL JONES

KARL DENSON

BERNARD FOWLER

# *Four + Five Equals Nine!*

*Steve Jobs*

# ***“Whole Brain Teams”***

***Inside View + Outside View***

***Analytical + Intuitive***

***Experience + Fresh Eyes***



***Fred Smith  
Inside***



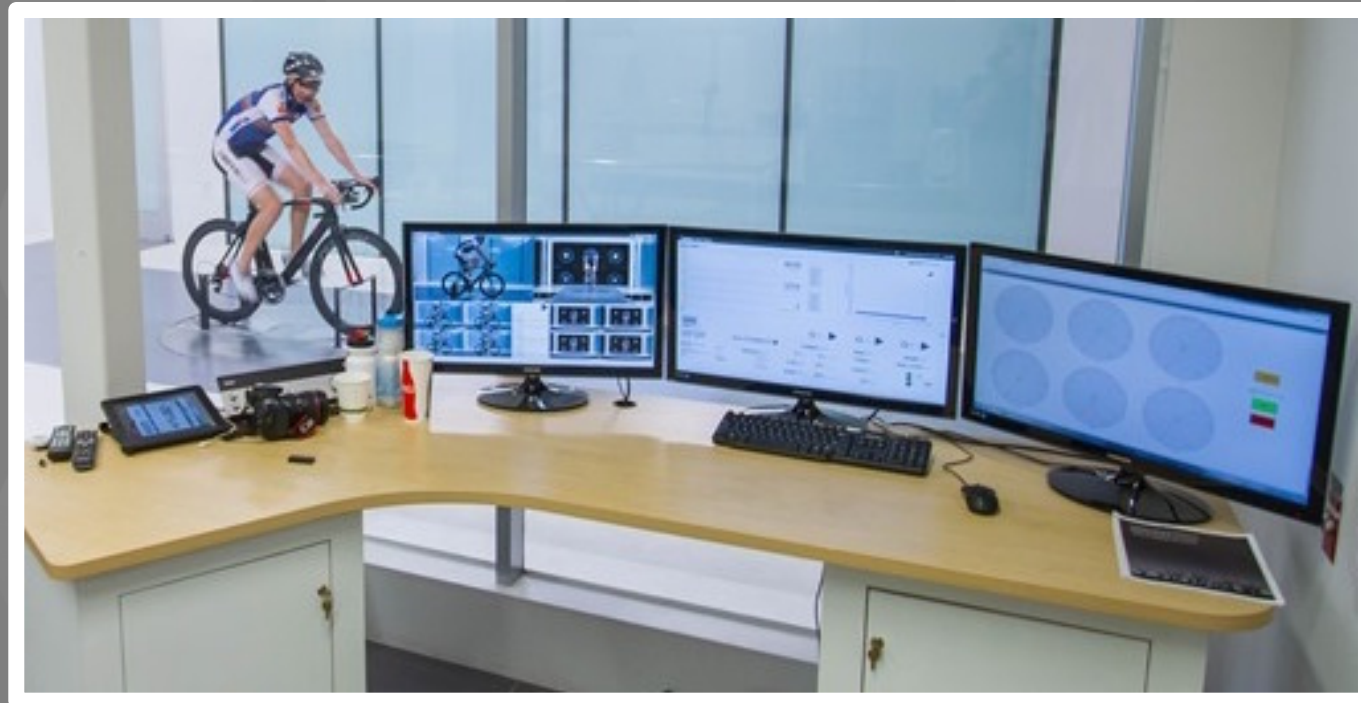
***Judy Estrin  
Outside***



# *Mike Sinyard Intuitive*



# *Specialized Bike Wind Tunnel — Analytical*







# *Google's* ***Age Myth***

***Nobody over 30 does good work.***



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Vince Vaughn

Owen Wilson

# THE INTERNSHIP

Crashing The System  
**NOW PLAYING**

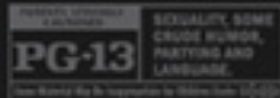
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# *Google's* ***Age Facts***

***Experience + Fresh Eyes***  
***Produce the Best Work***



***Vint Cerf***  
***Vice President***  
***R&D***

***Age 73***

***Ray Kurzweil  
Chief Futurist***

***Age 69***





Diane Greene

Senior Vice President, Google Inc.

***Diane Greene***  
***Senior VP***  
***Google Cloud***

***Age 62***

**Four Adaptability Must Do's**

# **4. Human Development**



# The highest-paying jobs at Google [RANKED]



FACEBOOK



LINKEDIN



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## 7. Staff software engineer

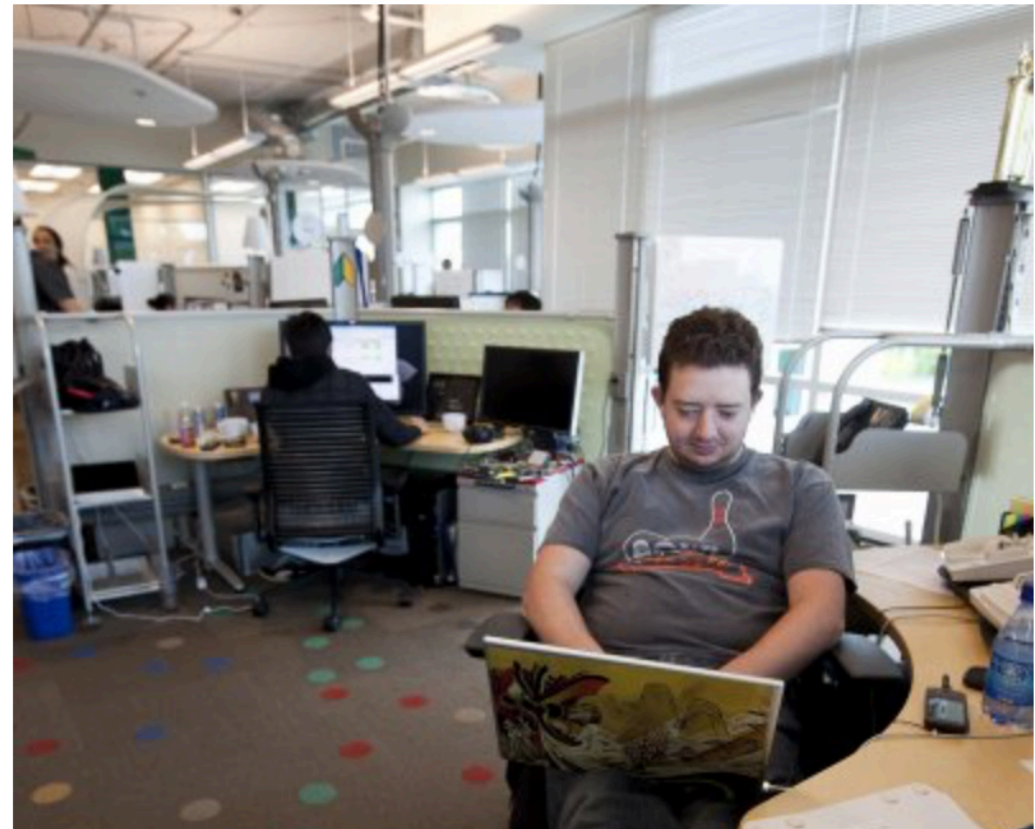


14/21



**Salary:** \$196,372

Engineers at Google need to be excellent at solving complex problems. This is why the company is known for challenging job candidates with puzzling brain teasers. But, based on Glassdoor's data, it seems like they compensate these employees well. Google's salary for this position is 60% higher than the national average, according to Glassdoor.



# ***Hire for Character!***

***Courage  
Honesty  
Growth Mindset***





# ***Hire for Culture!***

***Small College  
Athletes  
Military Veterans  
Gritty Women***



# ***Skill Them Up!***

***How Stanford's  
Tara Van Derveer,  
achieved  
1012 – 231 record***



**Warren Buffett:**

**“Never Sell America Short!”**





**Rich Karlgaard / Publisher / Editor-at-Large / Forbes**

**RichKarlgaard.com**  
**KepplerSpeakers.com**



***Happy to engage with your association members.***





# PerspECCtive

The 49th Annual ECC Conference