

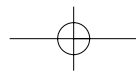
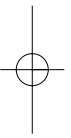
Business

in a Fragile World **01.01.2012**

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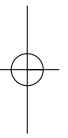
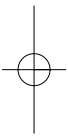
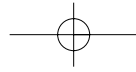
Preface



**Joe W.
Forehand**
Chairman
& CEO

All of us who run major businesses have grown accustomed to the pressures of working in a constantly changing environment – but we now face an almost unparalleled degree of uncertainty. How can companies survive and prosper in this difficult world? One thing is clear: business is not merely an onlooker, and we will be failing in our duty as leaders if we simply sit around waiting for events to happen. Rather, we need to be proactive today to ensure our success whatever the future might hold. *Business in a Fragile World* helps leaders do precisely this, by providing a fresh alternative to the old ways of planning

for the future. It looks at the key forces that are driving change and uses these to develop a number of different possible futures, with the aim of helping CEOs think through what is needed to cope with radically different situations. The study reinforces in my own mind the fact that, in order to get results and succeed under any scenario, businesses will need innovative mechanisms to develop – and amend – strategy, a range of core capabilities such as resilience, flexibility and the ability to collaborate through external relationships, and a new kind of leadership. This study looks 10 years ahead, but it's not a day too soon to act.



Contents

2 Comment

Vernon Ellis, International Chairman of Accenture, sets out some personal reflections on how business can prosper in times of uncertainty.

3 Reappraising the Future

Introduces the study by identifying the forces shaping the future environment for business and summarising four scenarios for 2012.

6 Scenario 1 Common Ground

A relatively stable and integrated world where wealth is shared more equally but taxation and bureaucracy are growing.

14 Scenario 2 Survival of the Fittest

Free markets spread across the world. Inequalities continue to widen as elites prosper but poverty declines in most countries.

22 Scenario 3 Tempestuous Times

Tensions are high as sharp social and economic divides emerge. A few do well but security becomes a major concern.

30 Scenario 4 Worlds Apart

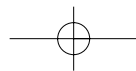
Countries turn inwards as a result of economic and political insecurities. Local communities strengthen but their links to the rest of the world become weaker.

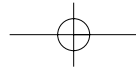
38 Succeeding in an Uncertain World

Outlines the imperatives for business, and the new leadership capabilities that will be needed to survive and prosper in increasingly uncertain times.

45 Annex The Dimensions of Change

Outlines the methodology used in the study and describes in more detail the forces shaping the scenarios.





2 Business in a Fragile World **Comment**

Comment

Asked what he feared most, the British prime minister Harold Macmillan is said to have responded, "Events, dear boy. Events." After a year in which the unimaginable happened, it would be foolish to make predictions about the business environment – and this study does not seek to make any. Instead it paints a picture of possible scenarios that businesses might face, so that leaders can consider how their company might fare in a range of different circumstances.



Vernon Ellis
International
Chairman

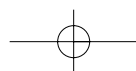
This is not our first set of scenarios. As long ago as 1996, Accenture created some scenarios for Europe. Those pictures of life in 2008 were first published in our study *Europe Beyond the Millennium*, and were then developed further in *Reconnecting Europe*. Many companies faced choices at that time over how to develop their European operations and found it very helpful to test their thinking against the various scenarios we described. The same core team, within Accenture's Policy & Corporate Affairs Group, which created the European scenarios, has now produced *Business in a Fragile World*. A glance at these two sets of scenarios reveals how much (and in some ways how little) our expectations of the future have changed in the space of just a few years. Few commentators in the mid-1990s predicted that globalisation

might be under threat, for example. Yet the events of 11 September have conspired with global slowdown and the rapid growth of the anti-globalisation movement to create real doubt about what was once seen as an unstoppable force. The four scenarios here demonstrate that, while globalisation may well continue, a globalised world could come in very different forms, some much more positive for business than others.

Perhaps the study's most striking conclusion is that there is a need for a new type of leadership and decision-making in the face of today's uncertainty. History suggests that the response to great shocks is often to take a highly conservative and defensive approach, cutting costs and focusing on core markets. This is understandable, but the study argues persuasively that we all need to overcome these natural tendencies and instead act in a more resolute and positive manner. As the seventeenth century poet John Dryden put it, "Fortune befriends the bold." Uncertainty and dislocation can provide a real impetus for greater innovation, for those businesses that are willing and able to act decisively, as they look for new solutions to cope with changed conditions.

Businesses must be willing to take some risks, but those risks should always be calculated. And one way of minimising risk is by changing the way we relate to the world around us. Companies that create the right organisational 'antennae', by creating and managing a whole series of connections with external stakeholders, will have a better understanding of the forces that affect them. They will also have more of an ability to shape those forces. Of course there will be shocks that are beyond our control, but we should not underestimate our ability to influence much of what happens, to the benefit of both our own organisations and society at large.

These are difficult times, but they provide us with some important messages that, if implemented properly, can leave businesses stronger and better able to compete and innovate. Above all, if leaders can create agile, innovative and entrepreneurial cultures, which are well-connected and have a real understanding of, and commitment to, the communities in which their companies operate, I am convinced that businesses can continue to flourish in even the toughest environments.



Reappraising the Future

Businesses have grown used to coping with frequent change, yet much of their decision-making has proceeded as though the broader environment were relatively stable and predictable. Business leaders and experts have tended to assume that the drive towards global integration – of business methods and values, markets for goods and services, knowledge, and capital – witnessed over the last two decades would continue unabated. But three recent developments are causing a radical reappraisal of that assumption.

The rise of the anti-globalisation movement

This movement first came to public attention with the violent protests at Seattle, and later with those at Melbourne and Genoa, but it had been quietly on the rise for some time. It taps into deep-rooted and widespread public concerns about the role played by international institutions and businesses in the global trading system, and has focused public attention on the wider relationship between business and the rest of society. The movement now encompasses a range of issues, including environmental and labour standards, power and accountability and the impact on local cultures and communities.

Global economic slowdown and recession

For the first time in more than 20 years, all three major industrialised economic regions

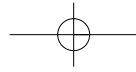
are simultaneously experiencing a slowdown or are in recession. With the world's major economic regions now closely intertwined, there is a danger of problems in one region spreading to other parts of the world, leaving major international businesses more vulnerable than ever before.

The terrorist attacks and the subsequent war on terrorism

The impact of the terrorist attacks in the US on 11 September 2001 and the subsequent 'war on terrorism' have gone beyond the immediate and terrible human consequences. These events have exposed the fragility of our interconnected world, reducing many people's feeling of personal security, creating new kinds of uncertainty, and highlighting the major divisions – cultural, economic, and

religious – that still exist in the world. This instability has had a powerful economic effect, accelerating a downturn that had already begun. Some of the key industries that have driven globalisation – notably transportation and communications – have been particularly affected.

Together, these developments have revealed the extent to which the global business climate can change unpredictably and dramatically. Now, more than ever, businesses need to be sensitive to what is happening in the world around them. In this study we examine the forces underpinning recent developments and explore how they might shape the future business environment. We then identify the capabilities organisations will need in order to thrive in times of uncertainty.



4 Business in a Fragile World **Reappraising the Future**

Scenarios for 2012

So how can CEOs and the businesses they lead achieve success in such a fragile world? What are the common strategic issues that need to be addressed now, and to what extent can corporations work to shape outcomes themselves? In this study, we looked 10 years into the future to explore how events might shape the world business environment, and the implications for business strategy today.

The dimensions of change

When thinking about the underlying causes of changes in the global business environment, the focus has tended to be primarily on economic forces. Recent events have confirmed how forces that are more socio-political in nature also affect business. The scenario framework for this study therefore looks at two 'dimensions of change', economic and socio-political. These 'dimensions of change' form the axes of the scenario framework, with the world business environment of today set in the centre. The horizontal axis runs from a more economically independent world to a more economically interdependent world, while the vertical axis runs from a non-collaborative

to a collaborative socio-political environment. We examined a number of major forces that shape the global environment for business, and then developed four scenarios that set out very different views of the future. A detailed description of the main forces is included in the Annex of this study. The main categories can be summarised as:

Economic:

- Economic ideology and corporate strategy
- Market developments (capital, labour and consumer)
- Government economic policy
- Supranational institutions
- Travel and transport
- Information communications technologies (ICT)

Socio-political:

- Attitudes and values
- Approach to policy making
- Religion and ideology
- Geopolitics
- Civil society
- International institutions

By looking at the forces driving change, and pushing them to their logical extremes,

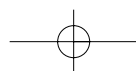
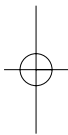
we have created four very different views of how the world may look in 10 years' time. Three of the four scenarios demonstrate that although globalisation may well continue, a globalised world may come in very different forms, some much more positive for business than others. The fourth scenario highlights the real possibility of an overall retreat from globalisation.

Scenario 1 Common Ground

In this relatively stable and integrated world, tensions between different countries and different social groups are increasingly resolved by collaboration and negotiation. Economic growth is relatively slow but steady, and wealth is shared more equally within and between countries. Business is better connected with the rest of society. Most people are more secure and better off, and there is greater tolerance of diversity. But in richer countries in particular, concerns are growing about the high costs of this stability, which include rising inflation, higher taxation, and excessive bureaucracy.

Scenario 2 Survival of the Fittest

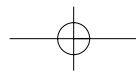
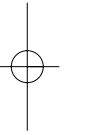
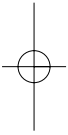
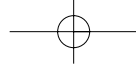
Free markets have spread to many countries. Regulation and taxation are light and

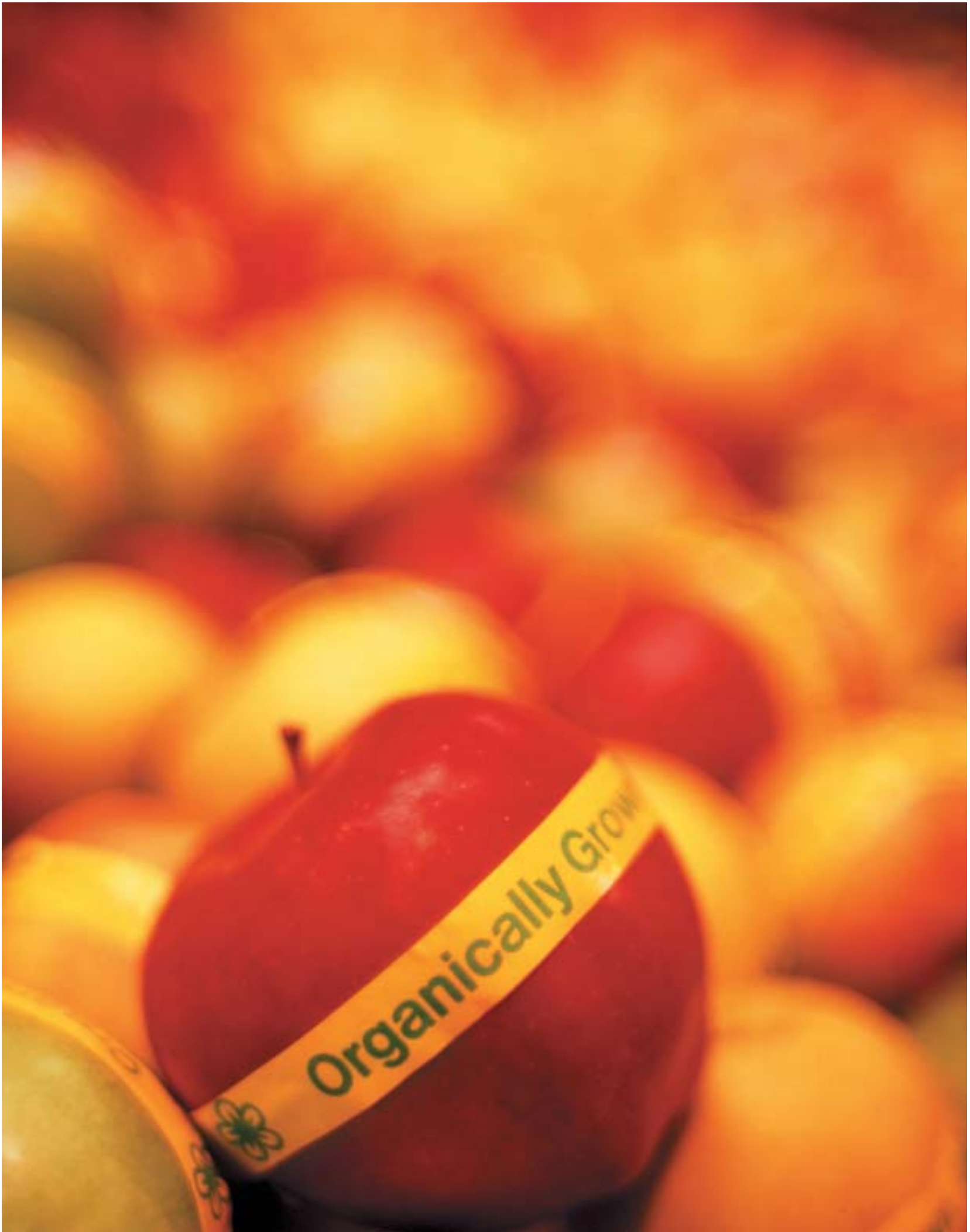


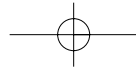


Common Ground

In this relatively stable and integrated world, tensions between different countries and different social groups are increasingly resolved by collaboration and negotiation. Economic growth is relatively slow but steady, and wealth is shared more equally within and between countries. Business is better connected with the rest of society. Most people are more secure and better off, and there is greater tolerance of diversity. But concerns are growing, particularly in richer countries, about the high costs of this stability, including rising inflation, high taxation and excessive bureaucracy.







Atlantic Times 15.05.11: US and Chinese fleets in joint exercise: Indian observers invited

An era of international cooperation

In 2012 the world is a relatively stable and harmonious place in which to live and work, although in the early years of the century the US suffered a number of violent attacks on its institutions around the world.

But a new mood both inside and outside the US led to more concerted international action and reduced political tensions.

The American public, fearful of escalating military action following a number of high-profile casualties, pressed for greater international engagement to reduce tensions and for a new focus on development issues around the world. Other powerful nations – such as the European Union members, China, Russia and India – became increasingly concerned about the risks posed by failed states and international terrorism.

In the Middle East a concerted effort by leading nations brought about a settlement of the Palestine-Israel dispute, which in turn paved the way for stability to spread across the region.

Negotiations have recently begun in earnest on dismantling more nuclear weapons and on ways to expose biological and chemical weapons stockpiles. A strengthened and

streamlined UN has taken on a more powerful and prominent role too. Nations large and small have become increasingly willing to rely on the UN as an 'honest broker'; and it has gained effective powers to monitor and enforce decisions, including a more robust peacekeeping force.

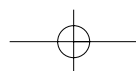
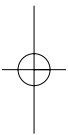
Revival of economic growth

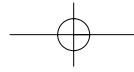
Global economic growth faltered in the early years of the decade, as episodes of terrorist activity led to political instability and sharp rises in fuel prices. But the middle of the decade saw a sustained recovery, as political tensions began to ease significantly and the effects of active monetary and fiscal management fed through into private sector activity. The world economic outlook is now largely positive.

In richer countries, long-term growth rates have slowed somewhat and highly ambitious targets for rapid productivity growth have not been met – although there has been substantial progress through the growing integration of business activities. The benefits of technology are now widely accepted, and business and governments have worked closely together to create a secure global digital highway

to facilitate dialogue, the exchange of information and electronic commerce. Large multinationals have set up their own innovation research groups to take advantage of the economies of scale permitted by common standards and global markets. But these advances have been offset to a certain extent by high taxes on business, incomes and wealth, increases in bureaucracy and regulation, and a general sense of comfort (particularly as competition between the major multinationals is not fierce), all of which diminish the impetus for change. Ethical concerns inhibit the development or use of certain new technologies. Short-term investment in communities and developing countries has risen, in the hope of long-term payoffs. Most big firms devote significant expenditure to working with governments and regulatory bodies to ensure that their interests are recognised when policy decisions are made.

Income inequalities within and between countries have started to narrow as advances in wireless technology (such as the cheap semi-disposable mobile phone) have made it possible for some poorer countries and remote regions to join in the worldwide web, providing new information and educational





10 Business in a Fragile World **Common Ground**

African News Network 28.06.08: Enrolments to UN e-literacy programme soar

opportunities along with access to world markets. A number of emerging and low-income countries have received sustained public and private investment from rich countries, and have committed themselves more strongly to transparency, the rule of law and open economies, along with social protection and investment in health and education. This stability has enabled them to make effective use of investment, attract large amounts of private capital, and boost their economic growth rates. At the same time, improved access to education and healthcare has moderated population growth in poorer countries and improved productivity levels. Especially important was the discovery of an effective AIDS vaccine, which pharmaceutical corporations provided at low cost to developing country governments and the World Health Organisation.

Many countries continue to battle corruption, political instability and the impact of natural disasters, and large numbers of people around the world continue to live in poverty. But the successes have inspired optimism that extreme poverty may be halved by 2015 – the target agreed by the international community at the UN back in the 1990s.

Economic growth and better living standards for almost everyone have dramatically reduced the frequency and stridency of anti-globalisation protests, except among a small group of ardent anti-capitalists. Support for extremists – whether political, religious or ethnic – has declined. Although unrest does still occur, the international community is more prepared to intervene in disputes to prevent the escalation of violence.

New concentrations of economic power

The balance of economic power has shifted significantly over the last decade, with other

regions gaining weight relative to the US. The EU, which now includes most of Central and Eastern Europe, has become a stronger economic and political force. Stability in the EU underpinned economic growth across the region, and the euro is now a major international reserve currency.

In Asia, Japan has recovered from the severe deflation it suffered at the turn of the century, thanks to active monetary policy and deregulation and reform in the private sector (particularly in banking). Japan's recovery has also benefited from closer economic ties with China, a country experiencing strong growth after opening up its economy in line with its commitments to the WTO in 2002. Indeed, Asia as a whole has become a much stronger player in the global economy, partly due to the emergence of many national companies as major multinational operators. But it also reflects the growing influence of the Association of Asian Nations (AAN), a grouping which evolved from the Association of South East Asian Nations to include Japan, China and South Korea. After successful efforts to promote economic integration, the AAN is considering a monetary union, modelled on the EU's successful transition to a single currency. The Indian economy has also experienced steady growth since key markets were opened up to trade and investment.

Economies are also strengthening across large parts of Latin America, where the crises early in the decade produced unstoppable pressure from the general public and businesses to tackle inefficiencies and corruption. Although reforms were initially painful and protracted, they enjoyed popular support, because investments in health and education services were maintained or increased and because it was felt that all classes were bearing an equal share of the pain. Many Latin American countries have emerged much stronger as a result, and migration to the US and Europe has

begun to reverse. Sub-Saharan Africa has enjoyed notable economic success in attracting low-cost manufacturing production as traditional manufacturing centres such as China became more sophisticated and more expensive.

Coordination of the economy

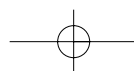
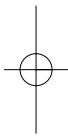
The G20, a broad-based group of countries from across the world and across different income levels, shares information and coordinates international economic policy. Most governments are now linked by digital networks, which keep them in permanent contact with each other and with companies and citizens.

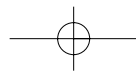
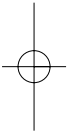
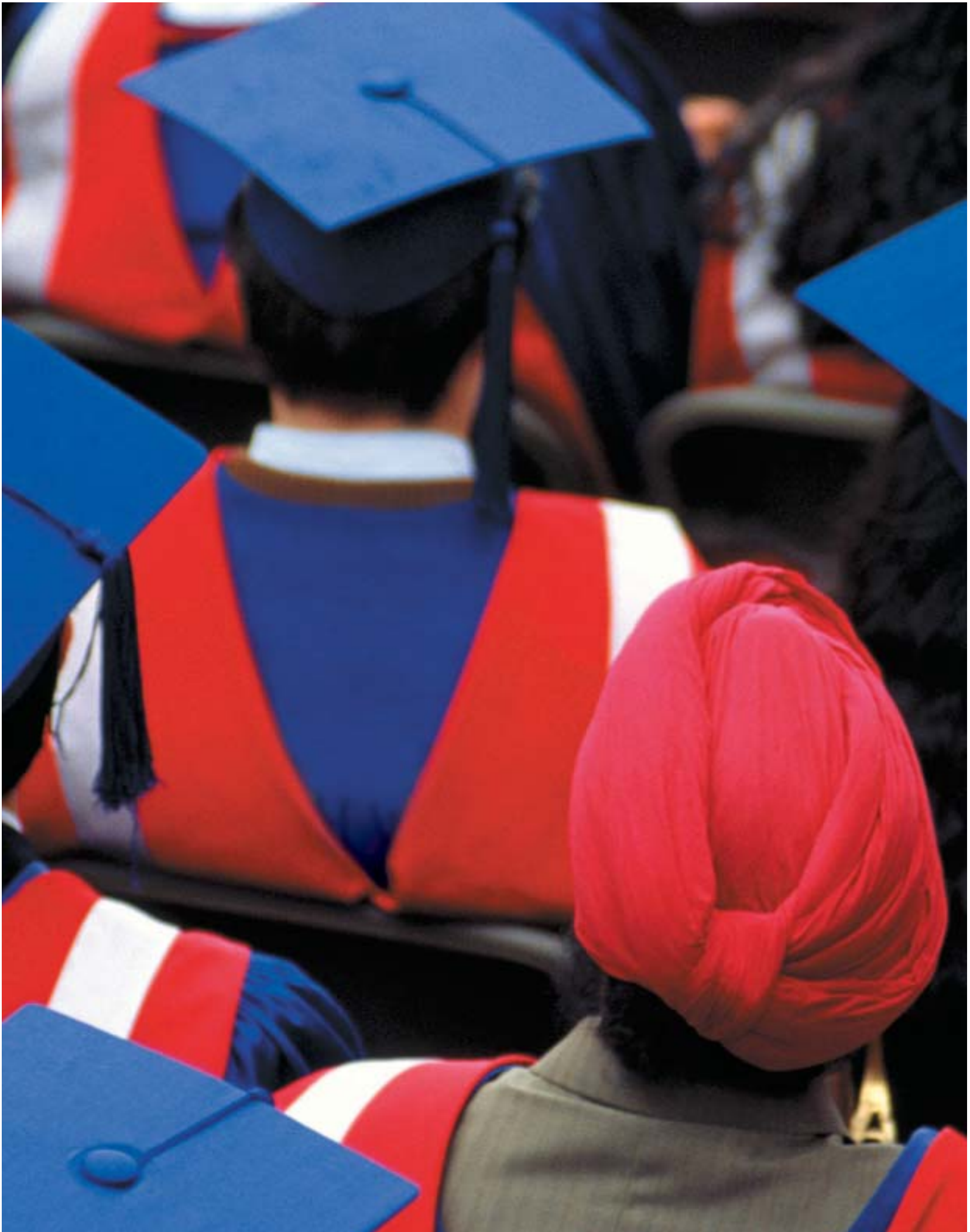
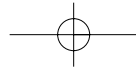
Governments and corporations work together to try to minimise the adverse effects of economic cycles. This has led to more active economic management, which has caused inflation rates to creep up in some countries. For their part, companies have found it in their interest to retain more employees during downturns than they used to, sometimes on reduced pay and hours.

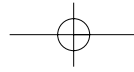
Capital mobility is still high, but capital markets have become more stable. The severe financial crises around the world during the 1990s and early 2000s have not been repeated since a string of sovereign defaults in mid-decade. These inspired world governments to develop new arrangements for countries based on national bankruptcy procedures, a process which took several years. Several countries have since taken advantage of these new procedures to reorder their obligations and put in place reforms to allow economic recovery. Initially sceptical, financial markets have been encouraged by the success of these procedures.

Business on a global scale

Business operates on an increasingly global scale. Trade and investment flows are high.







12 Business in a Fragile World **Common Ground**

SkanBiz.mob 10.10.07:

Record year for convictions, reveals International Corruption Commission

Transparent global supply chains, supported by new information technologies, dominate the business landscape. The cost of capital is low for investment in different parts of the world. Although returns have also been somewhat reduced by the costs of dealing with a more complex social environment, lower risks have brought new players into the market. Consequently, established businesses have to move quickly to exploit new opportunities.

Firms monitor flows of international trade, keeping a close eye on regional economic performance and adjusting their production strategy and delivery channels accordingly. The global trade in business services has grown sharply, made possible by new technologies that improve communications and ease knowledge transfer across borders, and by the development of common standards for professional services. Many companies are relocating operations to cheaper developing countries, and head offices are becoming more diverse as CEOs come from a broader range of countries. This is creating a bonanza for countries such as India, Indonesia and Brazil, which have accelerated the liberalisation of their economies.

While businesses operate globally, they think in terms of carefully defined local market segments. Successful companies have been those able to mix global scale with appropriate local involvement. New technologies enable multinationals to 'know their customer' more intimately and respond to their likes and dislikes. Different products and brands are tailored to local customs and preferences in different parts of the world. In rich countries, the growing number of over 50s has triggered a surge in demand for goods and services which cater to affluent lifestyles and expectations of high quality. There is a greater demand for healthcare services, as people expect to remain in better

physical condition for longer. Sales growth has tailed off in top income brackets in industrialised countries, but emerging markets offer key growth opportunities for business as more people join the middle-classes and acquire new purchasing power.

Wider shareholding has brought about a greater focus on corporate governance and social responsibility. Information on company practice has become much more widely available as communications technology has accompanied pressures to improve information disclosure. Many workers have opposed the investment of their pension funds in unstable companies or those deemed socially irresponsible, especially since ethical investment funds have matched the performance of other funds.

Many companies have recognised that creating connections with wider society is simply good business practice, reducing costs, increasing productivity, and creating a competitive advantage in consumer markets. Nearly all multinationals have been long-standing members of the UN Global Compact. Most industries have developed minimum standards for the use of global brands, alongside local tailoring of these standards in consultation with local societies. Multinationals are increasingly investing in developing local supply chains to capitalise on under-used skills and reduce transportation costs. Using knowledge of local cultures and tastes obtained on the ground, they are adapting products and brands to suit growing local markets, particularly in developing countries.

Security concerns persist

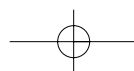
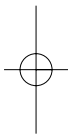
Security continues to be important in all aspects of life from job security to preoccupations with physical and virtual security. Most workers enjoy greater protection with a new consensus between

governments, business and unions. But there are no jobs for life. In many countries specific taxes have been levied to fund life-long learning and retraining programmes to ensure that workers do not lose their employability. Nevertheless, unemployment persists, particularly among low-skilled manual workers in Western countries facing competition from the output of workers in other parts of the world. As a result, some resentment of globalisation continues.

Physical and virtual security measures are prevalent throughout daily life. For example, people need a certificate of insurance to get meaningful access to the Internet, firms will only communicate with other companies and consumers who can provide security guarantees, and identity cards and passwords have been replaced by technology that recognises individual biological characteristics, such as iris and fingerprint scans. But these measures are now seen as routine, and major breaches are rare.

Slow progress on old problems

Although some problems from the past decade persist, governments and corporations are making some headway as the new willingness to cooperate enables innovative solutions to be found. Many rich countries face worsening problems of both aging populations and labour shortages for both skilled and less-skilled openings (particularly in services). The demographic shift has forced a wide rethink among companies of recruitment practices and employee welfare programmes. Although people stay employed for longer, fewer skilled workers are available to replace them when they do retire. Internal migration within the EU has not risen significantly despite enlargement, and most rich countries operate a system of managed labour immigration. In spite of improved opportunities locally, there are still significant immigration





pressures from developing countries, although the extent of illegal people trafficking has declined following the imposition of stiff penalties and some high-profile convictions.

Environmental issues continue to make headlines. In the past decade, corporations have felt growing pressure to address global environmental problems, building on successes working with local representatives to tackle more localised issues. It became increasingly clear that natural resources were coming under unsustainable pressure, threatening living standards as well as long-term corporate profitability. Moreover, corporations recognised that the controversies surrounding Kyoto II could not be repeated. The loose, non-binding targets for which business had successfully lobbied there provoked widespread resentment, and the most prominent lobbyists suffered from consumer and investor boycotts. As a result, global companies have recently started to engage earnestly with governments and pressure groups around the world to hammer out new environmental regulations on issues such as forest management and fresh water conservation. Such cooperation has extended to investment in preventative measures rather than costly cures. In this they have been

assisted by the development of new technologies that enable companies to monitor the environmental impact of their activities.

Underlying tensions?

There is general acceptance of the new balance between social equity and economic efficiency, not least because of the success achieved in reducing poverty and instability. But some things never change. People still dislike paying taxes, even when they support the causes to which they are put. Some companies attempt to cut costs to gain a competitive advantage in markets where ethical considerations remain a low consumer priority. There are small but thriving black markets in many parts of the world, whose organisers are adept at manipulating Internet technology to remain ahead of the authorities. New technologies have made it harder to protect intellectual property and many governments are unable to prevent breaches or to enforce agreed international provisions and obligations. In some countries there are complaints about burgeoning bureaucracy and inefficient institutions, and calls for lower taxes are becoming louder.

Business implications

- Global supply chains tailored for local partnering
- Low cost of capital
- New mass consumer groups in emerging markets
- Emphasis on co-regulation
- Common international standards and platforms
- Ethical investment highly profitable
- Corporate focus on connecting with society

14 Business in a Fragile World Survival of the Fittest

Survival of the Fittest

Free markets have spread to many countries. Regulation and taxation are light and competition is fierce, forcing firms to be efficient and dynamic. Rewards are high for those who do well and many people are better off, but life is hard for those who do not succeed. Inequalities within and between countries continue to widen. The influence of the US in business and in international security has grown stronger as other countries focus on more internal matters. While the world is quite stable, resentment of the influence of 'big business' and the perceived dominance of US culture sometimes spills over into hostility and violence.

Greater openness around the world

By 2012, most countries have adopted the free market capitalist economic model long associated with the US, and world markets have opened up, although rather slowly in some sensitive sectors. As a result, levels of international trade and foreign investment are extremely high.

Leaders in many countries have enthusiastically embraced liberalisation and introduced major structural changes to their national economies; others have adopted this approach more reluctantly. Several countries have tried to hold out against the laissez-faire model or have resisted opening up their economies to multinationals unless those corporations commit to minimum levels of investment and employment or abide by specific rules. However, only a few countries have maintained that stance because capital markets have reacted swiftly and strongly, withdrawing finance at the first hints of government intervention against market forces.

Alongside the spread of free markets, the trend towards greater democracy around the world has continued. Although some

countries still have authoritarian regimes or flawed electoral practices most governments are now considerably more accountable to their citizens than 20 or even 10 years ago. Alongside this trend, transparency and openness have become more embedded in politics, and developments in communications technology have helped to expose more corrupt and illicit political activities.

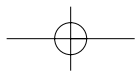
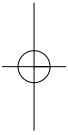
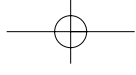
The US becomes more central

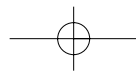
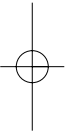
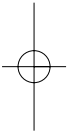
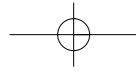
The US has found that its position as the world's only superpower has been consolidated over the last decade. A growing number of countries and regions have adopted its broad economic model, while potential competitors of the US have been preoccupied with internal matters. The major 'platforms' on which much of the world operates – not just technological, but also military, legal, economic and business – are strongly influenced by the US.

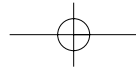
The US economy underpins the world economy – most estimates suggest that it still accounts for over one quarter of global output. It has continued to grow steadily since recovering from recession a decade ago.

That growth has been bolstered by strong innovation and dynamism, and by the expansion of markets throughout the world, particularly for services.

The US also exerts its authority militarily. Buoyed by its success in leading the anti-terrorism campaigns in the first half of the decade, and with most other major powers experiencing difficulties in increasing defence expenditure, the US has found itself assuming more responsibility for international stability. Security imperatives remain high and costly, as asymmetric threats have become stronger, and US institutions and multinationals attract the anger of those unhappy with the current system. So far, tight security has meant that acts of violence have been localised and small in scale, but occasionally they have been much more serious. The more extreme acts have led to diplomatic pressure for access by American security forces, tight clampdowns on protest and surveillance, and on occasion, where local cooperation was not forthcoming, military reprisals. This broader role on the world stage has raised an internal debate about the role of active foreign policy. One school would like







Caribbean Chronicle 02.03.10: Cuba joins Americas free trade area

the country to restrict itself to interventions aimed at containing direct threats to American diplomatic and business presence abroad. Another – with general support from majority American public opinion – advocates a more active approach to defend freedom, free markets and democracy.

Power shifts in other regions

Asia has been on the rise. After a further period of stagnation and deflation, Japan finally grappled with internal economic reforms and deregulation. Prices started to recover as investors grew in confidence, and economic recovery was strong in the second half of the decade.

While Japan recovered, China grew in global importance. Some of the most ambitious projections of its economic size have not materialised by 2012, largely because the Communist Party has sometimes balanced progress on economic liberalisation with policies to reduce economic inequality. Nonetheless, the party has taken many measures to position the country well for further sustained development. China already has a strong multinational presence, with 93 of the top 100 multinational

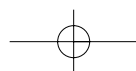
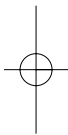
companies having established Chinese operations and about a third having at least one Chinese board member. With its internal problems becoming less pressing and its growing economic clout, China is becoming increasingly assertive in the world.

More widely in Asia, the Association of South East Asian Nations (ASEAN) has made steady progress towards eliminating completely tariffs on trade within the region, while continuing to reduce barriers to trade with the rest of the world. Partly as a result, many companies that were strong only at the national level a decade ago are now important at the regional and international level. India has made considerable progress with its economic reform plans, and has liberalised large parts of its economy. Some sectors have struggled to compete on world markets, but many efficient companies have prospered. New players take advantage of a growing domestic economy.

Within the EU, the single market, the euro and further growth of eCommerce have boosted internal trade and, as a result, many European-based multinationals have grown in strength and have been able to compete

effectively in global markets. Many countries have adopted more liberal economic policies, freeing markets considerably to attract business and boost growth even while retaining elements of their social democratic structures. Growth in Germany has proved more disappointing as it has struggled to emerge from the economic difficulties of the 1990s. Nonetheless, Germany remains a rich country, and has retained its reputation for excellence in a few key sectors such as the automotive industry. Aspirations of many continental Europeans for a politically united Europe look more remote than ever as its institutions have failed to adapt to enlargement. The first group of accession countries joined the EU only slightly behind schedule in mid-2005, but a paralysis of decision-making soon set in as several countries refused to cede their national veto in critical areas.

Russia has taken significant steps to move closer to a full market economy, but key reforms are still delayed by vested domestic interests. Although corruption has been reduced, unofficial networks and contacts remain useful in advancing specific interests. In spite of its economic





weakness, Russia's relationship with the US has been much closer than China's, mainly because Russia supplies more oil to the US market and strikes more deals with the US government and US corporations.

A pan-American free trade area came to fruition on schedule, despite some opposition within the Latin American public. Trade and investment links across the continent have strengthened considerably as a result. Brazil, Argentina, Chile and Mexico have emerged as key engines of growth in the region, with Mexico in particular building on developments under NAFTA to forge extremely close links with the US.

The Middle East continues to drift economically, despite an uneasy peace. In spite of the creation of the internationally-accepted Palestinian state, neither Israel nor the Arab nations were satisfied with the US-brokered peace agreement. The US, in its efforts to combat fundamentalism, has been discreetly backing friendly and modernising elites in the region.

Some economic progress has been made in Sub-Saharan Africa, where growing political stability, greater transparency and democracy and market liberalisation have resulted in measurable, though patchy, economic growth. But many countries remain vulnerable to declines in commodity prices and swings in market sentiment. The majority remain extremely poor, and productivity levels are depressed by poor health and education.

Good times for global business

An almost universal economic model combined with political stability has made this a good time to operate a global business. Taxes and regulation are fairly light as governments are largely non-interventionist. Prices are stable, and labour mobility is greater than it has been since the mid-twentieth century, easing skills shortages.

Given the strong position of the US in the world economy, the English language and US commercial law, accounting principles, business structures and management approaches have been widely adopted. Mergers, alliances and joint ventures with US partners are increasingly important for non-US-based multinationals. Global

brands are strong, but they require some local adaptation and subtle positioning in certain markets. Emerging markets, with new purchasing power for consumers, are targets for corporate growth.

Innovation is high – particularly innovation targeted at richer markets – fostered by strong competition among the major players, low taxation and regulation, and generally open access to a large number of markets with similar standards and platforms. Private investment in research and development has become much greater than public investment. Although innovation and excellence are centred predominantly in the US, pockets exist elsewhere for certain products, for example telecommunications in the Nordic countries.

Global supply chains are tight and efficient, and sales fluctuate closely with the economic cycle. Although volatility is high, market flexibility means that downswings are usually followed by quick recovery. Business is becoming more adept at managing its scarce resources, including labour, over the cycle.



Capital mobility is very high, dominated by flows to and from the US. Aging populations in rich countries have increased pressures for quick and large returns on capital to supplement meagre state pensions. Market analysts take advantage of the latest technology to scrutinise firms' behaviour and their results extremely closely – as do shareholders and bondholders. They abandon any potentially problematic investments as soon as they can.

The advantage goes to companies that are global yet nimble. As the number of large players has increased, some medium-sized businesses have been squeezed out. In spite of this concentration of activity, competition remains strong, because the new global markets are large enough to support several players. Moreover, anti-trust legislation is enforced reasonably firmly around the world. In a world with few monopoly profits, firms must be flexible and efficient to survive.

Many content but disquiet simmers

Many people are quite content with the way the world works in 2012. Those in upper income brackets have done especially well, as the global economy has been

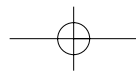
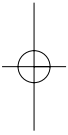
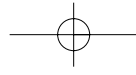
strong, taxes have fallen and the returns on capital have risen. Indeed, strong global economic growth has ensured that most people have seen rising living standards and enjoyed a wider range of more customised goods and services. Technological innovation, economies of scale and strong competition have continued to bring new, cheaper, more useful goods and services to the general public.

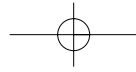
In many rich countries, the demographic shift has brought a new economic and political power to the over 50s. Sharply rising dependency ratios have increased pressure on business generally to target recruitment of older workers, and abolish compulsory retirement ages. Flexible working practices and carefully structured pension schemes have encouraged employees to remain in work long after their parents' generation would have retired. Older people are generally healthier and wealthier than previous generations, and have become a new target group for many businesses, both as consumers and as employees. Healthcare and personal services such as nursing have experienced a boom.

Even in rich countries, real wages for those in unskilled work have grown, but more slowly than those of upper income groups. Those without jobs have a more difficult time – public welfare provision in most rich countries has been reduced to time-limited payments with narrow eligibility criteria. With economic growth strong, job opportunities are opening all the time, and most people do not stay unemployed for long – even if they are not always happy with the jobs they get – but life is tough for those who do.

Poverty has decreased in many countries as economic growth has picked up, but inequalities within many countries – already high at the turn of the millennium – have continued to widen. Some developing countries have introduced a safety net, which, despite its limitations, has improved on the almost non-existent protection of the past.

Inequalities between countries also persist. A 'green card' immigration system, which operates in most rich countries, offers some new opportunities, though mainly for more skilled labour.





ASEAN Weekly 22.04.09:

Battle of the malls: US brands reign supreme

Nevertheless, despite increases in their material wealth, many people do not share their leaders' enthusiasm for globalisation. They resent changes to their traditional way of life, greater inequalities (which have become more transparent as communications technologies, especially television, have become more affordable), the growing influence of big companies on their daily lives, the increase in foreign investment, and the perceived dominance of US culture. There is grumbling dissatisfaction at the way non-profitable activities are accorded low priority. Many people question the value of democracy when choices about taxation, spending and trade issues appear to be determined largely by big business. Street protests against globalisation and westernisation are becoming more frequent, often disrupted by violent factions.

AIDS remains a severe problem in many poor countries, especially in sub-Saharan Africa, Latin America and some parts of Europe. A cure was found in 2008, but its high price put it out of reach of over 80 per cent of sufferers worldwide. Pharmaceutical companies, sponsored in part by philanthropic donations, are now focusing efforts on adapting the results of this and other research to find

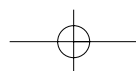
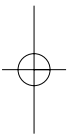
a cure that can be delivered at a lower cost, but there has been little progress so far.

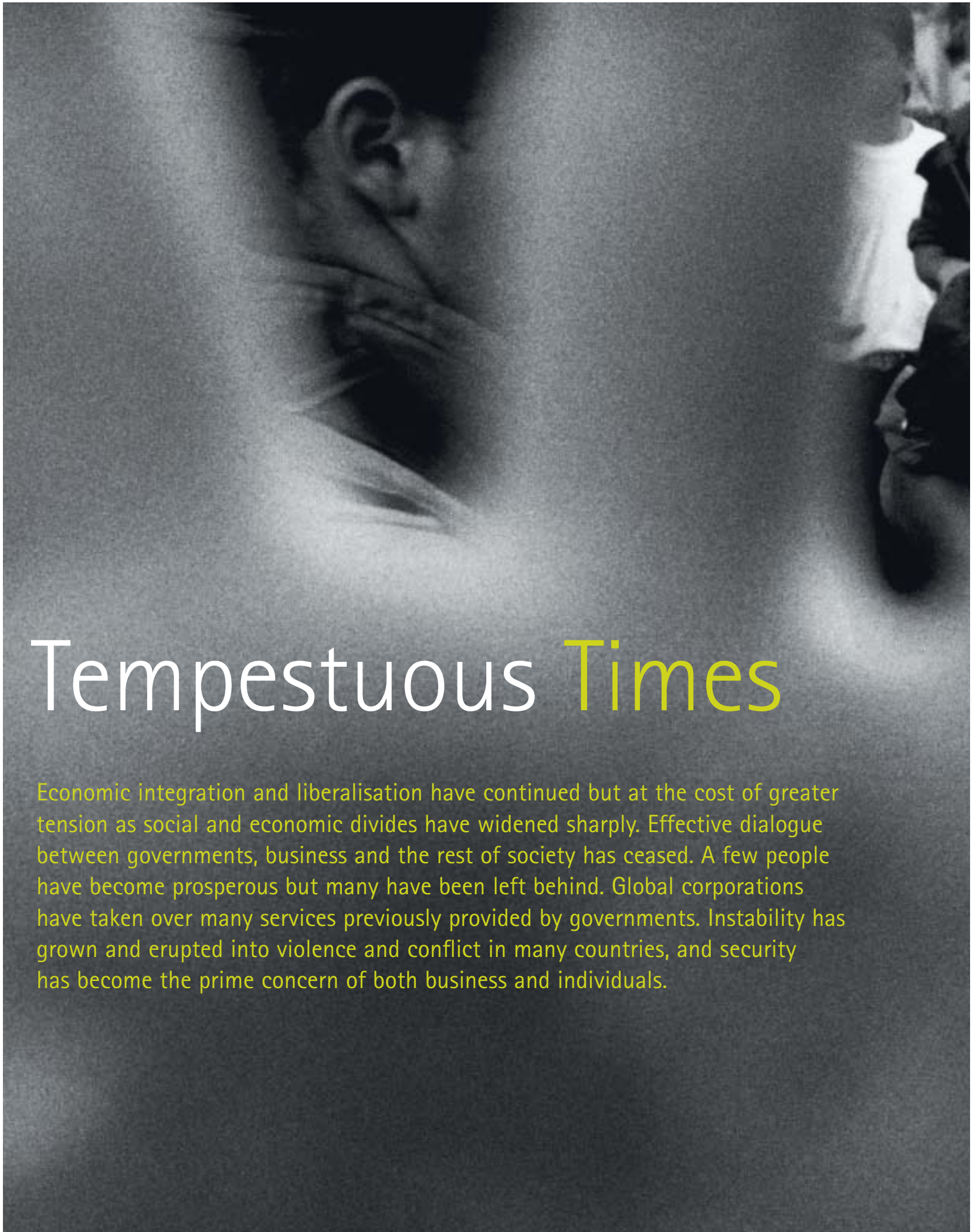
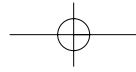
Global environmental problems remain

Environmental degradation has become a much more pressing issue in 2012. Population pressures on the land have grown, and important water resources have been over-exploited, with access to water a serious political issue in several countries. Despite the increased efficiency of production as a result of technological progress and better business practices, global warming has continued to worsen. For some time large corporations have taken steps to address local environmental problems, such as river pollution and waste disposal. More recently they have tried to reach agreement on some of the most pressing global issues, but coordination has been weak and corporations still have a competitive motive to cut short-term costs at the expense of the environment. Now corporations are beginning to look at the emerging problems more keenly, but few people believe that they will agree to the drastic measures needed.

Business implications

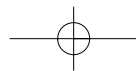
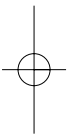
- High levels of M&A activity
- Trade and investment liberalisation
- Supply chains truly global
- Volatile financial markets
- High levels of foreign investment
- US standards widely adopted
- Move to self-regulation
- Low cost of capital

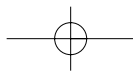
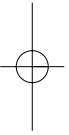
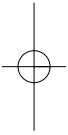
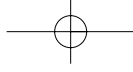


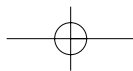
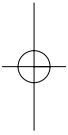
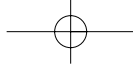


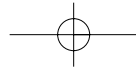
Tempestuous Times

Economic integration and liberalisation have continued but at the cost of greater tension as social and economic divides have widened sharply. Effective dialogue between governments, business and the rest of society has ceased. A few people have become prosperous but many have been left behind. Global corporations have taken over many services previously provided by governments. Instability has grown and erupted into violence and conflict in many countries, and security has become the prime concern of both business and individuals.



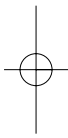






LondonCityNews.com 05.11.11:

Security firms still Wall Street's darlings



A world of conflict and tension

By 2012, the global economy has become highly integrated. Technological advances over the past decade have made it much easier for business and capital markets to operate across geographical boundaries, and the completion of the Doha trade round in 2006 spurred the opening of more markets around the world. As a result, international trade, investment and capital flows have increased steadily, although more slowly than during the 1990s.

But political and social cohesion has fallen sharply in a tense, turbulent world, full of conflict. Continued standoff and violence in the Middle East over the past decade has spawned a new generation of terrorist organisations, many of which have the technical skills to operate globally. These organisations command enough support among the public within the region (for their aims if not their means) to provide cover for their activities.

A second source of conflict is a backlash against the seemingly unchecked power of global business interests. With little bargaining power and few realistic alternatives, most developing countries felt compelled to accept

the terms of the trade round on offer, but remain dissatisfied with their access to industrialised markets. Concerns persist about the power of the WTO to mediate disputes, as large sections of the public have been unconvinced by its attempts to prove that it is not a creature of big business.

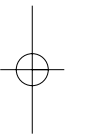
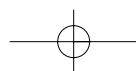
Finally, conflict arises from a sense that economic integration has not respected different cultural values and concerns. Discontent simmers as poverty persists and a sense of religious and cultural injustice endures. Groups with anarchist or fundamentalist agendas have spread the use of violence, while capitalising on popular anxiety.

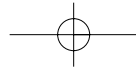
Difficulties for many governments

The US continues to be the most important superpower in the world, though it faces more and more disputes with other countries and regions. US concerns over security are reflected in visa restrictions that make it hard for people from countries with fundamentalist regimes to enter the country. Relations with some Latin American countries are strained after a mix of populist and authoritarian policies emerged in response to public fears of foreign economic imperialism and dominant multinationals.

Within Europe, structural reforms were pushed through in many countries around the middle of the decade, after several years of low growth and pressure from business. As a result, markets are now considerably more flexible than in the 1990s. The euro has helped smooth the acceleration of a single market in goods, services and capital, particularly with the growing internal use of eCommerce, and European-based multinationals have benefited from a more unified market. Under pressure from voters, however, few European countries have adopted the Anglo-Saxon economic model wholesale, and tensions persist between strong public preferences for greater social protection and pressure from business for lower taxation and regulation to help them compete more effectively in global markets.

In Japan, economic reform has been painful, especially in the banking sector, although the country has emerged better prepared to compete. With instability around the world, many Japanese companies have increasingly looked to the wider Asian market, and, with South Korea, the country has become an associate member of the ASEAN free trade area. However,





26 Business in a Fragile World **Tempestuous Times**

CEO Today 17.02.10: Insurance industry withdraws executive protection policies

ASEAN itself has experienced internal tensions, and, faced with rising domestic instability and hostility to global corporations, both Malaysia and Indonesia have distanced themselves from the group.

China has become increasingly assertive within Asia and in international affairs, but has also faced difficult domestic problems, including rising inequality associated with market-based reforms. WTO requirements to open up some key sectors to foreign competition have proved problematic. Foreign investment has grown steadily although it has not engendered enough new jobs to absorb China's new workforce, and reform of state-owned enterprises has slowed as unemployment began to rise. India too has begun to become more assertive. It has experienced strong economic growth as a result of attracting global business – particularly in services – although wealth is not distributed evenly and certain areas remain very poor.

Most other regions have fallen by the wayside. Sub-Saharan Africa, for example, has been abandoned by global business and wealthy governments. A few of the more stable and open African countries have managed to attract some investment from overseas, but most have been crippled by AIDS and political instability.

Multinationals assume new powers

Increasingly independent of particular countries or communities, the multinational corporation is becoming more dominant. National governments have found themselves ceding some policy sovereignty in areas such as tax, regulation, and competition in the face of high capital mobility. This shift in power has created enormous tension between global business, national governments and civil society.

In a number of countries, business increasingly takes on many services previously provided

by governments. These services include healthcare, education and pensions, as state-provided social security provision has declined. Most notably, though, business is picking up the responsibility for providing security and law and order, and global companies providing outsourced security services of all kinds have experienced a boom. Companies often provide secure personnel compounds for their staff, both at home and abroad, adding a new dimension to the concept of 'job security'. Some multinationals even employ their own paramilitary services.

There are plenty of opportunities for global business, not just in security. Although some markets have closed due to security fears, others have opened. Global brands are very strong and products heavily standardised across the world.

In an attempt to match the perceived influence of global business, many protest groups have formed networks so that they too can operate on a global scale, taking advantage of more secure technology and mobile telephones to coordinate and share knowledge. Over the past five years, they have organised a number of commercially-damaging consumer boycotts of certain well-known global companies on political and environmental grounds. Now, even regionally or locally based companies are vulnerable to actions by more extreme anti-capitalist groups. Protest has turned ever more violent, often resulting in armed conflict between demonstrators and the police or military. Sabotage, arson and eco-terrorism are everyday concerns for business.

As attitudes harden on all sides, any effective dialogue between business and protest groups has ceased. Caught between hostility from protesters and growing competitive pressure to increase short-term returns to shareholders, multinationals have largely abandoned social investments in communities and the environment.

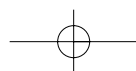
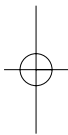
Inequalities and divisions

This is a world of inequality and division, with fault lines that are as much about values – political, religious, and ethnic – as about income and wealth.

In developing countries, the line of division is often between the political and economic elites, who typically support further liberalisation, and an increasingly hostile population that holds more traditional or communal values. Tension between secular and religious values has spilled over into civil conflict in some countries, and in others there is an almost permanent threat of a coup.

Yet even in countries where democracy has survived, divisions have formed when governments, often to divert attention from other issues, create an 'us and them' atmosphere by assuming a more nationalistic posture on issues such as immigration. Following a series of anti-asylum protests and race riots, and public fears about the spread of contagious diseases, a number of European governments have tightened immigration requirements and border security and reduced visitors' and immigrants' rights. Some have effectively sealed their borders against any new immigration.

Sharp divides have also emerged in the fields of science, technology and innovation. A growing digital divide has reinforced economic inequality. There is a fierce public backlash against the genetic sciences and biotechnology, seen as being driven by commercial, rather than ethical, societal or environmental, interests. Investment in research in this area continues, usually under tight security, but the rate of innovation has declined somewhat over the past decade as costs have risen. In many countries, policies are being introduced to control the Internet, on the pretext either of protecting national values and local cultures or of denying its use to terrorist groups.





There are also pressures in some countries to restrict access to foreign media, seen by some as the purveyors of global, secular values. In fact, the media have become highly politicised on all sides and propaganda has become a way of life.

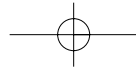
Many people are more insecure

Some people have not done badly in this world. In spite of the rising costs of security, goods and services are cheaper because of technological advances, strong global competition and lower regulation. Those at the top of the income scale have become richer, even allowing for increased expenditure on security – which in turn protects them from the worst effects of instability. These groups are able to command individually tailored, high technology goods and services. Today's intelligent home contains smart devices that communicate the household's needs directly to retailers. Poverty in some countries seems to have lessened, although rather slowly and certainly not everywhere.

Nevertheless, the decline of government influence has left many individuals feeling vulnerable. Public healthcare provision for

many people has been reduced, as governments are unable or unwilling to devote sufficient resources to address growing concerns. Higher income groups – particularly among the aging populations of richer industrialised countries – have increasingly supplemented public provision with private services. But the poorest have suffered badly: AIDS has devastated much of sub-Saharan Africa and is now beginning to take a heavy toll in parts of central Europe, Asia and Latin America.

Physical security has also become a major concern. Following a series of fire attacks on subsidiaries of multinational corporations across the world, and in an atmosphere of continuing hostility, the operations of major multinationals are now conducted more and more behind high fences: a security measure that seems only to reinforce their alleged remoteness from the day-to-day concerns of local communities. The same is true of people living in the affluent suburbs, where more 'gated communities' have sprung up, as growing inequalities feed social unrest and rising crime rates.



28 Business in a Fragile World **Tempestuous Times**

People Today 05.12.06: Homeless figures hit all-time high

Global business protects itself

There are strong centrifugal forces in this system, pushing outwards but not quite reaching fragmentation. The multinational corporation – through its production and location strategies – is the counterforce holding the unstable world of 2012 together. But this has come at a high cost. It has to direct more communication efforts towards defending global business, and has become adept at playing different interest groups off against one another, both regionally and globally.

The cost of providing physical security in this world has increased dramatically as plants, offices, supply chains, and senior executives themselves become more vulnerable to terrorist attacks or the effects of localised conflicts. Firms have surrounded their supply chains with a ring of security platforms, intelligent cameras and global tracking technologies. Although important everywhere, security has become vital for oil resources, especially in the unstable Middle East.

Equally important, corporations have to ensure and pay for virtual security. After a series of highly damaging attacks by hackers, very few companies, multinational or otherwise, are prepared to do business through any

of the eCommerce platforms with anyone – businesses, consumers, governments – without a certificate of insurance and proof of strong protection against viruses and other cyber attacks. Technology has been developed to block access from certain countries which are known to have extremely weak protection, either because the technology and insurance are unaffordable, or for ideological reasons.

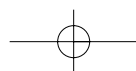
In order to counter increased risks to production, several multinational companies have started to shorten their supply chains or ensure alternative sourcing. As a result, supply chains have become generally looser and less efficient. After some failures, companies have lost interest in developing local supply chains or sharing knowledge abroad.

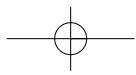
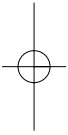
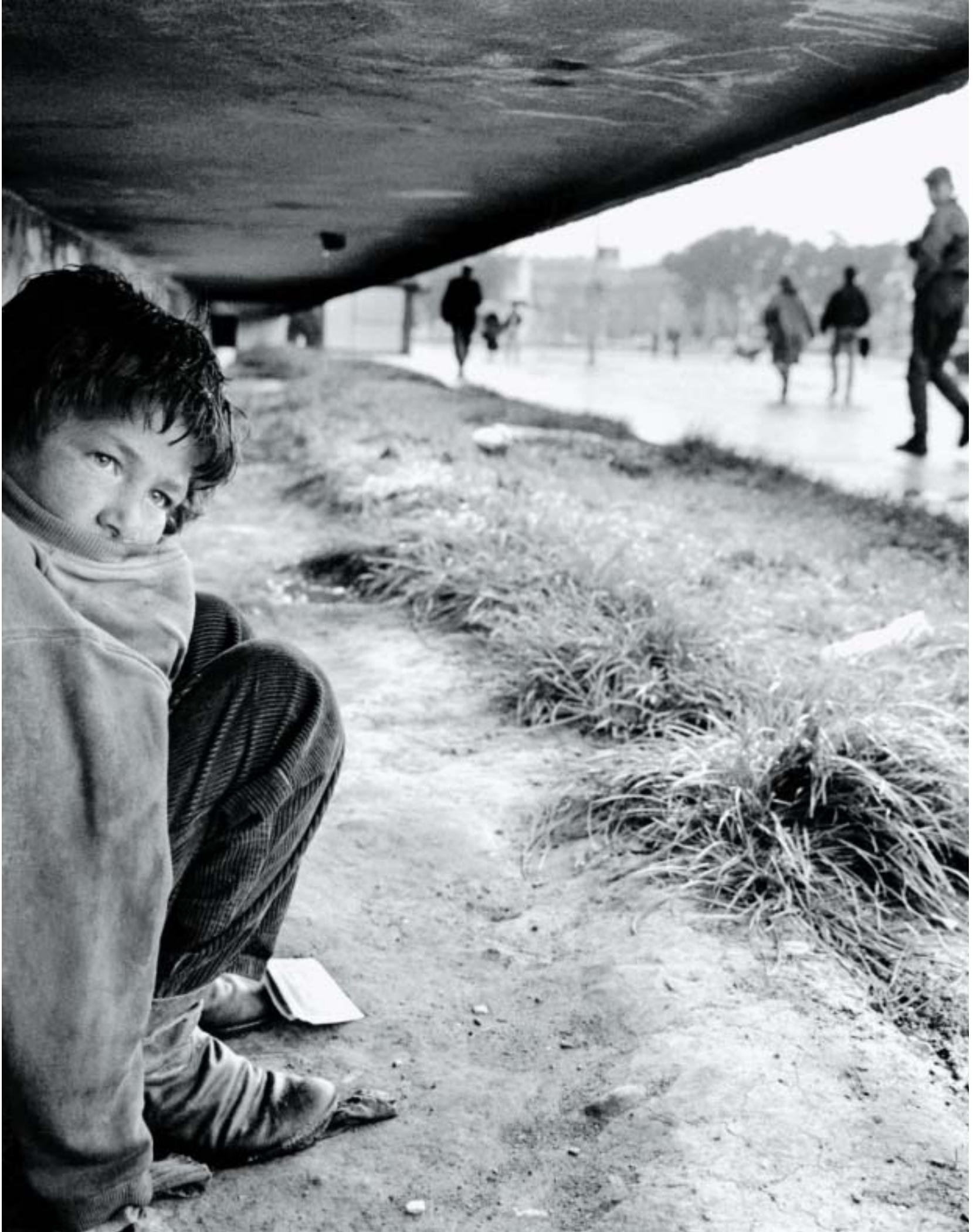
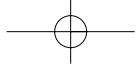
Oil prices continue to be high, even though the development of oil fields outside the vulnerable Middle East brought them down from their peak in 2005. Recent progress in developing alternative sources has placed more emphasis on price and easy access to supplies, rather than on environmental sustainability. This has given rise to more discontent from environmental protesters.

Although global businesses are doing all they can to protect their interests individually, friction between businesses prevents them from adopting a collaborative approach. This lack of cooperation has inhibited the development of universal platforms for new technologies.

Business implications

- Focus on short-term returns
- Looser global supply chains
- Devastating customer boycotts of certain brands
- Minimal government regulation and taxation
- Conflicting standards and platforms
- Cost of capital increasing
- High expenditure on security
- Backlash against certain new technologies





30 Business in a Fragile World Worlds Apart

Worlds Apart

Driven by political and economic insecurities, countries have withdrawn into themselves. They still cooperate in a limited way, particularly on a regional basis, but make little attempt to address global problems. There have been sharp increases in protectionism and a partial reversal of market reforms in many countries. Countries with large internal markets have coped reasonably well with isolation and some groups have found cause for cautious celebration in this new world. But, overall, economic growth has been slow and uneven. Living standards for many people, especially among the world's poorest, have fallen sharply.

A decade of political and economic instability

The world in 2012 looks fundamentally different from how it looked a decade earlier. A seemingly inevitable movement towards greater economic integration and political collaboration stopped, then was reversed.

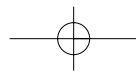
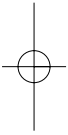
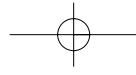
How did this happen?

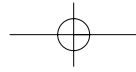
An escalation of terrorist activity followed the attacks in the US in 2001 on the World Trade Center and the Pentagon. The resurgence of Islamic militant extremists was galvanised by a heightened sense of injustice and martyrdom about civilian casualties and collateral damage during the war on terrorism, and by continued failure to achieve a settlement between Israel and the Palestinians. More broadly, extremist groups around the world took advantage of political instability, pressing forward with their own issues. Large parts of central and southern Africa were drawn into renewed conflict over the control of resources and ethnic divisions; civil war broke out in Myanmar; and in Peru the Shining Path movement, believed a spent force since the early 1990s, recommenced guerrilla activity.

Trouble intensified in many parts of the world. Extremist groups gained power in Pakistan, and tensions with India spiralled. Fears grew that these tensions would explode in conflict around Kashmir, although for now they have ended in stand-off and a new 'cold war' with mutual fear of nuclear destruction. Russia has become fragmented internally as separatism in Chechnya spilled over into other regions and the federal government proved unable to contain local opposition.

Other countries have experienced a creeping nationalism and authoritarianism amid rising racial and religious tensions. Governments have gained in strength – particularly in security and defence, but also in social issues – as the population, increasingly insecure in daily life, has looked for firm leadership. Most voters have also supported significant restrictions on human rights, such as freedom of speech and movement, and greater personal surveillance, believing that these protect them from extremists and that the innocent have nothing to fear.







32 Business in a Fragile World **Worlds Apart**

New Citizen 04.03.10: World refugee crisis 'worse than 1945' says UN



The global economy never properly recovered from slowdown in the early 2000s, which exposed deep-rooted structural problems in many countries. Political instability triggered a collapse in financial markets around the world, and recession turned into depression as global investment broke down and consumer confidence fell apart. Increased public and private expenditure on defence and security failed to offset this collapse in demand, and unemployment became a major worry in most industrialised countries.

The return of isolationism

Driven by political and economic insecurity, countries around the world have gradually withdrawn into themselves. The UN is now little more than a talking shop of a few countries, engaged in argument more than genuine dialogue. There is little attempt to address global problems or international crises – countries engage in the politics of 'looking after your own'. Trade wars escalated as the global economy slumped, and the Doha round of trade talks never stood a chance as major economies began to erect new barriers to foreign trade and investment. Even traditionally free-market governments came under intense pressure to safeguard jobs at home.

Most countries have thrown up barriers to foreign trade and investment, cultural exchange and the mobility of capital and people. A few countries continue to maintain close economic and political ties with each other, although cooperation generally remains subject to ad hoc agreements rather than broad-based participation in multilateral institutions. There is now a patchwork of loose alliances and (usually bilateral) agreements, creating a mass of bureaucratic and legal hurdles for exporters. Lawyers and accountants have been the main beneficiaries of these agreements.

An uneven impact

The loss of political and economic cohesion has affected various countries and regions differently.

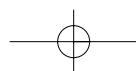
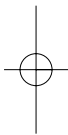
The US, with its large internal market and natural resources, has proved quite resilient despite having few economic links with the outside world, although it struggles to be self-sufficient in energy. Politically too, it has also been secure, although tight security has become a way of life. Japan is also stable, although its economy has been weaker because of structural difficulties, long-term reliance on export markets, and vulnerability to disruptions in energy supplies. Japan has forged stronger links with other countries in South-East Asia, although generally on a bilateral basis. China has experienced some internal unrest but has been able to contain it successfully; moreover, state intervention in local economies and individual companies has tempered social unease, although at the expense of the drive for greater economic efficiency.

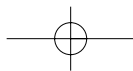
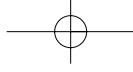
Unlike other regional trading groups in existence a decade ago, the EU continues to exist in practice as well as in name. However, even here many central institutions have seen some power ceded to national – and in some cases local – governments. Different members have moved at different speeds towards integration within the EU. All continue to be part of the single market, although members are finding agreement hard to reach on the acceptable use of state subsidies, particularly to nationalised industries. Many countries continue to use the euro, although some have struggled to cope with the economic effects of a single monetary policy. A few, mainly small countries – including Belgium, the Netherlands and Luxembourg – continue to maintain very close economic and political ties.

Other regions in the world have suffered greater adverse effects. ASEAN has fragmented, although faced with the disappearance of traditional export markets, many countries in the region continue to work together quite closely on a more ad-hoc basis, unable to compete effectively on their own but reluctant to dilute national economic policies which protect certain industries. In Latin America, a popular backlash against orthodox liberal economic policies in many countries resulted in a return to high trade barriers and the promotion of domestic industry. The trading bloc of MERCOSUR disintegrated although some of the smaller countries in the region continue to maintain some economic links. Some countries in sub-Saharan Africa have been hit badly by political instability. In others, regional trade has done little to offset the income lost from reduced access to richer markets, and they rely on what income they can get from exporting basic commodities.

In many ways developing countries have been the biggest losers from the break up of globalisation and the decline of global business. Financial institutions took fright at political instability in certain emerging markets and withdrew capital from anywhere where it was perceived to be at risk, sparking a debt crisis that caused economic chaos in a few countries in Latin America and Asia and severe problems elsewhere. The imposition of capital controls to limit the volatility caused reduced inflows, and increased the cost of borrowing. Publicly funded aid to low-income countries all but dried up as rich countries' governments gave priority to spending on domestic problems.

At best, economic growth has been slow and uneven, and in many countries has failed to keep up with population growth. This is feeding social unrest which acts as a restraining factor on investment, generating a vicious circle in many emerging





34 Business in a Fragile World **Worlds Apart**

Frankfurt Morgenpost 25.05.09: Government raises retirement age to 72 to combat skills shortage

market economies. Some domestic producers have done well as external competition has declined, but poverty is widespread, and has increased sharply over each of the last four years. Healthcare is available only to a minority, even though weak enforcement of intellectual property rights has made generic drugs more readily available. Mortality rates have risen as malnutrition, starvation, AIDS, tuberculosis, cholera and other epidemics take their toll. A few under-resourced aid agencies struggle to alleviate the worst problems, but what little resources they have are usually directed to emergency relief rather than longer-term development support.

Migration is a major political issue. Because of the deteriorating economic and political environment, people in poor countries have a huge incentive to try to emigrate to countries where conditions are easier. But economic depression, unemployment, fear of epidemics and the rise of nationalist policies in richer countries have closed off access to all but a very small minority. As these richer countries continue to withdraw from the international economy, commentators and development workers are becoming much more vocal in their concerns that this will push poor countries into a deep and inescapable vicious circle of deprivation.

The changing face of multinationals

Operating a global business has become less attractive financially. The costs of cross-border transactions have increased, so global sourcing has declined. As multinational companies, especially those associated with the US, became targets for violence, they began to withdraw from those countries where the perceived risk to their assets and employees was too great. Overseas engagement is now mainly limited to those countries where risk is low,

or, if sourcing makes relocation impossible (for example in resource industries), where tight security can minimise risk.

The multinational company does still exist and there are still advantages for those successfully operating across borders. Transferring capital and goods around the world may be more costly and more difficult, but it can still be done, especially in more stable areas. Being able to access retained profits as a large company has become more important given the high cost of raising capital in open markets. But the structure of many multinational corporations has changed significantly so that they can take best advantage of lower mobility. Ownership is often more diverse internationally in order to minimise capital transfers, and many more companies have a looser structure, concentrating on sharing knowledge and management skills, which are still relatively easy to transfer. There are also benefits to having a trusted, established brand that sits easily in the national consciousness, and many corporations have devoted significant marketing efforts to 'localising' their products.

Unless they can make themselves 'multi-domestic', global companies struggle to operate across borders. They increasingly need to enlist local partners to complete their regional strategies, as understanding the local market and speaking the local language are sources of competitive advantage. They must also compete against the 'national champions' favoured in many countries by consumers and in some by governments through subsidies or other preferential treatment. In many places, certain strategic industries – energy and banking, for example – have been nationalised or heavily protected, making it difficult for multinationals to compete.

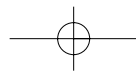
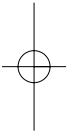
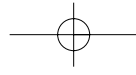
The involvement of business in wider society is mostly confined within national borders,

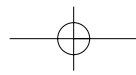
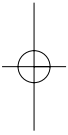
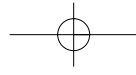


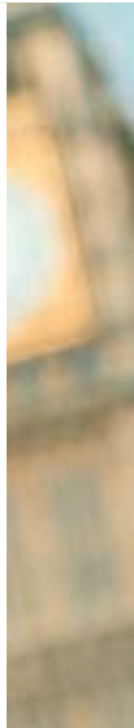
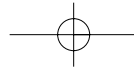
often as a way of gaining local favour and influence. There are still exceptions, especially some private foundations and companies from traditionally social democratic countries where the public (and shareholders) remain outward-looking despite their internal difficulties. But generally such involvement is seen as a luxury that cannot be afforded in today's difficult times.

Victory for the anti-globalisation movement?

The retreat from globalisation and the decline of global business were welcomed – at least initially – by many of those who had protested against them in the late 1990s and early 2000s. Trade unions cheered the protection of jobs in traditional sectors, which they had feared lost to lower-wage economies. Environmentalists cautiously welcomed the increased safeguards as mass production withdrew to rich countries with higher standards (although they protested that these were still insufficient). Nationalists







Jornal do Rio 23.12.09: Local subsidies slash multinational market share

welcomed the reintroduction of state support for 'national champions'. Local suppliers have done well and products emblazoned with national flags and marketed as 'traditional' have become very popular.

But the new order brings with it its own problems. Although some people have prospered, real wages and living standards have by and large stagnated or declined. Despite the increases in trade protection, economic stagnation has produced rising unemployment. Even so, skills shortages persist in some key fast-growing sectors, especially in industries deemed strategic. Businesses are often caught between their need to cooperate with governments along national lines and tensions with governments over cross-border issues such as labour mobility and the supply of inputs. Innovation has declined, as research and development budgets have been slashed with the economic slowdown. Incentives to invest in research and development have also been adversely affected by the contraction of markets, and weak enforcement of intellectual property rights in many countries.

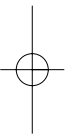
The cost of goods and services has risen, as businesses have passed on increased production costs arising from trade taxes and greater security expenditures. Production has become more inefficient as companies do not enjoy the economies of scale they once did, face less competition in many markets, and are no longer able to benefit fully from countries' comparative advantages. Some products are simply no longer available – at least legally – at affordable prices. Black markets are now a significant source of activity in nearly all countries and smuggling has become big business. Organised gangs control supply routes, invest heavily in technology in an effort to stay ahead of the authorities' surveillance, and forge links with terrorist groups that share their interest in maintaining political instability.

The impact of more local production has been mixed. Local cultures have certainly become stronger, although this has manifested itself in negative as well as positive ways. Local ways of life are now more distinct, and high streets around the world look very different from each other. But a cruder nationalism has also surfaced, with populations less tolerant of other cultures and people from different backgrounds.

The impact on the environment has not been as positive as anti-globalisation campaigners hoped. Resource use did start to decline with faltering economic growth and with less movement of goods and people, but then rose as the production of some goods became much less efficient. This decline in productive efficiency occurred because business faced less competition in many markets, could not import cheaper inputs or more efficient technologies, and was unable to exploit economies of scale. Environmental campaigners struck a chord with the public when they called for investments in technology to reduce the use of resources (especially those derived from unstable countries) and to develop alternative energy sources. But governments have been under growing pressure to support domestic resource exploitation, especially for energy sources such as oil. Nuclear power has received renewed interest, even though there is concern about the vulnerability of these plants in politically unstable countries.

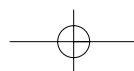
Despite continued campaigning by pressure groups for greater environmental controls, the general public has been more concerned about personal issues. As economic growth has dwindled or even turned negative, pressures have grown to relax costly regulations. Few new measures have been introduced to protect the environment, and those requiring international agreement have been put aside indefinitely.

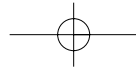
Worlds Apart Business in a Fragile World 37



Business implications

- Local supply chains and local markets
- High cost of capital
- Skills shortages in key sectors
- R&D spend falls
- Import substitution
- Multinationals focus on localising their products
- Government intervention high





38 Business in a Fragile World Succeeding in an Uncertain World

Succeeding in an Uncertain World

We have painted pictures of four very different worlds for business in 2012. In each of these future worlds, individual industries and companies would be affected differently, and there would be major but varying consequences for markets, supply chains, organisational structures, access to capital, and business models.

The uncomfortable reality is that no one knows which, if any, of these futures will eventually emerge – in fact, the world of 2012 is most likely to lie somewhere between the different scenarios. But this does not mean that business leaders must simply wait for events to unfold and then decide how to respond appropriately. On the contrary, if their organisations are to thrive in uncertain times, it is essential that they take the initiative and act today. But what can leaders actually do to prepare their companies for a future that is increasingly unpredictable? There are certainly no easy answers, but we believe that the successful companies in this new environment

will be those whose leaders have addressed three key imperatives:

- develop a new approach to strategy formulation – collaborative, drawing on key signals from all quarters, and constantly evolving in the light of new circumstances;
- build resilience and flexibility into the fabric of the organisation;
- lead in uncertainty – companies that succeed in the future will be those whose leaders remain steadfast in the face of uncertainty, and who have the qualities to manage change effectively.

We consider these imperatives in more detail.

Dynamic strategy is flexible – capable of evolving as the complexity of the business environment itself changes – and highly collaborative

Dynamic strategy

Increasing uncertainty about the future reinforces the extent to which traditional top-down and long-term planning methods are no longer appropriate.

Collaborate to develop flexible strategy

Strategy will need to be flexible, so that organisations are not only clear about their destination, but also understand that the map for getting there is constantly changing. Companies with this flexible approach will see strategy as a living process, rather than a static set of goals and tasks. By drawing from a wide pool of knowledge and ideas across the organisation, these companies will bring a greater quality and diversity of thought to strategy-making, increasing the opportunities for successful experimentation and problem-solving.

Some companies are already adopting new approaches to strategy development along these lines. Shell,

which pioneered scenario planning over two decades ago, has refined the concept to deal with greater uncertainty. Skandia, the innovative Swedish insurance multinational, has made 'futurising' part of its organisational culture, with the establishment of special centres to create the right climate for innovative thinking. GSK's innovative '10:3:1' process brought together hundreds of managers to develop 10-year visions and three-year breakthrough strategies.

Pick up key signals from the front line

The value of flexible strategies is greatly affected by the quality of information used in developing and amending them. In what Accenture has termed 'the connected corporation'¹ – characterised by a huge number of complex relationships and the blurring of industry and organisational boundaries – staff on the front line are likely to have far better information sources than people sitting

in the corporate HQ. Companies that create networks of connections with wider groups of stakeholders are more alert to developments which signal a shift in the business environment.

Such signals are many and varied. Shifts in government policy, such as the introduction of government subsidies for domestic companies, could indicate a trend towards less economic integration. Conversely, a trend towards greater economic integration would be signalled by government policies to liberalise sectors of the economy. Similarly, at a societal level, companies can pick up valuable information on future trends by creating links with non-governmental organisations, for example, and using these connections to explore new ideas that may become industry norms in the future.

¹ Accenture, *The Connected Corporation*, 2001, Policy and Corporate Affairs

40 Business in a Fragile World Succeeding in an Uncertain World

Leaders will have to create resilience in their businesses – but paradoxically this means building organisations that are much more adaptable and permeable

Resilient organisations

To remain steadfast in the face of unexpected shocks, leaders will have to create organisations that are resilient. But resilience cannot be achieved through rigid structures and processes. Paradoxically, it implies creating organisations that are highly adaptable and permeable, through a focus on a particular set of core capabilities.

Build and manage external relationships

One common response to great pressure and unpredictable events is to shore up the boundaries of the company and cut it off from the rest of the world. Yet the forces that underpin the emergence of the 'connected corporation' suggest that such an approach is more likely to lead to downfall than salvation. As the world becomes more interconnected, the ability to establish, manage and re-invent relationships with a wide range of stakeholders becomes much more important.

Connections are essential if companies are to help shape the future, rather than merely adapting to it. By working with a wider group of stakeholders, corporations can achieve a much more positive business environment than they could by acting in isolation; and at the same time they can help create a better society.

If, for example, corporations work with governments and others to increase business transparency and combat corruption, this will not only produce a more stable and secure environment for investment, but also generate greater employment and income growth in local communities. If they invest in improved access to health and education, the result will be more productive workers as well as healthier and better-educated citizens.

Many companies now regard this interaction with wider society as simply good business. When VW introduced an AIDS care programme in Brazil,

for example, it certainly did help wider society through lower hospital admissions and care costs, but it also brought direct benefits to VW's business through lower absenteeism and higher productivity.

Increasingly, companies also recognise that connections with a wider set of stakeholders are crucial in building new markets, especially in developing countries. Accounting for 86 per cent of the world's population, developing countries have been called the 'invisible global market'.² Many companies are actively trying to build markets through new approaches to distribution and retailing. In China, for example, Unilever is strengthening its market position through investment in strong local brands, and respecting cultural sensitivities in its marketing and advertising.

² Mahajan, Pratini De Moraes and Wind, *The Invisible Global Market*, 2000.

Global business can also stimulate the growth of markets indirectly, for example, by channelling funding to local entrepreneurs, or by using its experience in corporate training to cultivate the management and technical skills necessary for economic growth. In South Africa, Standard Bank has become one of a growing number of financial institutions offering micro-credit facilities to the poor. In India, Citibank has worked with non-profit organisations to channel funding and business assistance to more than 830,000 low-income women. Again in China, several multinational companies are collaborating with the All-China Youth Federation in a business-to-youth mentoring scheme to encourage young entrepreneurs.

Deal differently with risk

As we have already seen, businesses today need to be able to pick up signals about developments that may affect the future business environment. The 'connected corporation' can use the

power of its networks – and the knowledge and experience embodied within them – to assess and manage risk more effectively. The vast number of information sources can be used to create an early warning system of what lies around the corner. And the very existence of a large number of connections in itself acts as a way of spreading risk, ensuring that the business does not become overly reliant on a small number of relationships.

In many organisations today, the way risk is viewed needs to change. In an environment where uncertainty is pervasive, risk can no longer be seen as a narrow technical issue, but needs to be elevated to the boardroom. All traditional types of risk – including financial and property – will assume greater prominence in decision-making. At the same time, companies need to recognise the emergence of new and different kinds of risk – with increasingly interconnected economies,

organisations, and business systems, there is potential for small events to wreak much wider havoc. Identifying the potential sources of such risks – and developing technology systems and business models that can adapt appropriately – is now becoming a key concern for business.

Harness knowledge assets

Under any of our scenarios, knowledge is likely to become an even more important element of competitive advantage than it is today. Because businesses will continue to become more knowledge-intensive, the winners will be those who can diffuse knowledge capital rapidly throughout the arteries of the organisation, so that it can be used in the right place at the right time.

Technology will be a vital tool. Electronic portals, for example, provide a means of gathering in one place knowledge assets that relate to many

42 Business in a Fragile World Succeeding in an Uncertain World

different parts of the business. Electronic learning tools can be used to ensure that up-to-the-minute skills and knowledge can be acquired quickly throughout an organisation, whether through 'learning by doing' or by remote mentoring and training. Knowledge can be more effectively harnessed by creating electronic 'communities of interest' that enable employees who may never have met to swap ideas and experience, strengthening the organisation's social fabric in the process.

Make global and local work

The need to be 'glocal' – to be at once global and local – is well recognised. Companies often interpret this to mean striking a balance across the entire organisation, making some functions and activities global and others entirely local. Yet this view that activities must be either global or local represents a false choice. Increasingly, companies will need to set an organisational framework that allows them to be simultaneously global *and* local in their approach, or at least maintain the capability to move very quickly in either direction. Such a framework will necessarily cover almost every aspect of a business, from day-to-day operations, through the way it is organised, and on to traditional HQ functions, such as marketing, finance and performance management.

Technology can help create this framework, as well as underpin its operation. It can be used to spread knowledge and diversity of thinking rapidly to all corners of an enterprise. It enables corporations to develop

functions, services and offerings rapidly and on a global scale, while simultaneously making local tailoring possible.

But perhaps the most fundamental requirement for success is to create a flexible mindset amongst employees and senior management. Too often, employee mobility within companies has a 'hub and spoke' character – from corporate HQ to subsidiaries – which reinforces binary thinking and limits the diversity of employee experience. Some now recognise the importance of encouraging wider forms of mobility, such as moving personnel between subsidiaries and across alliances and partnerships. At the same time, some companies are distributing at least some HQ functions across different geographic locations and asking personnel to undertake a combination of global and local responsibilities. This type of approach creates a diversity of cultures, thinking, and knowledge across the organisation. It allows companies to develop a deep understanding of the different dimensions of local markets – which can be based around religion, ethnicity, local customs, attitudes, or nationalities – and of the issues involved in exploiting the advantages of global scale.

Flexible and entrepreneurial culture

A constantly changing external environment means that organisations must continually evolve as well. They will need to create permeable organisational boundaries and develop structures and working styles that give the flexibility to survive unexpected

shocks and rebound quickly. Such corporations will seek to encourage collaborative and innovative approaches to problem solving, and they will remove unnecessary hierarchy and bureaucracy.

Harnessing the entrepreneurial spirit of the workforce will be a crucial element in creating organisational flexibility. It will allow companies to read and respond to the needs of complex and shifting markets, and to find new approaches to solving problems and getting things done. As corporate boundaries become more permeable, those involved in entrepreneurial initiatives will not only be employees, but also suppliers, customers, and alliance partners.

Organisations can create a more entrepreneurial culture by encouraging more autonomous decision-making and by using performance and reward systems to build a sense that entrepreneurship is valued.

Of course, there are dangers in this powerful combination of rapid change, permeable structures and individual autonomy. Accenture research has found that many CEOs are reluctant to allow staff the freedom to behave entrepreneurially, perceiving it to involve a loss of control and an increase in risk.³ The challenge for leaders is how to retain a sense of cohesion in the midst of change, and to ensure that autonomy is exercised in a way that maintains organisational coherence and management control.

³ Accenture, *Liberating the Entrepreneurial Spirit*, 2001
Policy and Corporate Affairs

Success in an uncertain world requires leaders who are comfortable with ambiguity and have the confidence to seize the initiative and act boldly

Leading in an uncertain world

Companies that succeed in tomorrow's uncertain world will have leaders who can grasp the challenge of shaping the future and building a flexible, diverse but still coherent and purposeful organisation. They will need to do so without the traditional levers of command and control. This means that CEOs themselves must meet a whole new set of requirements.

Seize tomorrow's opportunities

In times of increasing uncertainty, bold and decisive leadership becomes more important than ever. Yet, paradoxically, uncertainty often causes business leaders to put off major decisions and focus on a narrow set of markets and core competencies with which they feel comfortable. At such moments the temptation will often be to postpone major strategic decisions such as acquisitions or expansion into new markets, and to pare costs to a minimum.

A focus on the short-term may be understandable, given the huge

pressure on today's CEOs from shareholders, institutional investors, financial analysts, customers, employees, and the financial press. But Accenture research into the performance of companies following the last major recession of 1990–1991 suggests such responses are unlikely to increase long-term shareholder value.⁴ Those companies that consistently out-performed the market in terms of total shareholder returns following the recession all had one characteristic in common – they used the downturn as an opportunity to focus on strategic leadership and to establish a competitive position. For example, Dell achieved high returns by focusing on new distribution strategies, including its build-to-order model, which it pioneered during the last recession.

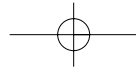
Bold leadership does not mean ignoring risk. On the contrary, it requires the integration of risk into all areas of decision-making, so that companies are clear about the range of possibilities

and the costs and benefits of each. In particular, strategically-focused companies will understand the risk profiles of the different parts of their businesses. In some areas, corporations may consciously decide to hedge against a range of possibilities – for example, by locating production in a number of places or diversifying across different product and service markets. In other instances, they may effectively take a strategic bet on the future – for instance by investing in new technologies or developing markets.

A new style of leadership

While bold and decisive leadership is hugely important, it is not enough. In a world where uncertainty is pervasive, leaders will need to be comfortable with ambiguity as a permanent feature of business life. This new type of leader will be able to:

⁴ Accenture, *Creating Sustainable Competitive Advantage from the Recession*, 2002



44 Business in a Fragile World Succeeding in an Uncertain World

Continually create value

A key aim of such leaders will be to establish a culture where value creation is at the very heart of the organisation. These value creators will have strong entrepreneurial instincts, recognising that innovation is often far less risky than sticking to conventional practice. They will be prepared to take calculated risks and move beyond their own area of comfort in pursuit of the organisational vision. They will value diversity as a key strength of their organisation, and strive to provide a working environment that fosters openness and empowers employees.

Create a clear common purpose

Companies are becoming less rigid and hierarchical, spreading leadership values across a wider base of employees, and developing looser forms of organisational models such as alliances and joint ventures. But in order to make these structures work, leaders will need to ensure that everyone is working towards the same broad goals, by imbuing the workforce with a strong sense of shared values. The ability to define and articulate an organisation's common purpose and values will therefore be a critical leadership trait, creating a sense of cohesion among the workforce and building trust among other stakeholders.

Define boundaries and engagement rules

In order to succeed in an increasingly complex world, leaders need to create an environment in which entrepreneurial behaviour can flourish throughout the organisation. Clearly this cannot be done in a 'command and

control' style. Rather, successful leaders will be those who establish clear frameworks within which employees have the freedom and confidence to take the initiative. At the same time, by establishing these boundaries, and thereby reducing the company's exposure to risk, leaders will have the confidence to let go.

Spot opportunities for creating value in dynamic and changing markets

This new type of leader will understand the way in which market boundaries are breaking down and re-forming, creating new opportunities and risks for their company. They will be adept at creating the alliances and capabilities needed to enter new markets quickly, and will also have formulated a clear exit strategy for declining markets. Such leaders will tend to be forward-looking in their approach, actively seeking to build new market space rather than wait for it to develop organically.

Disturb the equilibrium of the past

Corporations that succeed in uncertainty will be those whose leaders are not bound by the conventions of the past. Such leaders will seek to create the necessary flexibility to cope with change by continually questioning and testing strategic assumptions, organisational structures, and methods of working. They will encourage diversity of thinking across the organisation, and act on good ideas developed elsewhere.

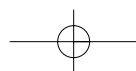
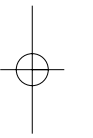
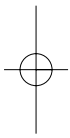
Nurture the next generation of leaders

The final challenge – perhaps the most important of all – for CEOs is to develop more leaders, and so turn the company into a living enterprise that can adapt

and respond to different circumstances. This requires not just an investment of financial resources, but of time spent mentoring and nurturing potential leaders of the future.

These new front-line leaders – adaptable, well-connected and highly entrepreneurial – must have qualities that equip them to cope with ambiguity and uncertainty. They will need to combine traditional strengths, such as broad business awareness and self-confidence, with self-awareness; to be reflective as well as action-oriented; to have a bias towards exploration and experimentation; and to be comfortable with diversity and multiculturalism. Last but by no means least, they must have the ability to build an organisation's reputation and create a sense of trust among customers, employees and shareholders. Some of these new leaders may come from outside the organisation, but a critical task must be to energise and awaken leadership from within.

For leaders and their companies, there can be no return to the relative comfort and safety of the recent past. Many of the old certainties on which business relied are no longer with us and this undeniably creates a very difficult environment. By adopting the three key imperatives described above – dynamic strategy, resilient organisations, and leading in an uncertain world – businesses will be better placed to survive and prosper no matter what the future holds. But success ultimately depends on how well leaders adapt to the demands of this new and testing environment. Their resolve and determination will be critical.



The Dimensions of Change

In order to develop coherent scenarios about possible business futures, we examined the forces driving change along two main dimensions: broadly socio-political and economic. These dimensions of change form the axes of the scenario framework, with the world business environment of today set at the centre. The horizontal axis measures the degree of economic independence or interdependence, whilst the vertical axis assesses the extent of socio-political collaboration.

Economic Independence

Independent or interdependent?

The economic axis ranges from independence to interdependence. An independent world could be one in which there are different economic models, with individual actors, companies and governments taking different approaches to the major issues they face. In this future, individuals, companies and governments prefer to retain local control over the decision-making process and rarely cede sovereignty in economic decision-making to others. As a result companies and governments operate very differently in various parts of the world, tending to concentrate on predominantly local issues. Trade between countries is low and companies very rarely try to access overseas markets.

At the other end of the axis the interdependence of economies is seen to have increased significantly. The global economic system is highly linked,

cross-border trade is significant and most large companies conduct a considerable amount of their business beyond the borders of their country of origin. The markets for labour, capital, products and services are increasingly global. Countries, companies, and individuals alike exist in a world where they ignore the policies, actions, and issues of other countries at their peril.

We identified six key economic forces that could have a significant impact on business and looked at how these forces play out across the economic axis:

Economic ideology and corporate strategy

In an independent world a variety of economic models and theories vie for position, and different corporations pursue strategies relevant to the local market in which they operate. In an interdependent world, the pursuit of outward-looking economic policies and corporate strategies that focus on cross-border trade have joined

Economic Interdependence

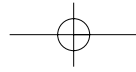
countries in an integrated global economic framework and corporations have become increasingly networked.

Market developments (capital, labour and consumer)

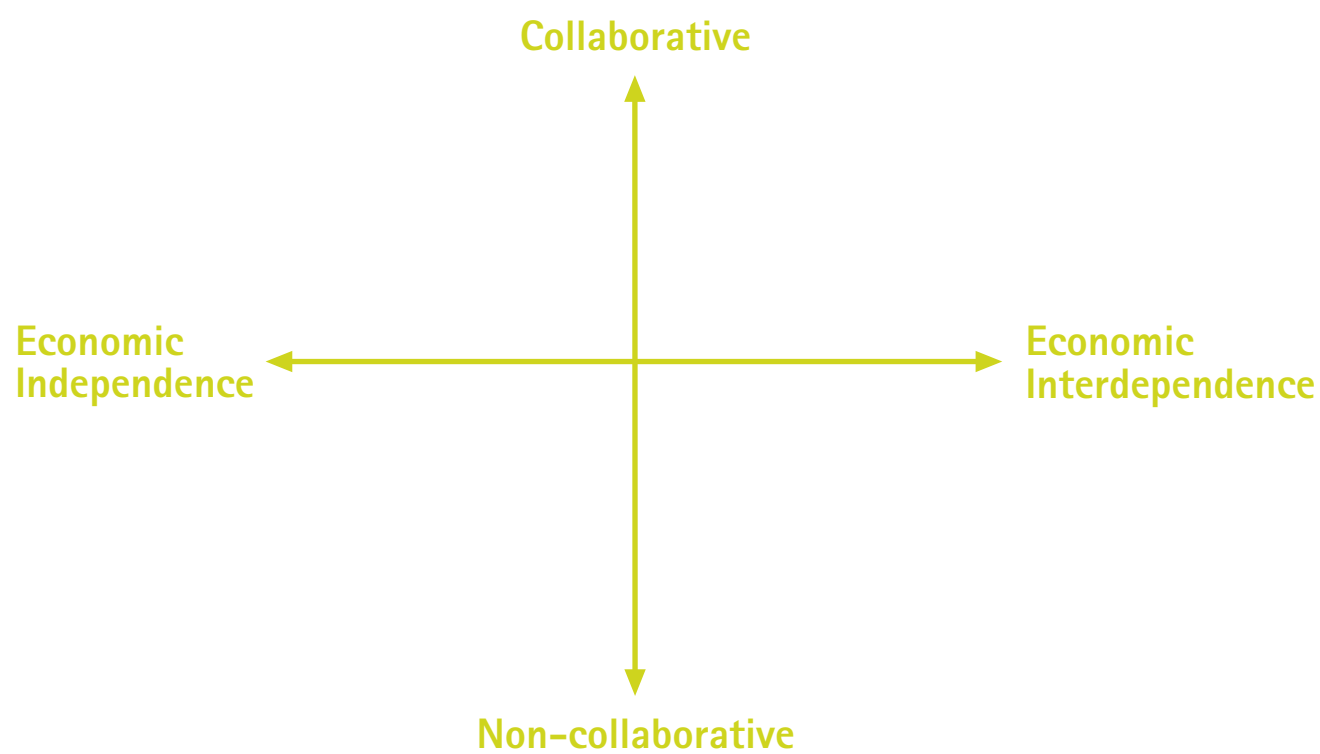
In an independent world, markets for labour, capital, goods and services are local in nature and companies and governments increasingly focus on less competitive national and sub-national markets. In an interdependent world markets are liquid and global, characterised by growing cross-border volumes.

Government economic policy

In an independent world, government economic policy is increasingly nationalistic and isolationist, focusing on a largely protectionist local agenda. In an interdependent world, the majority of government economic policies take account of the interconnected global financial system and promote overseas trade as a means of economic growth.



46 Business in a Fragile World **The Dimensions of Change**



Supranational institutions

In an independent world there are few supranational financial institutions and those that do exist have little impact on domestic economic policy making. In an interdependent world, supranational financial institutions work to maintain liquidity in the international trading system and may attempt to reduce volatility.

Travel and transport

In an independent world, cross-border travel becomes less common and more expensive. The cost of transporting goods is higher in the absence of economic free trade zones; it is also made more difficult by the increasingly bureaucratic demands of a variety of customs and trade controls. In an interdependent world, more and more people travel beyond their borders and the costs of transporting goods tend to fall as volumes increase.

Information communications technologies (ICT)

In an independent world, countries will have shifted away from global information networks like the Internet and developed national communications networks that make

cross-border communication and transactions increasingly expensive. In an interdependent world, there is more and more cross-border communication, with transactions travelling over an integrated global communications network. Technological advances continually reduce costs as volumes increase, enabling new forms of communication between individuals, corporations and governments.

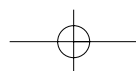
Collaborative or non-collaborative?

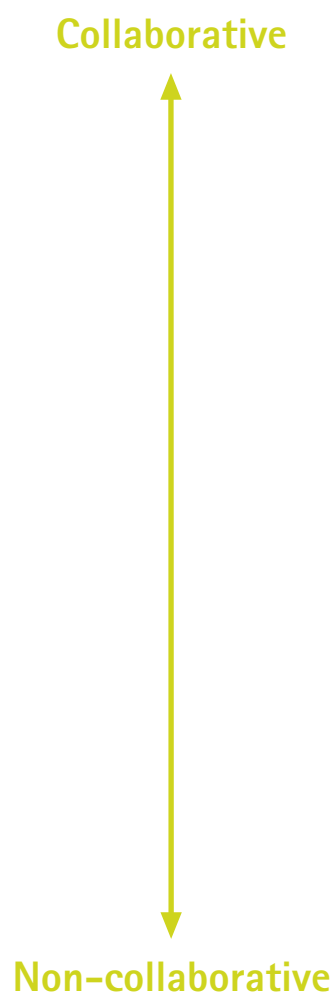
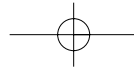
We have analysed what could happen as we move along the axis from a non-collaborative world to a collaborative one. A non-collaborative world is disjointed and fragmented. Key players, whether in government, business or other society groups, believe that success for them comes through making their own decisions using their separate processes. In this world, non-collaborative attitudes to working together apply to different groups within countries as well as to other groups across borders. Non-collaboration may lead to conflict or to duplication. While the attitudes of this world may be fairly introspective, not everyone has turned in on themselves completely. Players

may well be operating in an international arena, and external policies and actions may affect them in some way, but their responses will be based on their own short-term self-interest.

The other extreme shows a more collaborative world where business, governments and the rest of society tend to work together when taking decisions and exhibit at least some element of power-sharing across their traditional boundaries. There will be a better coordinated, and thus more effective, approach to tackling global problems such as instability, poverty and disease. Business will act under the principle of enlightened self-interest and work with governments and the rest of society to tackle issues, such as illiteracy and the digital divide, that continue to hold back economic growth. Connected and effective networks are critically important in this exchange of knowledge and know-how across communities and countries.

There are many variations along this axis, as communities, governments and businesses pick and choose the issues and policies





on which they want to collaborate as well as the degree of any collaboration.

We identified six key socio-political forces that could have a significant impact on business and identified how these forces play out along the socio-political axis:

Attitudes and values

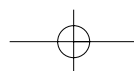
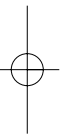
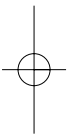
In a non-collaborative world, people are intolerant of different attitudes and values. The focus is on the individual, and people are reluctant to support or pay for public goods and services. Racism and xenophobia are commonplace and are seen as 'legitimate' platforms for local and national political groups. Barriers have been erected to keep out 'others.' The mobility of people across borders has declined considerably, making it harder for people to appreciate diversity. At the other end of the axis, we encounter a world where people have developed much greater tolerance and are quick to identify, and act upon, issues of common interest. Societies are increasingly multicultural and people are comfortable with the often conflicting demands of identity.

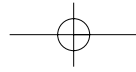
Approach to policy-making

In a non-collaborative world, governments work in isolation when formulating public policy, and competing interest groups – representing both businesses and civil society – try to push separate agendas from outside the decision-making process. Security is seen as a purely national concern and governments rarely coordinate the work of their enforcement bodies with those of their counterparts overseas. In a collaborative world, governments work closely with a wider group of stakeholders (typically a combination of individuals, corporations and other governments) when formulating policy. Governments increasingly share their policy agendas publicly and work with their counterparts from overseas and supranational institutions in attempts to reach mutually beneficial outcomes, particularly in areas that are seen to be of common interest, such as security, poverty alleviation and disease eradication.

Religion and ideology

In a non-collaborative world religions are in open competition (and often conflict) with each other and are highly intolerant of those who do not share their beliefs or have





Contributors



From top left:

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Acknowledgements

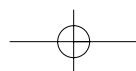
We would like to thank the following people for their help with this study:

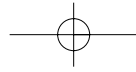
John Beck, Ashish Bhushan, Graham Bishop, Alexander Broeking, Victor Bulmer-Thomas, Kit Burdess, Chris Burrows, Paz Castillo-Ruiz, François Charrière, Raffaello D'Angiolino, David Dinkin, Nicholas Edwards, Vernon Ellis, Phillip Everson, Mark Foster, Sean Galvin, Lin Piao Goh, Noel Gordon, Richard Heller, Sanjay Jain, Lisa LaPlant, Claire Lawrie, Gong Li, Rosemary O'Mahony, Rupert Morris, Alisdair Murray, Fumio Ohue, Angel Pascual-Ramsay, Tom Pike, Helen Rietz, Joanna Roberts, Ameet Shah,

Andrew Sinclair, Andrew Smart, Paul Spence, Adedotun Sulaiman, Bob Thomas, Daniel Thorniley, Annabel Turpie, John Zealley.

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Photograph on page 21 ©Wendy Eccles and Digital Partnership/Khanya Project.





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