Julie Lambert
ECC Executive Board Member
ECC 2018 Chair
Phillips 66

PerspECCtive
Theme:
Doing More With Less
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
Rich is a navigator for the rest of us.”

Clayton Christensen Harvard Business School
“Advances our thinking on what makes highly effective teams.”

Satya Nadella
CEO, Microsoft
Good News!

Sustainable?
More Good News!

Sustainable?

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
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%
CEOs Have High Hopes For The Year Ahead

By Dale Buss - December 11, 2017
Phillips 66 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
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
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    (Sensoring 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

Five-Year Improvement – Energy Produced per Dollar Spent on Equipment

- Shale Rig
- Li Battery
- Solar
- Wind
Solar Is Growing Slower Than Oil and Gas

(Source: Mark Mills)
11 companies working on driverless cars: Volvo, Google, Tesla and more are investing in autonomous vehicles

By Christina Mercer | Mar 14, 2017

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
Megatrend #2

Extreme Valuation Differences
Create Asymmetric Warfare
Market Cap to Revenue Ratio of Digitally Born Companies

Facebook  20
Uber      15
Netflix   9
Alphabet (Google)  7
World’s Largest Companies by Market Cap (as of today)

- Apple: $886B
- Alphabet (Google): $726B
- Microsoft: $657B
- Amazon: $563B
- Facebook: $520B
$69 Billion

$53 Billion
The battle in AI

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

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?
McGrath’s Law

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

**GOAL**
LASTING SUCCESS

**EXECUTION**

**VALUES**

**STRATEGY**
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

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!

Same bad car — except for grille and hubcaps.
Four Adaptability Must Haves

3. Team Genius
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

\[ \frac{N(N-1)}{2} \]
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!)
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?
Four + Five
Equals
Nine!
Steve Jobs

“Whole Brain Teams”

Inside View + Outside View
Analytical + Intuitive
Experience + Fresh Eyes
Mike Sinyard
Intuitive

Specialized Bike
Wind Tunnel —
Analytical
Google’s Age Myth

Nobody over 30 does good work.
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 VP
Google Cloud

Age 62
Four Adaptability Must Do’s

4. Human Development
7. Staff software engineer

**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.