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2013: Looking for signals from a new world

Don't rely on traditional measures – focus on listening
out for signals and building resilience

The world order is changing. Looking at traditional measures of progress, such as economic growth rates, can be misleading. A new approach is needed where business leaders look for emerging signposts that signal the emergence of a world that none of us may have planned for. To help organizations to prepare for the shock of the new, four key 'what if' questions are presented for leaders and their teams to debate.

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Resolutions and Predictions

So it's January and a new year has broken. That means it's time for those New Year resolutions (that, if you're like me, will never be kept) and yes, all those predictions for what life will be like at the end of 2013. The newspapers are full of predictions such as where the S & P and FTSE indices might be on 31st December 2013.

Downright Dangerous

I'm going to be controversial and say that these traditional predictions are potentially dangerous. They are dangerous for two main reasons:

(1) *They don't focus on the real issue.* None of these predictions deal with the three big questions that should be on business leaders' minds right now. These are:

- Who will be the architects of a new emerging world order?
- What will this new world order mean for my business?
- Which paths are we going to take to get from an old dying world order to a new order?

We need to ask these questions as there is an elephant in the room. We are on the edge of a major revolution in how the world is organised. I'm *not* talking about the much publicised potential shift of economic power from West to East. There is, potentially, something far deeper going on that we must focus on. And that is who the new rulers of the world will be. More of that later, but the important point to remember is that just looking at traditional measures means that we are thinking of the future in terms *just* of the past.

But traditional predictions and measures can be dangerous and downright dangerous for another reason.

(2) *Certainty is assumed.* Regrettably, there is no certainty. An unforeseen side effect of economic globalisation has been that we have created such a complex and interconnected world that it is impossible to make predictions. The data sets of the past are largely irrelevant. We are dealing with a huge global spider's web. Pull at one thread and we don't know for how long the spider web will vibrate or which threads will snap. We're in the position where there are no national leaders who are fully in control of their economies. Not even Obama.

Trying to Find the Elephant in the Room

Instead of just looking at traditional measures, we should be looking for signals and patterns. Signals and patterns that could indicate into whose arms power is shifting and who, therefore, could be the architects of a new world order.

Now you may say:

'Yup, we've got that one covered off ... power ... yes ... in relative terms is shifting away from the US to Asia ... particularly China and India ... but as these countries grow they'll become more democratic ... it might get a bit bumpy on the way, but we'll get back on course. After all ... there's no other way than democracy and free market capitalism.'

My response would be - well, you *might* be right, but you may also be missing one of the biggest power upsets that we could witness in our lifetimes.

The most significant point is that both the architects of the current world order – powerful nation states (up until the Great Recession this was really only the US), and the financial markets, are suffering from a big crisis of legitimacy. One or even both of them could easily fall from grace and they could be replaced globally or regionally by totally new architects.

It's easy to dismiss this suggestion as ridiculous, but all the ingredients are in position for an upheaval:

- (1) In terms of national leaders and governments, we seem to be facing a global pandemic of legitimacy. We can see this, for example, in China[1] where over 90,000 mass protests occur each year and spending on internal security is increasing at around 13% per annum[2], India[3], Italy[4], Russia where Putin's grasp is becoming questionable[5], Spain and Greece where unemployment rates are spiralling ever nearer to 30%[6], [7], [8] and even the US as it struggles with the fiscal cliff[9].
- (2) The financial markets, the second architect, have been rocked by the LIBOR scandal, 'bankers' bonuses' and the fiscal multipliers issue – an admission that effects of austerity programmes have been badly under-estimated[10]. In the eyes of many, it appears that the recipes of the economists do not work anymore[11].

So, the foundations are in position for quite a radical change, but to see it you have to step outside of the traditional box. I explain how to do this in my book *The Era of Global Transition* (<http://amzn.to/UFVW4F>), but you can start by drawing a circle. Put nation states at the 9 o'clock position and financial markets at 12:00 o'clock. That's how we traditionally look at the world, a partnership between states and markets that spans that part of the circumference of the circle that runs clockwise from 9:00 to 12:00 o'clock. You can immediately see that there is a vast unexplored area. Now position a new architect, social movements, at 6:00 o'clock. Social movements are groups of people, empowered by technology, who are drawn together by a common set of values and want to drive major, frame-breaking change. Just think about the Arab Spring and then Europe. In Spain and Greece unemployment levels could breach 30%[7] (which was the level of unemployment in Germany in the early 1930s) in the coming months. In just a year, the unemployed youth in Europe has jumped by over 400,000, well over the size of the French and UK armies combined. Total youth unemployment in Europe now exceeds the population of Ireland.

But there is another new architect to think about. Position this last architect at 3:00 o'clock and add the label 'post-states'.

Nation states, or more correctly, the leaders of nation states, have been in many cases the real losers in the globalisation process. Their power has been eroded by financial markets who believe they are more efficient decision-makers than national leaders, especially in times of crisis[12]. Technology is puncturing national borders and the Great Recession has left many countries economically divided. New energy discoveries too could well open more boundary pressures[13]. These pressures can stimulate a reaction

and dramatic change. The easiest way to conceptualise this change is to think of a re-grouping of nation states or regionalisation and it is interesting to note that both Russia and China are both taking steps to build their own 'regions of influence'[14], [15]. These new groupings are represented at the 3:00 o'clock position – that I call 'post states'.

The mistake is to think that the future where architectural power and influence only lies between the 9:00 and 12:00 o'clock positions, in other words a contest between the dominance of either the markets (free market capitalism or the 'Washington Consensus') or nation states (state capitalism or the 'Beijing Consensus'). The future could well lie completely outside this current zone of thought.

Looking for Signals

So I'm looking for patterns and signals, the tremors that may foretell a break-out into a new world order. Some of the areas and issues I'm interested in are:

- Social cohesion in Europe
- Rising nationalism in Asia
- Conflict (1), not in military terms, but in terms of the emergence of economic imperialism
- Conflict (2), in military terms, as the hypothesis that the world is becoming a safer place needs to be tested. The South China Sea and Iran head up the list
- The impact of NATO's scheduled withdrawal from Afghanistan
- Emerging indications of a rejection of consumerism
- Unfolding events in the Middle East particularly pathways to or away from democracy, the robustness of current geographic borders and the emergence of theocracy.

The 'What Ifs'

In addition to watching out for signals, there are areas to consider *now* that could represent the characteristics of a future world. I would recommend that you should debate now how your organization will react to the following issues or '*What Would We Do If*' questions:

- (a) *A no-growth world. 'What would we do if global growth stumbles for a decade?'* There is emerging thought that we may face a world without growth or even de-growth. There is a gathering 'perfect storm' of factors that could drive the emergence of this scenario that range from the need for a new industrial revolution to drive growth through to increasing geo-political tensions. The area of no-growth/de-growth is so important that I will be devoting a separate briefing paper to this topic.
- (b) *Changing consumerism. 'What would we do if consumers' behaviour fundamentally changed?'* Very much linked to (a) and the effects of austerity programmes coupled with a rejection of outward displays of wealth and concerns of the moral implications of the 'commercialisation of society'.
- (c) *Regionalisation not globalisation. 'What would we do if new iron curtains appeared?'* Some of the long-standing assumptions underpinning economic globalisation are looking shaky now. Where could the divisions appear? Will it be possible to trade across boundaries? How would existing value chains be affected?
- (d) *The decline of social media. 'What would we do without social media?'* An interesting point. Recent debates about who could control the Internet, Press

freedom[16] and the rising influence of autocratic powers could influence the acceptability and role of social media in our societies.

So the future is demanding but, as always, there are real opportunities to be grasped by businesses that explore a new emerging world whilst their competitors gaze at a past world.

ABOUT DR ROBERT DAVIES

Robert helps business leaders unravel the implications of an unprecedented shift in the balance of global power and influence. The tools and approaches that he uses are based upon leading-edge research and years of practical, hands-on management experience. Robert is a Senior Visiting Fellow at Cass Business School, London, where he teaches on the MBA program. He is also a member of the International Politics Department at City University where he conducts research and teaches on the MA Global Political Economy program.

Robert's book, *The Era of Global Transition: crises and opportunities in the new world* (<http://amzn.to/UFVW4F>) provides business leaders with a complete hands-on guide to the future of globalisation

Services can be delivered in a number of ways from consultancy assignments and research projects through to training workshops, event speaking, coaching, mentoring, or even short, value-added conversations in these and other areas:

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- *Innovation*

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