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EXPLORE THE FUTURE

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Get Ready For Creative Destruction

What is really happening in the world? There seem to be so many contradictory signals. Success at the World Trade Organization talks in Bali, confrontations in the South China Seas, new emerging economic power blocs and questions over global growth. What is happening? The answer is global creative destruction and this briefing introduces the questions that you need to address to start thinking about it.

This briefing explores the next stage in the globalisation process and presents questions for business leaders to consider.

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Can you see the waves of creative destruction?

Have you noticed that the world has got rather confused lately? The plan doesn't seem to be totally on course. The 'plan' that I'm referring to is the seemingly unstoppable juggernaut of 'one world globalisation'. But is it unstoppable? Well, some agreement has been reached, after 18 years, at the World Trade Organization conference in Bali[1], which is a positive point. But global growth forecasts have been [downgraded](#) [2], Brazil is threatening an Internet clampdown [3], nationalism is [rising in Europe](#)[4] and one powerful global leader is trying, in the face of mass social protest, to create a new regional trading bloc and erecting [barbed wire fences](#)[5].

So what's going on?

It's called *creative destruction*. Creative destruction is something that free markets are supposed to relish – tearing down what doesn't work and finding innovative solutions to new problems and opportunities. These waves of creative destruction typically follow hard, deep recessions – just like the *Great Recession*. The problem is that the waves of creative destruction on the horizon aren't just driven by a recession, they are also driven by a change in the world order as states, financial markets and even Joe Public – people in the street - try to fill a vacuum left by a potential decline in the US's influence. None of us have lived through this type of creative destruction before. This type of creative destruction is so different that I'm going to refer to it as *global creative destruction*.

The truth is that living through the waves of global creative destruction isn't exactly pleasant and we don't like to think about it. Hoping that familiar, old worlds will re-appear is a little easier. But think about it we must if we are going to be equipped to see the challenges – *and the opportunities* coming. So ensuring robustness in a world of global creative destruction must be at the top of the agenda for business leaders as 2014 opens.

To try to ensure robustness for our businesses, we have to look outside generally accepted views of the future that largely have their feet, or more correctly underlying assumptions, in the past. To start this process there are six key questions or topics that, I suggest, you should initially address. The questions, whilst they may not initially appear to apply to your business, are very relevant if we are to get to grips with the impact of both the debris of the *Great Recession* and the oncoming waves of global creative destruction. So the questions or points are:

1. Globalisation – have we got it wrong?
2. What about the future of consumerism?
3. Big state, big state.
4. What is our purpose as a business?
5. Rethinking technology and social media.
6. What's next for strategy?

Tackling these seemingly disparate questions takes us into very new realms.

But first, let us reflect on current, established views of the future and what those views might hold before we return to look at the above six questions in greater detail at the end of this briefing.

‘Challenging, different, but a better place.’

Some of us might have come to that conclusion after we worked our way through the many articles, opinion pieces, reports, projections and forecasts that tell us what the world will look like in 2025, 2030 or even 2050. I am not going to list out all the developments and major trends that are frequently cited, but a few would include:

- The continued rise of Asia.
- The emergence of the next generation of ‘BRICs’.
- Demographic shifts, ageing populations.
- Urbanisation and the rise of new mega-cities.
- Technology as possibly the principal driver of change, change that will lead to innovation, more growth and, critically, a globally-connected world.

Certainly, this future world looks somewhat different. The balance of growth is in the East but the world still has a very familiar feel to it. It seems to be an extrapolation from where we are now. Different, challenging, better and, all said, relatively benign.

But could there be something wrong? Could we be missing a key point, a vital clue?

Yes, I am afraid that there might just be something wrong or, at least, something missing. Many of these projections are based upon one deep, subliminal assumption, which brings me onto my first and indeed central message that I would like to convey which is to be careful, be very careful when thinking about the future, *particularly with regard to globalisation* – we need to ask the question – *are we looking at the right type of globalisation?* Surprisingly, I will propose that there is more than one type of globalisation.

Globalisation is a word that that has fallen into popular everyday usage. It is hard, if not impossible, to find a business plan that does not refer to it. The problem is that when we talk about globalisation we often do not define what we mean. In practice, we are referring to only one type of globalisation and that is *economic* globalisation. The best definition of economic globalisation I feel is that presented by the economist Joseph Stiglitz[6] which I am going to paraphrase and develop somewhat when I say that economic globalisation ‘*is the generation of increased wealth through the ever closer economic integration of countries and the empowerment of people.*’

This paints the picture of a very understandable and rational world, but as Alan Greenspan has learned, people do not always act in an economically rational manner[7], [8].

Which leads us to the question are there other forms of globalisation? Well, the *Great Recession* changed the game, or more correctly, lifted the shackles off two other forms of globalisation that we ignore at our peril. If we don't consider all three forms of globalisation then our views of the future and the opportunities that such a future will present for our businesses will be grossly distorted. Or, we will not be exploring the realms of global creative destruction. So it is time to take a serious look at the other two types of globalisation.

The second type of globalisation, which is making its play now, is security globalisation. Whilst economic globalisation is all about the creation of wealth and tearing down national borders, security globalisation is subtly different. Security globalisation says '*Look, the world is going to be rough and tough out there – but don't worry – stick by my rules and you and those dear to you will be safe and free from hunger.*' The big thing to remember is that it is the dominant power of the state that sits firmly behind this form of globalisation. It is a form of globalisation that may be closely allied to thinking in Russia and in China and in many eyes, it is as legitimate, if not more legitimate, than economic globalisation. And just to illustrate this point, the man who is said to believe that regionalisation is more reliable than globalisation[9], and is attempting to build a Eurasian Union, Vladimir Putin, has just been voted by Forbes magazine as the world's most powerful individual[10].

But there is yet another, a third form of globalisation, that we need to be aware of and that I will call 'values globalisation'. Think about this as a rallying point that has little to do with the leaders of nation states or financial markets or even material wealth. These have little credibility for the followers of values globalisation. I am of course here referring to religion, but I do not want to limit our thinking just to religious causes. You might just want to pause to think what could happen to the Eurozone's near 20m unemployed – or how those 20m minds might be influenced in coming years. And it is interesting to note that whilst I was preparing this briefing, the Pope weighed into the argument attacking unfettered capitalism as 'the new tyranny'[11].

So this takes me to my second message, which is that whilst the use of 'mega trends' is a conventional way of looking at the future, it may be a misleading one. We have to think about these trends and the future through three lenses – economic, security and values-based - each one of which represents a different type of globalisation or a different source of legitimacy. I have a very great fear that we will all be in for a big shock if we just interpret future trends merely through the eyes of rational economic globalisation.

But in addition to globalisation, in its different forms, we have to think about *The Fog*.

So what do I mean when I refer to *The Fog*? I am of course referring to the whole issue of the biggest and most complex power transition that the world has ever seen. Now *The Fog* is not a terribly nice place to walk into, but walk into it we must if we are to get a view of what the outcome might be and what the implications could be for our businesses.

So let's hold our breath and go into *The Fog* remembering that there might be an unexpected silver lining out there. *The Fog* is a complex place so I will just refer here to two or three issues that we will find in *The Fog*.

The first issue that we stumble across is 'global gridlock'. When I talk of global gridlock, I am really saying that we may not have the machinery of coordination and decision-making to take globalisation to its next level. It is rather like trying to enter a new distribution channel or launch a new product without the right IT system. This is a real concern and is occupying the minds of researchers[12] and think tanks[13] on both sides of the Atlantic. There are at least three real causal factors, firstly, multi-polarity or more feet wanting to be around the decision-making tables, secondly creaking institutions that reflect a 1950s world order and, thirdly, more difficult problems that span diverging viewpoints. This is a big worry that acts as a signal that things are not going according to plan. Don't forget that it has taken the WTO 18 years to reach any form of initial agreement at Bali[1].

As we continue our journey into *The Fog* we collide with a fence that is all to do with the future of global growth. Or at least in the future of growth in the West. Some argue that a new industrial revolution is needed to kick start sustainable growth in the West[14], [15]. Others fret about the task of rebalancing the advanced economies to reduce employment inequality and volatility. The ground seems to be scattered with early warning signals that the best of times might be over for Westerners and especially the middle class baby boomers whose children might be worse off than their parents.

This all leaves us deeper in thought and we peer another few yards ahead of us and see a bright and hopeful light – Asia. But then we pause to consider questions. Is its future as the world's engine of growth as certain as we would like to think? Whilst all the demographically based projections make sense in an economically rational world, is the infrastructure, at a country-level, capable of meeting growth expectations? Can historic rivalries be forgotten[16]? Can China survive the pressures from a new and freedom hungry middle class? Can the most basic of resources, water, be shared fairly without conflict[17]?

As our minds fill with even more thoughts we turn to find our way out.

But as we retrace our steps out of *The Fog* our perspective on the future has changed and some fresh ideas, areas of thought, appear that I would like to offer up and these are the six points that I started this briefing with.

Treat these questions as discussion points for you to explore the implications of what may lie ahead in a very different world for your organisation. The questions, of course, encourage you to consider a less than conventional picture of the future. I am not going to suggest for one moment that you accept all of them, but if they are debated, they might just help to develop a more robust road map to get your organisations through those waves of global creative destruction, the process that the world will go through during the next decade, in a far better shape and indeed a very different form than many.

Point #1: Globalisation - Have we got it wrong? This is to do with the process of globalisation and is the question – ‘*have we got it all wrong – have we missed out a step?*’ My point is, are our aspirations to create one unified world in one big step just too ambitious? We have to consider whether or not we have missed out a vital phase or step. Is the next phase in the globalisation process actually regionalisation or the creation of ‘super states’[18]? It is critically important to think about what is really on the agendas of current and aspiring global leaders to answer the question: ‘*what is really the next step – steady progress to one-world globalisation or the emergence of very different super states?*’ We will get a clearer answer to that question as we move closer to 2020 – the point when we will witness decoupling – that is ‘military decoupling’ – when the US will not be able to militarily dominate either Asia or Europe. This question too encourages us to consider the role of the nation-state. Many say that the role of the nation-state in the world is declining. But this ignores what may be the next step – how nation-states will fight back against the erosion of their powers.

No one knows exactly which course globalisation will take over the coming decades, so it seems essential that we consider an alternative view - where the splits, the fractures could appear and how well one super state might talk to another if we are to avoid being wrong-footed. Could, for example, the current tussle between the EU and Russia over the old Soviet Empire[5] be just a taste of things to come? So thinking about developing resilience in a world of three globalisations must be top of the action list.

Point #2: What about consumerism? Are we really going back to consumer fuelled growth, a world of materialism or are we on the threshold of the biggest shift in consumer behaviour that we have ever seen? Well, there is emerging evidence that we might just be. Research[19] tells us that the *Great Recession* might just have changed behaviours and decades-long trends, especially amongst the young. Collectivism (worrying about others), concern for the environment may all be going up and materialism could be going down. Could the family and experiences replace materialism? Quite possibly, and the seeds are there both in the West and the East[20]. Another essential area for debate as in addition to influencing strategy, it influences, in turn, the purpose of business in a changing world.

Point #3: Big state, big state. Established thinking, linked to free market capitalism, is that the financial markets know best and can act quicker, less emotionally and more effectively especially in times of crisis[21]. This ignores the impending dominance of state capitalism.

Just add up the GDP of nation-states that have grown through capitalism under the control of the state. Whilst it is true that nation-states want to do less, they will want to control more.

Point #4: What is our purpose? The fourth point builds upon the above three issues and is one with regard to the purpose of business – should we be thinking beyond *shareholder value* to the creation of *shared value*[22]? From another angle, is this the end of ‘*doing more with less*’ and the start of ‘*helping more with the same*’? These are critical questions as the relationship between business and society could shift quite dramatically in a new world – you could call it capitalism’s next phase of its own creative destruction. It is an important area to consider as one needs to avoid making a strategic decision now that just might be socially unacceptable in five or so years from now.

Point #5: Technology and social media. There’s a lot of talk about the pivotal role that social media will play in the business environment and this gives me the opportunity to share a little secret with you. That secret is – if you see a popularly accepted conclusion – do not go along with it without first challenging the underlying assumptions! So the perceived role of social media is a position that should be challenged at many levels. If we stand back and look again at *The Fog*, the Snowden Affair, cookies, keyboard boredom, predictive human emulation technologies and face scanners in retail outlets then there are several real hurdles that social media will have to jump before it assumes a pivotal role. And when it has jumped all those hurdles will the next big thing be not connectivity but privacy?

Point #6: Competitive advantage. I think that the work of Professor Michael Porter[23] has served us well and stood the test of time. He taught to think about competitive strategy in basically economic terms – lower costs, better products. But how well will these tools, born in the early 1980s, stack up in our emerging post-recession world? Have we reached the time when there is more to think about than just costs or *doing more with less*? What about ‘*helping more with the same*’? I have got my concerns which are very much linked to changing behaviour and views upon the relationship between business and society.

These points summarise the major thinking points that I believe should be on the business leader’s discussion agenda – and they also reflect my own areas of thought and research.

I hope these points will form the basis for a productive debate in your organisation.

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

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- *Scenario planning*
- *Change management*
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