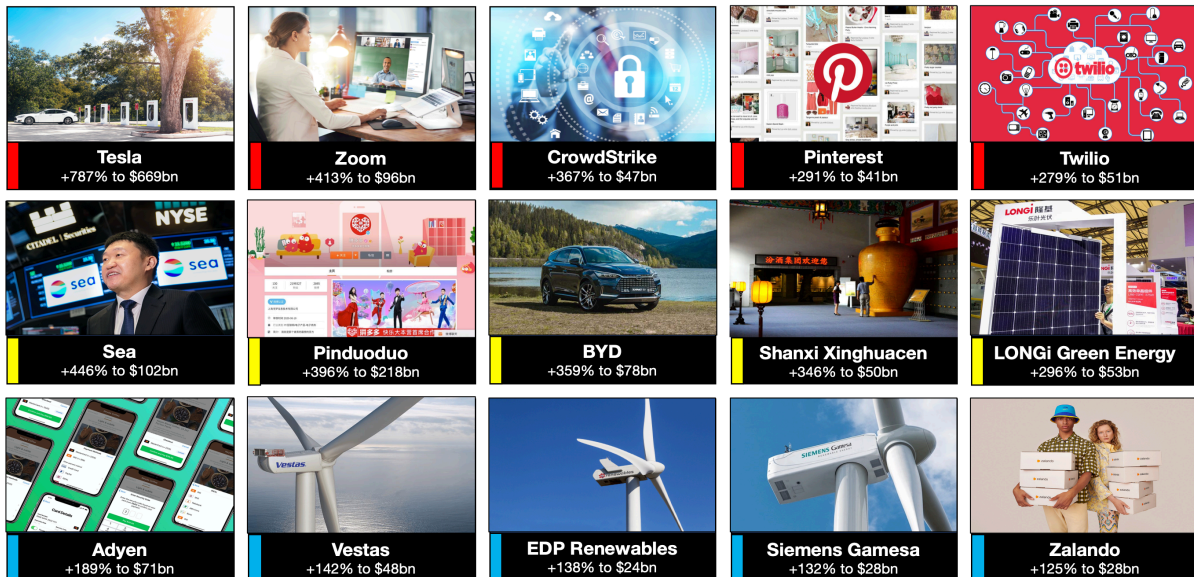


Fast Leader™

INSPIRING BUSINESS LEADERS TO CREATE BETTER FUTURES. NEW IDEAS AND INSIGHTS FROM PETER FISK. FEBRUARY 2021



Market cap growth of larger companies during 2020. Sources: Bloomberg, Financial Times, Refinitiv

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Markets Recoded ... Top value creators in the pandemic

2020 was a year of turbulence so **seismic in scale** and **rapid in impact** that we are only starting to understand the consequences. Every market has been shaken up, challenging the old models, and accelerating the new. It has seen a dramatic “**recoding**” of almost every industry, and **phenomenal growth** by companies who opened their eyes to the opportunities of change.

As the world **locked down** and moved online, tech companies boomed. **Amazon** invested \$4 billion to secure its operations, and accelerated its strategy to become the logistics partner of the digital age, with a \$700 billion benefit (79% growth in 2020). **Apple** did even better, having taken **42 years** to reach \$1 market cap, it soared to its second trillion in just **21 weeks**.

However tech was not the only sector with **radical shifts** in performance. End of year analysis by FT and Bloomberg identified which companies performed best in terms of market value, as shown above, in terms of 12 month % value growth, and market capitalisation at end of year.

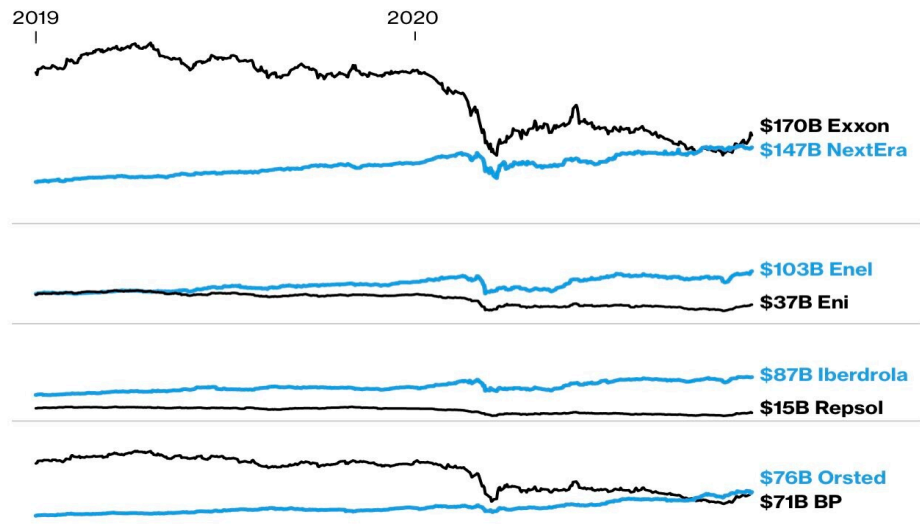
Tesla’s **mind-boggling growth**, dominating the automotive market, is not just about cars. With a purpose to “accelerate the world’s transition to **clean energy**”, Musk and his team are most interested in the batteries that power the cars, with the moonshot goal of a “**million mile battery**” dominating research at his “**gigafactories**” in Berlin and Shanghai.

Toyota, the second most valuable auto business, lags far behind, valued at \$240 billion. It sells **20 times more cars**, but at half the price, although with similar gross margins. The future trajectory, of course, massively favours Tesla. **Chinese luxury EV brand Nio**, founded by William Li, is now the #4 most valuable company, valued at \$88 billion - double BMW’s value.

Retailers are obviously seeing a huge transformation too, but it’s not simply digitalisation, more a convergence of related activities – shopping, gaming and socialising. Take Huang Zheng’s Pinduoduo, for example, the Chinese online shopping concept combines social interaction, gamified engagement, and huge discounts. Singapore’s **Sea Group**, led by Forrest

Li, has a similar business, combining retail and gaming. And social media platforms, from Pinterest Pins to Instagram Shops, have all rapidly embraced “**social shopping**”.

The dramatic, Covid-accelerated **transformation of markets** is also obvious in the **energy sector**. The last 12 months have seen the demise of every oil major – Aramco, Exxon, Shell, and many more – rapidly replaced by a new generation of renewable energy companies, like USA’s **New Era**, Italy’s **Enel** and Denmark’s **Orsted**, as shown by this Bloomberg chart:



American “winners” in the pandemic:

1. **Tesla** ... Some people thought Tesla’s \$75 billion valuation at the start of 2020 was too much. By the it entered the S&P 500 in December it was almost 9 times more valuable — more than the world’s next 7 car manufacturers combined. It has now recorded a profit in five consecutive quarter. In the first month of 2021, market cap grew by another \$100 billion.
2. **Zoom** ... Eric Yuan’s Zoom became synonymous with communication during the months of Covid-19, including huge growth in business and education accounts. Yuan’s focus has been on making it intuitively easy to use. Google Hangout and Microsoft Teams were initially left behind, but all three are now rapidly developing new collaborative work tools.
3. **CrowdStrike** ... Demand for the cybersecurity software soared as companies were forced to work virtually, and accelerate their move of data to the cloud. CrowdStrike, which floated in June 2019, made its name after exposing Russian hackers of Democratic party computers during the 2016 election.
4. **Pinterest** ... The online pinboard app’s popularity has grown rapidly during lockdown, drawing advertisers as brands took advantage of the “social retail” boom. Innovations such as Product Pins, Pinterest Predicts, and more, have accelerated a new approach to online shopping between friends. Monthly average users grew by 40%, and revenues by almost 60%.
5. **Twilio** ... The company’s APIs (application programming interfaces) plug into the computer code behind popular apps such as Airbnb and Uber, allowing them to communicate with customers through text and voice. Demand has risen rapidly during the pandemic, with 51% revenue growth in the first 9 months of 2020.

Asian “winners” in the pandemic:

1. **Sea** ... South-east Asia’s most valuable company, based in Singapore, remained strong in all three of its core businesses: gaming, shopping and digital payments. Garena’s Free Fire mobile

game won millions of new players in 2020 while its Shopee platform has become the region's most downloaded shopping app.

2. **Pinduoduo** ... Colin Huang's gamified online retailer's rise was accelerated by the pandemic as hundreds of millions of Chinese shoppers turned to their smartphones rather than malls. The downturn drove demand for ultra-cheap goods, targeting lower income and youthful audiences, with revenues up 70% in the first nine months of the year.

3. **BYD** ... Chinese electric automaker BYD, with Warren Buffett as an investor, recovered rapidly from a Covid-induced slump in sales after the July release of its sporty Han model, a competitor to Tesla's popular Model 3. It is the first BYD model to use the company's recently developed "blade" battery, a smaller and more energy-dense power pack.



4. **Shanxi Xinghuacun Fen Wine** ... The Chinese spirits maker was once a regional player in the northern province of Shanxi, but has expanded into new drinks categories and become national brand. In Shanghai, one of the nation's most competitive liquor markets, it reported a more than 50% jump in revenue in 2020.

5. **LONGi Green Energy Technology** ... The world's largest producer of silicon solar wafers had a strong year, riding high on expectations that China will rapidly increase the amount of solar energy. In December, President Xi said the country would

grow the share of non-fossil fuels in its primary energy consumption to 25% by 2030.

European "winners" in the pandemic:

1. **Adyen** ... The Dutch payment processor continued to rise alongside peers like Stripe and Paypal. Adyen's technology, which allows customers, such as retailers, to use one payment platform across all channels, has led to rapid top-line growth and 60% profit margins — a rare combination in a world of loss-making tech start-ups.

2. **Vestas** ... The world's largest maker of wind turbines from Aarhus in Denmark has seen revenues and profits rise. Revenues have grown 50% over the past two years as volumes increased, even though the price of wind turbines fell. The growth has put Vestas in expansion mode, retaking control of its offshore wind subsidiary which it spun out as a JV in 2013.



3. **EDP Renewables** ... The Spanish companies is a "pure play" renewables group with 11.5 gigawatts of installed wind and solar capacity in the US, Europe and Brazil. Energias de Portugal, its parent company, has invested more than €20bn in renewables since 2006 and plans to lift green energy generation to 90% of output by 2030.

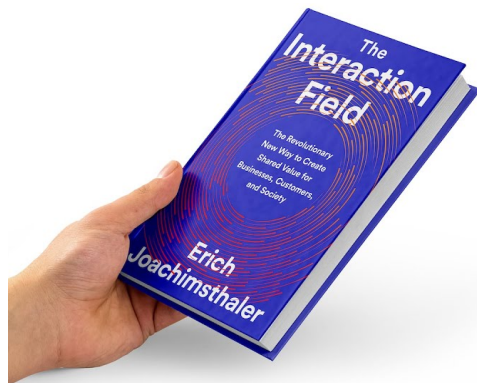
4. **Siemens Gamesa** ... The Bilbao-based wind turbine maker benefited from many nation's "build back better" focus on renewable energy. Following several legal disputes between the main shareholders, Siemens in February cemented control of the business, buying out Iberdrola's 8.1 per cent stake for €1.1bn to take its own holding to 67%.

5. **Zalando** ... Germany's online retailer is investing €50m, including waiving commissions until March, in an effort to triple the number of brands that sell across its platform in the coming year. In particular, it is focusing on strengthening its range of luxury brands, introducing sustainability labelling too products, and "Brand Homes" for brands to build deeper consumer engagement.

Interaction Fields ... the new connected marketspaces

When I interviewed **Zhang Ruimin**, CEO of Haier, the global leading home appliances business from Qingdao, I was struck by his vision. **By 2025** his company is likely to give away all of its products **entirely free**. Of course, by building a huge network of fridges, washing machines, and more, his mind is focused on a new business model driven by **services** and subscriptions.

He described how Haier plans to create “**an ecosystem of things**” – not only tracking what consumers put in and take out of their fridge, so that he can automatically replace it, acting as a personalised retail and delivery partner, but also advise consumers on everything from cooking great meals to healthy nutrition. Similarly, a **washing machine** is just the start of a relationship that could lead to becoming a fashion retailer or lifestyle advisor.



Erich Joachimsthaler, originally from Baden-Baden and the founder of New-York based Vivaldi, believes that we are now seeing the rise of the “**third internet age**” driven by the interconnectivity of marketspaces.

In his new book “**The Interaction Field**”, he explores how this new generation of companies are likely to emerge, in the same way that Amazon and Google seized the age of search and ecommerce, and Facebook and WeChat exploited the power of social media.

Joachimsthaler, who also wrote *Brand Leadership* with David Aaker 20 years ago, says that this new age goes beyond devices and networks to connect **data to data**, and **things to things** which enables new levels of **interactivity and collaboration** between users, brands and retailers, and many other partners.

His term “interaction fields” describes these **connected marketspaces**, where everything connects, boundaries blur and businesses can do anything.

“Just as traditional businesses were disrupted in the second era, now it’s **whole industries** and categories that will radically change and reorder. Competitors emerge from anywhere, including other industries. As technologies converge, these walls disappear by **democratizing data**, shrinking distance, **eliminating intermediaries**, making way for ever-escalating customer expectations.”

He uses **John Deere** as an example of a business, or a brand, that has become an interaction field. Far beyond producing farming machinery, its new products are active data gathering machines, each benefiting from each other’s success. It **orchestrates the value creation** of crop producer, fertilizer companies and many others, as well as farmers themselves.



As a result, a brand defines what it enables people to do, rather than what they provide – better farming not just a great tractor. It defines an ecosystem with a **shared interest**. Having defined the bigger idea – the marketspace – the business model is then about creating, facilitating, and motivating interactions, collaborations and connections.

John Deere’s goal is not simply to sell products, but to design a system that helps farmers to create higher productivity from every hectare of land. Other examples of brands seeking to build “interaction fields”, or connected ecosystems, might include **Airbnb** in travel, **Chewy** in petcare, **Danone** in healthy nutrition, **GoPro** in extreme sports.

Maria Raga's Depop vision ... being human in a digital world

“**Be Human**” is the slogan Maria Raga sees first thing every morning as she logs onto her laptop and starts work with **Depop**. “It’s like a reminder to start by talking with people before emails” she says.

The message of course from the young **Spanish CEO** is for everyone, even in the most digital companies, to remember that business is about **people, emotions and dreams**, even if it is driven by coding, platforms and algorithms.

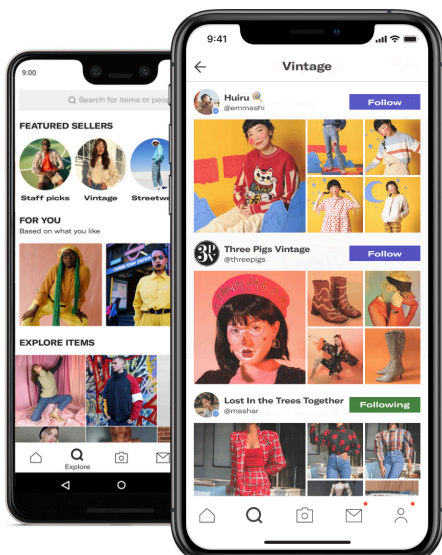
Depop has been described as “**the love child of eBay and Instagram**”, a place where millennials buy and sell things, anything.

It is an online **C2C marketplace**, where users can buy and sell goods from all around the world. Its customer base is predominantly **Gen Z**, young people born since 2000, who have grown up as digital natives, alongside a strong environmental drive towards second-hand, or upcycling as they tend to call it, or “**pre-loved**” in Raga’s language.



Depop was initially the idea of **Simon Backerman**, where readers of PIG magazine – about “**people in groove**”, not farm animals – could buy items featured in the magazine by smartphones. He soon realised that he had a **strong community**, but wasn’t realising the connections between people, hence the shift to an app-based marketplace.

Raga took on the leadership role in 2016 when the founders had lost their way. She brought with her the strategic consulting brain of **Bain**, and the digital start-up experience of **Groupon**, quickly engaging the young Depop team to focus on the customer experience, rigorous testing and development, and turning trial into regular usage.



Depop has seen a huge **surge in demand** during the pandemic, now has over 30 million users, and with a marketplace listing over 15 million items at any time, largely fashion. The business model is simple, it takes 10% of all sales through its platform.

Research shows that **Gen Z** is less interested in big name brands, and fast fashion, and instead seeks **individuality and authenticity**. “We want Depop to be accessible, democratic and inclusive” says Raga. “This generation is **setting their own trends**, influenced by real people, and with a high awareness of the unsustainable practices of much of the fashion industry”. A report by ThredUp says that the online second-hand clothing market will be worth over **\$65 billion** by 2025, more than the fast fashion category.

Raga also recognises that a **mobile-centric business** is not just a digital business, creating pop-up stores, to enable Depop-ers to meet in person, but also to showcase the brand and reach out to new audiences who still shop in stores. **Community** is equally important, a great example of which is Depop’s **Youtube channel**, which has developed a fresh and quirky following for the brand, embraced social influencers through interviews and guest sections, and built a cult following.

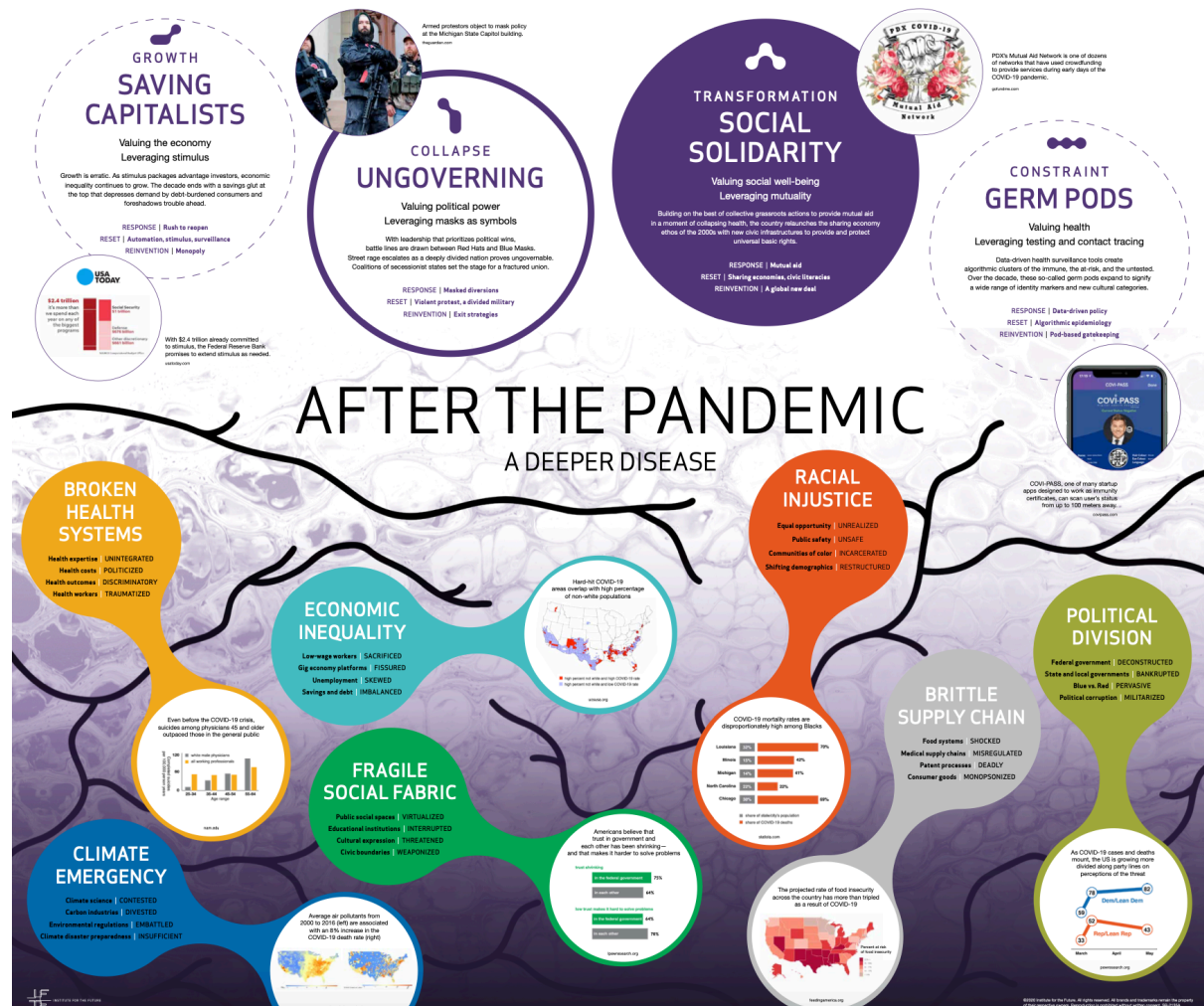
Raga’s passion is to create a human business, **people with a love of fashion and life**, whilst using technology to achieve it better.

Business Kaleidoscope 2021 ... the future starts here

In many ways, what happens in 2021 – how we respond to the pandemic, and how we seek to emerge – will **shape the decades to come**, maybe the 21st century.

Over the last 20 years, business has largely sought to extend and enhance the old models of success, now we need to reimagine the role and process of business more radically. Not only Covid-19, but **climate change, politics and social movements** will continue to force us to reimagine the fabric of our societies, relationships and economies.

The **Institute for the Future** says “In the midst of the Covid-19 pandemic, we scramble to understand how the decade will unfold. Will it be a decade of growth or constraints, of collapse or transformation?” They start with **4 very different scenarios** of how the future will emerge – based around economic growth, health constraints, political collapse, and social transformation:



Ipsos found that people yearn for significant change rather than a return to a “pre-Covid normal”. Their survey of more than 21,000 adults from 27 countries found that **72% would prefer their life to change** significantly rather than go back to how it was before the COVID-19 crisis started. 86% would prefer to see the world change significantly – and become more sustainable and equitable.

Australian futurist **Ross Dawson** says that “the crucible of 2020” has flipped us to a new era for humanity, one that will remain irregular and uncertain, but shaped by accelerated trends:

- 87% of **office workers** want to choose whether to work from home or office, and manage their hours, even when offices open up (Cisco Workforce of the Future).

- 45% of Americans would support a **Universal Basic Income**, including 69% of those under 30. (Pew Research Center, 2020)
- Globally, high net worth individuals plan to allocate 46% of their portfolio to **sustainable investing** in 2021. (CapGemini World Wealth Report 2020)
- International **travel revenue** in 2020 was \$191 billion, less than a third of revenue in 2019, with the airline industry losing \$118 billion this year. (IATA)
- “Although it is impossible to predict when **the next pandemic** might occur, its occurrence is considered inevitable.” (Global Influenza Strategy 2030)

Marian Salzman, another futurist, says “Just as the wearing of **face masks** in public became common in some East Asian countries post-SARS, the practice will linger in parts of the world post-Covid. Now that we see **public transport** and **crowded stores** as petri dishes for all sorts of disease, it will be hard for some of us to return to our old, unprotected ways.”

Mental health, the role of the home, dealing with waste, remote working, are just a few of the agenda items as we emerge from enforced hibernation. The Future Laboratory says that “**a new collective determination and energy** is emerging, one that will shape a more respectful, ethical and equal future for all” ... Some of their trends include

- **Recuperative living**, improving people’s moods, as well as feeding into their individual identities, beliefs and values – from traditional rituals to natural ingredients.
- Homes will become a **wellness sanctuary**, using tech to soothe anxiety alongside decentralised care platforms that take a community approach to wellbeing.
- **Community mindsets** will shape **food supply chains**, dining experiences and product innovation. Urban farms, augmented restaurants, and new food delivery concepts.
- More **considered luxury** will emerge, bringing new directions for retail, property and brand communications. Safety and wellbeing, diversity and humanity, are new luxuries.
- Agile artisans and **deadstock designers** will recalibrate the world of fashion, more responsive to demand, upcycling the old, more crafts and DIY hobbyists.
- **Consumer data** will drive retail, tracking online behaviours and instore too. Augmented retail using filters, QR codes and interactive packaging will elevate store experiences.

McKinsey says “**2021 will be the year of transition**. Barring any unexpected catastrophes, individuals, businesses, and society can start to look forward to shaping their futures rather than just grinding through the present.” They focus on 4 **upbeat themes**:

- The return of confidence unleashes a consumer rebound
- Leisure travel bounces back, but business travel lags
- The crisis sparks a wave of innovation and launches a generation of entrepreneurs
- Digitally enabled productivity gains accelerate the Fourth Industrial Revolution

“The future is brighter than you think” says **WGSN**, outlining three emerging consumer sentiments.

- **Kindness Keepers** ... “Surrounded by a swirl of negativity, this cohort of future consumers is seeking a counterbalance. Brands that display authenticity and humility will resonate. A business that can admit its faults and show a long-term commitment to corporate social responsibility will have impact.”
- **Market Makers** ... “Found in the rising youth populations of Africa, India and Southeast Asia, they are feeling emboldened, experiencing a wave of optimism that will result in social and political change. Brands will open up new and novel paths to purchase, encouraging peer-to-peer trading, and opportunities in new and exciting ‘third spaces’.”
- **The Compressionists** ... “Feeling the weight of pressure and an overabundance of choice, they are seeking to declutter and simplify their lifestyles. For brands, this is an incentive to streamline the product offering, clean up the digital experience and utilise artificial intelligence and machine learning to great effect.”

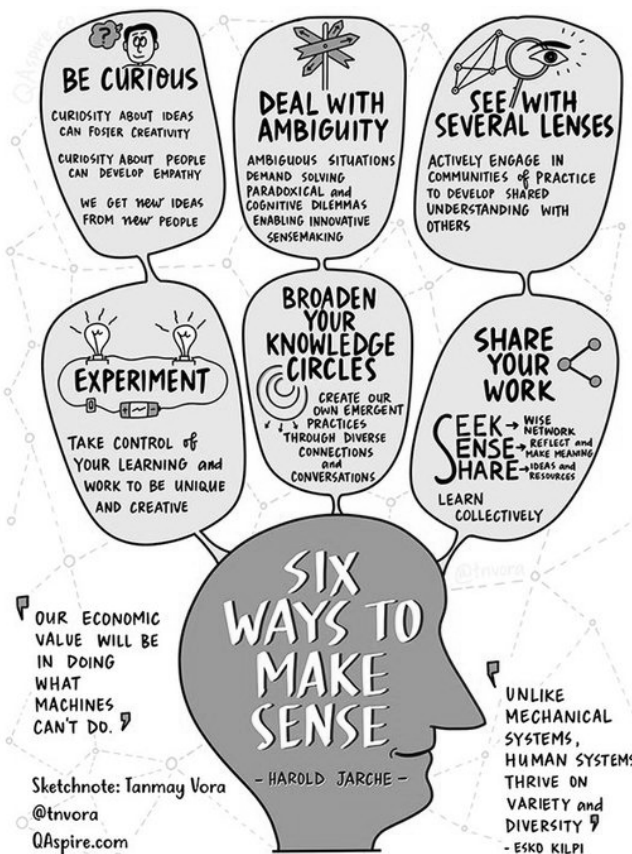
How will you seize the opportunities of change, to innovate in 2021?

Curious and Creative ... making sense of "sensemaking"

More change in the next decade than the last 250 years ... Change that will never be so slow again ... Chaos or complexity, **ambiguity and uncertainty** ... Making sense of our world right now is not easy, but is unlikely to get any easier in the future.

In developing the new Leadership DNA model for *Business Recoded* many respondents said that "**sensemaking**" has become **one of the most crucial leadership skills** today. It has certainly come to the fore over recent months, as leaders seek to make sense of the impact of the pandemic on their business and markets - what to do now, and next.

Sensemaking in a complex world demands an attitude of active **exploration**, relentless **experimentation**, sound **judgment** and seamless collaboration with the outside world.



Harold Jarche is a Canadian sensemaking guru who spent almost 20 years in the armed forces. He proposes **six key practices of sensemaking** as illustrated here by Indian business executive Tanmay Vora.

Sensemaking, in Jarche's model, starts with curiosity. **Curiosity** about ideas leads to **creativity**, curiosity about people develops **empathy**. We get new ideas from new people. We get new **perspectives** from people whose lives and experiences are different from ours.

Complexity drives ambiguity, which exerts pressure on organisations to change how they think, work and decide. Difficult situations, particularly those seeming paradoxical, force us to seek **new interpretations**, enhanced by taking new perspectives, gained by working with others. **Collaboration and community** become critical, as in his "seek - sense - share" model.

Indeed, in a tech-intensive world, soft skills - **empathy, creativity and emotion** - become core skills. In the *Second Machine Age* Andrew McAfee says "a machine can get me what I want, but what if I don't know what I want, or I want to be surprised? That will take a human."

Diversity is essential to enhancing our ability to gain new perspectives and develop new interpretations. Much has been discussed about diversity as a just cause in organisations, but its more than this. It makes us **collectively smarter**, and individually better. Creativity drives enlightened thinking, problem solving and innovative growth.

Sensemaking is not about searching for the "right" answer, as there are **no rights and wrongs**. What you do with your interpretation is what matters. In the same way, creativity does not lead to a "best" practice, but to a diverse set of more innovative practices.

Karl Weick, the 84 year old University of Michigan professor who introduced mindfulness to organisations describes sensemaking "**a search for contexts** within which small details fit together and make sense." In today's complex world, it is our **curiosity and creativity** that become the new foundations of **competitive advantage**.

The Ministry of Common Sense ... getting rid of red tape

“How come every Zoom call lasts **exactly 1 hour** no matter how mundane the call is? And why did all the toilet-breaks disappear as Zoom became everyday work life in our bedrooms?”

“It’s time to remove the silly rules and recover common sense to serve our customers better” says **Martin Lindstrom** in his new book, “**The Ministry of Common Sense**”.



It’s an entertaining rant against the complex and **crazy bureaucracies** that stop companies doing the obvious, the red tape that ties-up customers and employees in knots.

Growing up in Denmark, Martin became known as **the Lego kid**. He was so obsessed with the brick-building brand that he made himself a bed out of it. A few years later, Lego made him their **youngest-ever employee**, recognising that they needed to get to know their most fanatical customers better. How can smart-suited executives really understand what kids want?

In more recent years he has written some **fabulous books** – from *BrandChild* to *BrandSense*, and more recently the fabulously named *Buyology* and *Small Data* – focused on bringing a passionate **customer perspective** to the challenges of brand building, strategic marketing and business growth.

Now he goes a step further as he seeks to “reposition” himself as a **cultural transformation guru**, with a message for the whole business, not just marketers. Customers aren’t just here to engage with your marketing, they are **the whole purpose** of your business. You could say everyone is a marketer, or you could just say it’s just common sense.

Of course, because it’s Martin (who I’ve known as a fellow author and speaker for almost 20 years), this is not a boring business book (although his publisher did prohibit his use of the full “BS” word!). Instead this is a book packed with **anecdotes** from his personal travels around the world. Things you can probably relate to:

“No scissors. No knife. No fingernails. No teeth. I’m about to be at 30,000 feet with no way to open and remove my new headphones from its heavy plastic package.”

Looks like you need to call in the Ministry, which comes with three big ideas:

- **Purpose.** Companies have become so entangled in their own internal issues, that they’ve lost sight of their core purpose.
- **Simplicity.** The book is all about forcing stumbling organisations to revisit the ever lost common sense, typically by taking a customer perspective.
- **Transformation.** Shows you how to instantly remove unproductive BS, unblock innovation, and create an amazing culture.

Now based in **Australia**, Martin quotes the CEO of **Lowes Foods**, who said, “Those companies who go through Covid without completely changing didn’t get the message.” Martin calls his book “a rally cry to **remove the blindfold**. It’s a re-engaging of our empathetic voice, and an urgent reminder to re-humanize.”



Larry Fink's Letter to CEOs ... investing for "net zero"

Larry Fink shocked the financial world in 2018, when he declared that his **BlackRock** investment firm would only invest in companies that could demonstrate that they had a meaningful **purpose beyond profits**.



Over the previous 30 years Fink had built BlackRock into the **largest investment firm** in the world, with almost **\$9 trillion in assets** under management. However, he was always a leader who looked beyond the numbers. His letter to the CEOs of nearly every large company in America deplored the corporate culture of **short-term thinking** and threatened to **vote out board members** who did not hold management more holistically accountable. Other large investment firms have followed BlackRock's lead.

"If the system is **really going to change**, pressure needs to come from the investment community," says the Drucker Institute. "And no voice has been more important or more forceful in this regard than Larry Fink's."

In January, he published **his 2021 Letter to CEOs**, saying that achieving "**net zero**" carbon emissions is the best way to drive investment growth, and **economic recovery**.

- The pandemic demonstrated **the importance of ESG**: reflecting on 2020, he argues that these issues – with climate change as the existential threat that affects us all - matter more than ever, revealing a **96% increase** in sustainable investing in 2019
- Now, because of Covid-19, we know **how fragile we are**, we must act to remain under **2 degrees**. He challenges all companies to achieve "net zero" by 2050. Companies who ignore this, he says, will rapidly lose investor confidence, and economic value.
- We need a single **global reporting standard**. He says most companies, even the best, do a poor job in accounting for carbon emissions, and demands the same standards of accounting as applied to financials. What gets measured, gets done he says.
- **Social issues are rising** fast, he argues. Racial and gender equality came into focus during 2020, although economic inequality is still less visible. Business, he says, holds the key to **inclusive capitalism** – DEI – diversity, equity, inclusion.

Institutional Investor has called Fink "**the Steve Jobs of the money game**" for his ability to foresee a changing world, where most peers are limited in their mindsets by conventional assumptions and incremental solutions. Fink says he is ready to shake-up BlackRock and the entire industry "**We need to be willing to reimagine every aspect of our company** and how we manage it," he wrote "and so should every other business".

That's all for this month.

Thanks to everyone who sent kind messages about my new book "**Business Recoded**" (which has already been nominated for CMI Business Book of 2021). You can find more about it, including most of the business leader profiles, on my website www.peterfisk.com

Stay safe, strong and smiling!

Peter