

## SURF THE STORM: GLOBAL TRENDS SURVEY RESULTS <sup>1</sup>

*What's your vision for 2020, or 2015 for that matter?*

In the near future, we may see such significant developments as widespread cheap solar power, wearable computers or targeted drug delivery.<sup>2</sup> Looking further ahead, we might see world-changing breakthroughs, which could allow us to build computers that learn like humans, rebuild living organisms to fight disease, and solve industrial problems.<sup>3</sup>

These are not dreams – they are innovations that scientists and corporations around the world are actively working on making reality. These changes have the potential to profoundly impact how we work and live. In short, we are increasingly living in a “VUCA” (volatile, uncertain, complex, ambiguous) world.\*

But now, more than ever, it is essential for business leaders to take up the challenge of creating and shaping the destiny of the institutions they lead. Being reactive or postponing decisions will not suffice. How we choose to make sense of the myriad of information and choices around us, how we open ourselves up to what we don't know as well as to what we do know, and how we create options to shape our future is in large part up to us.

### The forces impacting our world

The VUCA world is all embracing. Major trends are impacting geographic markets, consumers, industries, technologies, geopolitics and many other

critical elements of our environment. As one of countless examples, take the exploding global “middle class” in emerging markets who will be buying millions of cars in the next decade. Even if you have no link to the auto industry, this will impact energy prices, financial markets, regulations and more.

There are many sources of “data” on the trends impacting the world today. At the Orchestrating Winning Performance (OWP) program this year, we introduced nine major trends, providing our perspective on some of the most critical ones:

- **Economic Power Shifting**
- **Changing Labor Landscape**
- **Changing Geopolitical & Security Landscape**
- **Growing Pressure on Natural Resources**
- **Growing Stakeholder Demands on Business**
- **Changing Technology Landscape**
- **Changing Economics of Information & Knowledge**
- **Changing Consumer Landscape**
- **Changing Industry Landscape**

Each of these trends offers both opportunities and threats, and all will surely impact how we must operate in the future to succeed and how we will interact with the world around us. The key question is how we translate the resulting mass of confusion or data into today's decision-making. As one executive said: “We plan for everything

\*VUCA is originally a military acronym.



**Thomas Malnight**  
IMD Professor of  
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**“We plan for everything except what we truly need to do to be successful in the long term.”**

except what we truly need to do to be successful in the long term. We have business and market and function plans. We spend enormous time and effort on these processes. We analyze them with rigor and determination. But in the long term these plans do not look at what are the fundamental capabilities that we need in the future to reflect the changes taking place around us. We need to get ahead and lead change, and stop being reactive.....”

### Storm watching

The first step in doing this requires identifying what trends exist and how important their impact might be on our organizations. To find out how organizations perceive and deal with these trends, we surveyed a diverse group of 289 senior executives at OWP in June 2007. They represented a wide range of companies, industries and geographies. So where do respondents see the greatest impact?

The overall results suggest that all trends are expected to impact us more over the next five years, in particular the continued shift of economic power towards Asia and the growing pressure on natural resources. However, at an aggregate level, the difference in perceived impact between the trends is relatively small, highlighting the dilemmas facing leaders – these trends cannot be tackled in isolation and there are no “right” answers. We need to manage the complexity of many challenges and opportunities at once – and we need to start now. But are we starting now? When we look at the distribution of scores for the perceived impact now

and in future (see Figure 1), we find that the percentage of respondents saying that a trend is going to have a significant impact on their organization in five years doubles for almost all the trends.

Diving deeper, we find significant differences in how respondents view the impact of the trends based on their geographic location. The first key difference, shown in Figure 2, is between organizations from developed (including North America, W. Europe) versus rapidly developing nations (including Asia, Middle East, Africa).

For every trend, now and in the future, respondents from rapidly developing economies perceive a greater impact on their organizations than those from developed regions. One reason may be that trends such as shifting economic power are being felt more actively in Asia, as growth booms. But this cannot be the sole reason. Further research is required to understand whether there are cultural reasons underlying the variance in perceptions, e.g. long-term versus short-term orientation or relative openness to change. Another possibility to explore is that executives from large, mature markets are not facing up to reality – wasting precious time in preparing for the future.

### Wake-Up Call No. 1: Will the future be driven by BRIC competitors fighting in BRIC Markets?

In 1985, Kenichi Ohmae wrote a book entitled “Triad Power,” speculating that global competition was driven by competition in Triad markets (Japan, U.S., W. Europe) among Triad based firms. These

Figure 1: Distribution of Scores for Perceived Impact of Trends

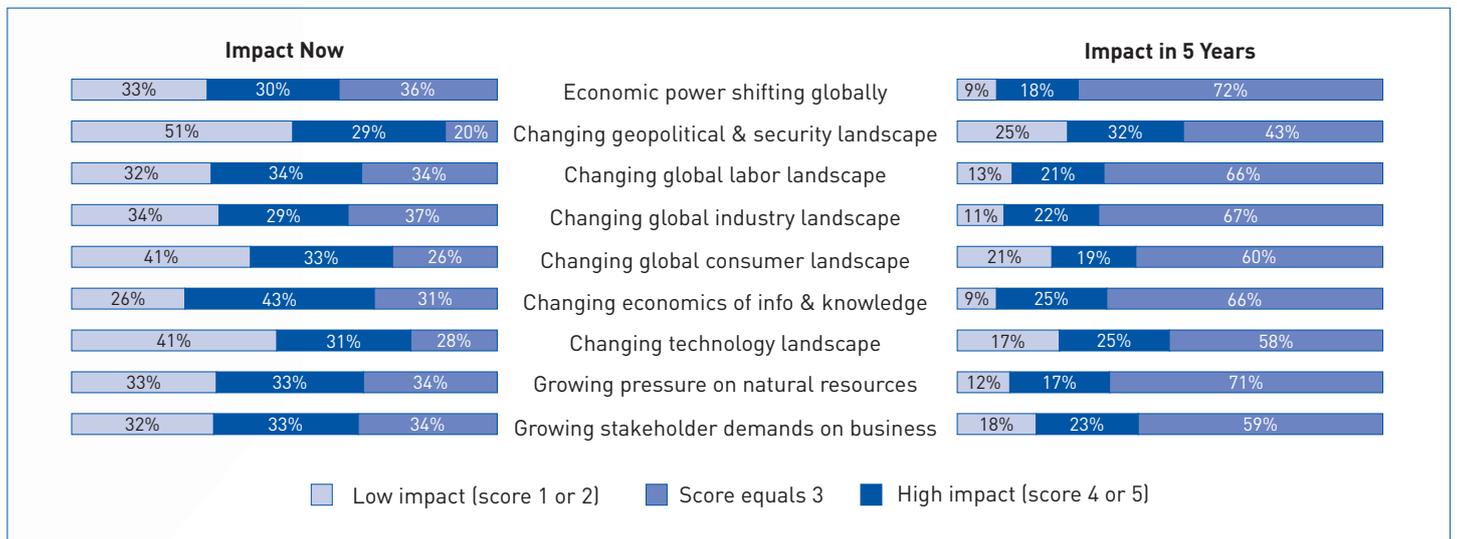


Figure 2: Two Views of the Future: % of Respondents Indicating a Significant Impact of Global Trends in 5 years – By Nationality of Organization

	All Developed Countries *	All Rapidly Developing Countries **	Asia
Shifting Economic Power	70%	79%	89%
Shifting Geopolitical & Security Landscape	38%	55%	55%
Changing Labor Landscape	62%	73%	79%
Changing Industry Landscape	64%	73%	84%
Changing Consumer Landscape	57%	65%	73%
Changing Economics of Information & Knowledge	62%	72%	74%
Changing Technology Landscape	53%	65%	61%
Growing Pressure on Natural Resources	71%	72%	82%
Growing Stakeholder Demands on Business	56%	65%	68%

\* Northern America, Europe (excluding Eastern Europe), Oceania  
 \*\* Africa, Asia, Eastern Europe Latin America & Caribbean, Middle East

Significant Impact defined as % of respondents scoring 4 or 5 on a scale where 1 = Little/no impact and 5 = Dramatic Impact

**“Wake-up Call No. 1: will the future be driven by BRIC competitors fighting in BRIC markets?”**

markets were both the source of leading firms and the focus of competition. Since the book, there has been a shift as Triad firms have aggressively invested in high growth developing markets.

If we look at the trends above, shifting economic power and changing global industry landscapes are expected to have very significant impact in the future, particularly among developing market competitors. One hypothesis could be that if developed market (i.e. Triad) competitors are complacent while BRIC players are hungry (aggressive) and if the focus of competition and growth is in their home high-growth markets, Ohmae’s Triad could be replaced by the BRIC, not only in terms of the focus of competition but also in terms of the source of leading firms.

particularly effective. [See Figure 3] Additionally qualitative survey responses suggest that these activities are often centralized within small “expert” groups or outsourced to consultants – limiting the ability to have a major impact across the myriad of decisions being made every day across diverse business units.

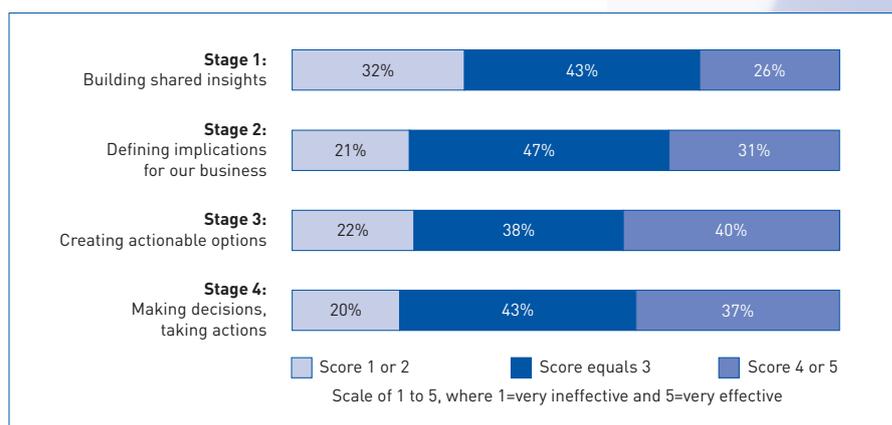
Interestingly, it is in building shared insights that the respondents believe their organizations are weakest – only 26% rate their organizations as particularly effective in doing this.

Who gets involved in this process? The survey suggests that top management is a key driver. Its influence increases, along with that of the central strategy staff, as we move through each stage of

### Catch the Wave: Move from trends to decisions

So what do we do about these fuzzy trends? If we ignore the indicators of change, we could be left behind. If we get too far ahead, we could be buried in the short term. How do you catch the right “wave?” The good news from our survey respondents is that they are building insights, defining implications for their organizations, creating options and taking decisions and actions. The bad news is that few organizations believe they are doing this particularly well – the average scores on effectiveness are all very close to three, meaning neither ineffective nor

Figure 3: Overall Effectiveness of Respondents’ Organizations at Each Stage of Translating Trends into Today’s Decision-Making



linking trends to decisions. When it comes to creating actionable options, almost 60% of respondents say these central bodies are the primary drivers.

High involvement of central bodies is understandable as they have a broad view across the organization, but how critical is it that business units also build and test options for the future? Given the VUCA world in which we operate, the ability to undertake low cost testing of decisions and actions through experimentation in all parts of the company will become an increasingly important part of innovation. If options remain at a corporate level, they are unlikely to help build this capability on a broad enough basis.

### Wake-Up Call No. 2: How much time should we spend on reflection-oriented versus action-oriented activities?

If we look at the emphasis of the first two stages above, the primary focus is on **reflection** and building understanding. What is happening and what does this mean for us? The second two stages above, the emphasis is more on **action**. What should we do and what decisions can we make? With this distinction, there is potentially an observed "bias to action," even when responding to growing uncertainty and complexity.

These results (although admittedly only suggestive at best), frankly, are worrying: What does this mean for the options created and decisions made – and ultimately the strategic priorities, which will guide the organization towards its desired future? Are they based on sufficiently deep insights or are they just focused on maintaining the past? If companies lack insight into the changes around them and the implications on their firms, then who

can be responsible for improving the situation and preparing for the future? Or have we developed an attitude of "if we don't know, just keep busy doing."

### Where to from here?

At the heart of successful companies, which can surf the storm of change, is the ability to find the right balance between deciding for the future and managing the here and now. They take a holistic and humanistic approach, not just in making the choices within the process of linking trends to decisions and actions, but also in aligning the organization around it. Managing in a VUCA world is not easy, but it is unavoidable. So take time to think about:

- What will your competitive landscape look like in the future – not just next year? What do you need to do today to prepare to face new types of competitors in new markets?
- How many decisions are made inside your organization every day? By everyone, not just by you? How many of those decisions reflect a deep understanding of the future and how many are focused on protecting the past?

Where to from here? The results presented in the previous pages are designed to provoke discussion, to challenge our views on reality – to push our thinking on what is possible, plausible and yet to be known or understood. We hope you have gained some insights that you can discuss with your teams to provoke their thinking too.

How the trends will impact us depends on how well we translate them into decisions and actions today. If we choose not to do so, we lose a real chance to help shape our destinies.

<sup>1</sup> Adapted from *Orchestrating Winning Performance 2007, Anticipating the Future*, edited by Bettina Büchel, Benoît Leleux and Anna Moncef; IMD, 2007, printed by Favre & Winteregg in Switzerland ISBN 978-2-8399-311-0.

<sup>2</sup> Source: The RAND Corporation, *Top 16 Technology Applications (TAs) Expected to Impact Society by 2020*.

<sup>3</sup> Source: *Ten People Who Could Change the World*, www.forbes.com, 24 May 2007.

The *Financial Times* (2007) ranked IMD's executive education programs 1st outside the USA and 3rd worldwide. IMD's MBA was ranked 1st worldwide in the 2007 FT «Ranking of Rankings,» the combined global annual MBA rankings from *Business Week*, *The Economist*, *Financial Times*, *Forbes* and the *Wall Street Journal*.



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