



TOMORROW'S  
CHALLENGES



## THREE MEGATRENDS THAT WILL AFFECT EVERYBODY'S BUSINESS

LEADERS BEWARE

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The future is hard to predict and a lot of “experts” regularly get it wrong. However, there are some facts so important and trends so inevitable that leaders would be ill-advised to ignore and not try to anticipate.

Here are three of many future megatrends that will not necessarily determine what will happen, but will most likely have a big impact on everybody's business in the coming years to decades.

### **Changing demography**

This is one of the only indicators that cannot lie about the future: Tomorrow, we will all be older than we are today!

Some of the major changing tides of demography may have important political, economic, and potentially military consequences. For example: what are the implications of Russia having a life expectancy of 59 versus 61 for Bangladesh?

Statistics show that populations in Europe and Japan are having fewer children, while both places face distressing recent levels of youth unemployment. This makes for some potentially troublesome situations such as smaller less-experienced workforces who will have to financially support larger elderly populations. And right now Europe is witnessing a historic migration crisis. What effect will this eventually have on its long-term demography? Only time will tell.

For many mature economies like Japan and the US, the workforce will be older, healthcare costs will be higher, and it looks like we will see diminishing pension benefits. Overall competitiveness in these countries is being challenged.

Looking to another part of the world, a number of analysts are betting that China, the most populous country on the planet, will take up some demographic slack and be the growth engine of the future. I wouldn't be so sure about that. While today's generation may be relatively prosperous, the country's one child policy is beginning to take its toll; smaller numbers of the next generation will have to support a much more massive pool of aging citizens just like in the so-called developed countries. With the Middle Kingdom accounting for such a large proportion of the global population, mainland China will still fuel world economic growth, but the pace of growth will vary province by province more than ever.

Companies need to be creative and find new business models to take advantage of the shifting makeup of their operating countries' populations.

There will be big growth in the world but it will be elsewhere in countries like India or in Africa, where there will also be some big opportunities. Over the next five years, some African economies (Ethiopia, Mozambique and Tanzania, just to name a few) are likely to grow as fast as, or faster, than some of the recent Asian champions.

This growth comes with challenges however. It could easily be squandered if problems like corruption, political instability, lack of infrastructure and poor education persist or get worse.

These predicted shifts in demography don't only spell decline though. There will be a lot of room for new business opportunities in the healthcare and nutrition sectors for example. Infrastructure will need to be redone and rethought, creating a lot of openings for building and technology innovators.

### **Explosion in technology**

If you think we have seen a stark increase in technology in our lives over the last few years with the omnipresence of smartphones and wearable health trackers, you haven't seen anything yet.

One example of how fast we have been speeding up is that the number of mobile web users is growing eight times faster today than the number of people getting on desktops in the mid-1990s. And this change will only continue to move quicker!

In the coming era, everything will be connected: from buildings to roads to satellites to your refrigerator. The internet of everything is on its way. Advances in 3-D printing will change the cost and efficiency of making a lot of products and even body parts or organs!

Someday, I wouldn't be surprised if it were common for people to live to 120 years old due to how personalized medicine will become and how much of an impact neuroscience will have on our lives. Of course, if people live 120 years, this will only add to our socio-demographic challenges.

In addition, with the explosion of technology and the internet of things, digital disruption will continue to displace established industry incumbents at an alarming rate. Up to 40% of current businesses are vulnerable to digital disruption according to recent research by the [IMD/Cisco Center for Digital Business Transformation](#).

### **Leadership challenges**

You have probably noticed by now that we are living in an increasingly V.U.C.A. (Volatile, Uncertain, Complex, and Ambiguous) world.

There is no end in sight and leaders are struggling to cope. Add to that the fact that all sectors are becoming more transparent, leaders are much more exposed today than they were 10 to 15 years ago. They are under pressure for quick results in a difficult environment with an unprecedented level of scrutiny for their every decision.

We need great leaders more than ever to overcome the challenges we face ahead. But it is getting harder and harder for leaders to navigate obstacles and to obtain the mandate and leeway they need to make their mark.

### **What can we do?**

In these tough times some of the biggest, and most common, mistakes companies can make are to compete on price or to lower investments in education, research and development, or innovation.

The most successful organizations will continue to invest in innovation in a broad sense and relentlessly collect business and customer insights. They will also focus on their "customers' headaches", not just their needs and wants, and work on making sure they come back. Ensuring that they have a great experience once is not enough anymore.

We all face challenges ahead and no one approach will work for every organization or in every industry. But if you follow these general principles you will be off to a good start.

The stakes are high; these megatrends are all but certain to come and have the potential to make or break your business.

How are you preparing for the megatrends of the future?

*[Dominique Turpin](#) is the Nestlé Professor and President of IMD. He co-directs [IMD's Orchestrating Winning Performance](#) program, the next edition of which takes place in Singapore on 16-20 November 2015.*

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