

The World in 2020

The world today is experiencing change of unprecedented speed and scope. And you don't need to be a historian to know that some organizations cope with, or indeed flourish from, change better than others. And you don't need exceptional foresight to know that the ability to handle change is going to be required more acutely in the future. This will be what separates the true leader from the rest of the pack.

Transformative leaders will require fundamental skills of leadership. An effective leader must be able to uncover and drive insight from changes specific to his or her industry and the world at large, translate this insight into an operable and sustainable strategy, underpin it with innovation, and drive it to conclusion through relentless, hard-nosed operational implementation. In our view this is Leadership, Pure and Simple. Regrettably, such skills are not as pervasive as one might expect. But they can be learned or acquired. That's why we wrote this book.

Confronted by change, the first question to be answered by any leader is, "Where are we going?" This question is becoming increasingly more difficult to answer. Or is it?

During one of his final lectures, Peter Drucker, the founder of modern management thinking, was asked, "Professor Drucker,

you seem to have this incredible ability to predict the future. How do you do that?” To which he replied, “I cannot do that. What I do is to look out of the window and see things that others do not see.”

So how can one gain more insight through one’s own window into the future? Some research will help.

One trove of observations and foresight is the excellent Future Agenda open insight initiative led by Vodafone, the largest provider of mobile communications in Europe and Africa. This ambitious project convened collaborations of experts in a wide range of business, scientific, and economic disciplines to assemble a broad view of possible futures around the world. Many of the trends uncovered by the Future Agenda project and described in the organization’s report *The World in 2020* have often cropped up during our client assignments. Here is some of what we see.

THE FOUR CERTAINTIES

Peering out through the window of the future can be a daunting task if one doesn’t know where to look. The first things to look for are future certainties that can be clearly separated from speculative events. *Future certainties* are trends in which “the train has left the station” and the destination is known and is virtually certain. Obvious examples are the rise of China and India as political and economic powers. Other examples are changing demographics, such as developed nations getting “older” and developing nations getting “younger.” According to Future Agenda, there will be four *macro certainties* developing in the next decade:

- A continued imbalanced population growth
- More key resource constraints
- An accelerating Asia wealth shift
- The achievement of universal data access

TEN BROAD TRENDS

The next level of inquiry can be built around these certainties. In our view the following 10 broad trends will impact almost all industries and organizations on the planet.

TREND 1. WEALTH CREATION

Future Agenda has described it this way: “How wealth is created, valued, shared, and used over the next decade is subject to a number of possible changes.”

We agree. Powered by globalization, an unstoppable yet not fully understood force, previously unseen methods and centers of wealth creation will emerge. One could argue that the wealth creators of recent history were the Europeans (Industrial Revolution) followed by the United States (the American Century). There are clear signs that this is changing. China, India, and other emerging markets are operating on new definitions of *capitalism* that make hefty research and development investment more palatable. So-called *state capitalism* is characterized by state-owned or family-controlled firms that don't have the short-term, “beat the analyst forecasts” mentality of their Western counterparts. In the future, leaders will no longer be able to plan without considering the longer-term global marketplace.

Continuing its analysis, the Future Agenda proceeds:

Globalization has connected many of us in ways we never conceived of, that allow new ideas to be shared and innovations to accelerate. It has also linked us together in ways that mean shocks in one region can quickly be transferred to another. A “flatter” world is providing opportunities for those with talent to leapfrog ahead of others, but at the same time there is a growing imbalance between the haves and the have-nots in society.

The next decade will see new technologies that will drive new business models that will, in turn, change how wealth is created and shared, but it will also see political and social needs drive other changes in how we manage and use the wealth and resources that we have available. There is also a clearly significant influence in this area from the certain shift in the center of gravity to Asia and the consequences that this will have for wealth creation, trading and even currencies.

Which raises the question: What will be the specific impacts of these macro wealth creation trends on the outlook of your industry?

TREND 2. WEALTH DISTRIBUTION

The wealth gap between the rich and poor will continue to expand, fueled by widening differences in wealth between and within urban and rural communities. But, predicts Future Agenda, the rich and poor will still need each other:

In recent years the gap between richer and poorer households has widened in most areas of the world despite strong economic growth that has created millions of jobs.

This has applied not only in the gaps between some rich countries and some poor ones but also within many nations. The rich/poor gap in the United States has increased, just as it has in Brazil, India, and Africa.

We would agree with many in saying that urbanization is perhaps the most significant issue. However, there are no clear signs of governments making significant changes to taxation and spending policies to redress the imbalance. Access to good education will remain the catalyst to breaking through the divide. One analyst put it bluntly: “If it was simply a matter of robbing

Peter to give to Paul, humanity would have solved it [wealth redistribution] years ago.”

According to Future Agenda, “Over the next decade, the gap between the haves and the have-nots will grow, even though there will be ever more interdependence, in some areas, between wealth-generation across the social spectrum.”

One of the early authorities to recognize the wealth gap was C. K. Prahalad. In his book *The Fortune at the Bottom of the Pyramid*, he asks how this gap can potentially be closed or addressed. Prahalad ponders the question of “why we cannot create inclusive capitalism, and why all of our technology, managerial know-how and investment capacity cannot make even a minor contribution to the problem of pervasive global poverty and disenfranchisement.” He then suggests that “refining developmental aid, subsidies, governmental support, reliance on deregulation and privatization of public assets, and the solutions of localized non-governmental organizations (NGOs) is important, but it has not redressed the problem of poverty.” Prahalad asks, “Why can’t we mobilize the investment capacity of large firms with the knowledge and commitment of NGOs and the communities that need help?” Searching for unique solutions led him on a journey to understand and motivate organizations to imagine and act on their role in creating a more just and humane society.

The Fortune at the Bottom of the Pyramid does not look to answer the debates raging over whether globalization is good or bad or whether small or large corporations can tackle problems more efficiently. Instead, it focuses on what works, and it suggests ways that NGOs, domestic organizations, multinational corporations, governments, and even the poor themselves, through entrepreneurial activities, can come together and work to solve the problem of poverty and the growing divide between rich and poor.

Whether such collaboration is possible is open to question. Grameen Bank, the microcredit organization founded by

Mohammed Yunus, appeared to have hit the magic formula and earned Yunus fame and a Nobel Prize along the way. However, recent criticisms leveled against Grameen in the Norwegian television documentary *Caught in Micro Debt* and controversies over the role and benefits of other microcredit organizations in other developing nations have been a setback. Nevertheless, Prahalad's analysis and Grameen's early successes at least indicate ways in which the wealth gap could be closed.

Which raises the question: What effects will this richer/poorer trend bring for your particular industry and company?

TREND 3. THE FUTURE OF GLOBALIZATION AND THE MYTH OF A SINGLE MARKET

Accelerated globalization will have impacts and consequences on all organizations and therefore must be an input into the leaders' strategic thinking and planning. Decisions affecting product design, manufacturing sites, marketing approaches, distribution systems, and customer service will vary greatly from one market to another. The reason is simple. Although the marketplace will be global in scope, it is not now, nor will it be, homogeneous in character. In Europe, language and culture differ in each country. Customs and traditions vary greatly from one Asian nation to the next. Yet local market strategies, while adapting to the nuances of individual markets, must also ensure that the underlying basis of the corporate strategy remains the gyroscope that keeps the various units in sync.

The CEO of Ascendas, a Decision Processes International (DPI) client based in Singapore and the leading provider of business space in Asia, bears testimony to this reality. Chong Siak Ching states it this way: "Because we run an international organization, it is critical that the HQ organization and country-level management are part of the development of the corporate strategy. They own it and can ensure alignment to it." The key word here is *alignment*. Rather than push the corporate strategy down the throats of the regional management, Ascendas went

on to develop fine-tuned country-level strategies for each major Asian market.

The United States has always been a multicultural mixture. In the last 30 years or so, Hispanic, Korean, Japanese, Filipino, and Vietnamese immigrants—to name but a few groups—have continued to change the fabric of the country. Companies operating in an environment like this will often need to adapt local market strategies even within one such country. An example is American food companies that create market approaches specifically tailored to emerging Hispanic and Asian communities.

Those operating in these widely varied and changing markets will need to decide how, and to what extent, their approaches will need to be customized to accommodate these local differences. Like Ascendas, they need to answer the question: “How do we bring together and optimize the benefits of global and local trends?”

To “Think Global, Act Local” will be a fundamental rule of success in the future for international business. 3M, one of Decision Processes International’s long-term clients, has been a rare exception to the common failure of companies to adapt to local circumstances. At 3M the notion of “Think Global, Act Local” is part and parcel of their operating culture. Companies will have to act locally, in a marketing and selling sense, in order to flush out the distinctive needs of each market. But they will have to think globally on a manufacturing, distribution, and customer service basis in order to achieve the required levels of critical mass for costs and value.

Long ago Sir John Harvey-Jones, the former chair of Imperial Chemical Industries (ICI), explained the phenomenon well at a meeting of the American Chamber of Commerce in London: “The cliché that the world is a single market is, in reality, not true. Each market requires different responses, and it is the ability to read that response and apply that response which will be the key.” This will require companies to be global in perspective but culturally sensitive on a market-to-market basis.

Gary DiCamillo, when he was CEO of Black & Decker, explained how his company coped with this phenomenon: “As you go around the world, many power tools are used in similar ways so that there need not be major differences in the products. We don’t need to reinvent the power tool in every country, but rather, we have a common product and adapt it to individual markets. The products are marketed quite differently in some cases due to local customs.”

The need for executives to become global strategists, able to work as deftly in Beijing as in Toledo or Cape Town, will accelerate exponentially. Businesses will have to learn global strategies and tactics in order to compete successfully. In the light of global expansion, leaders will need to compete with new international rivals, many of whom play to a different set of rules.

For example, SABMiller has become the second largest global brewer, with more than 200 beer brands and some 70,000 employees in over 75 countries. They are also one of the world’s largest bottlers of Coca-Cola products. For 50 years, as a South African-based company, they were confined to the South African market by international sanctions. After the miraculous change to democracy in South Africa, the sanctions were lifted, and immediately, using the skills honed in the South African market, they embarked on a major international acquisition strategy.

As SABMiller’s own history document states: “We’ve become a global leader by excelling locally—nurturing strong, local brands and building brand portfolios that meet the needs of consumers in each of our markets. Our portfolio of brands includes premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft, and Grolsch, as well as leading local brands such as Aguila, Castle, Miller Lite, and Tyskie.”

Theirs is a phenomenal success story based on the principle of “Think Global, Act Local.” It shows what is possible when leaders are equipped with the ability to navigate unfamiliar terrain. Corporate management teams will require finely tuned competitive skills to prosper against such global foes in the future.

Which raises the question: How will you and other leaders within your organization craft agile strategies and business models that are built around a central core yet are reflective of local strategic variables?

TREND 4. THE FUTURE OF DIFFERENTIATED KNOWLEDGE

We couldn't put it better ourselves than Thomas Friedman, the Pulitzer Prize-winning author of *The World Is Flat*, in which he said: "As information is shared globally and insight is commoditized, the best returns go to those who can produce nonstandard, differentiated knowledge." This is the essence of innovation and can be generated only by finely tuned critical thinking skills that enhance the ability of managers to synthesize information—many leaders may stare at the same set of facts but not all are equipped to draw "winning" conclusions.

Friedman has made a convincing case that quicker and easier knowledge sharing has flattened the world. Through his multiple examples from India and China, in particular, he has highlighted how the alignment of increasing globalization, high-speed Internet connections, and new business models have all helped the likes of Infosys, Wipro, and Tata to become knowledge engines.

He makes the point that the steady transfer of know-how from the developed to the developing world has given rise to a greater need for innovation than has ever before existed in industrialized history.

Which raises the question: How will you harness the insights of leaders within your organization and channel these insights toward greater degrees of innovation?

TREND 5. THE INNOVATION RACE

3M has a standard by which it measures the performance of all its business units. Twenty-five percent of each unit's sales must come from products that did not exist five years before. This criterion has caused 3M to introduce some 200 new products

each year and has given it a reputation as one of America's most innovative companies. Unfortunately, the same cannot be said for many companies in the United States. In general, U.S. companies are losing their innovative edge.

Many of these firms' market losses can be attributed to a lack of emphasis on product and process innovations. *Product innovations* create new market opportunities, and in many industries are the catalyst behind growth and profitability. *Process innovations*, on the other hand, enable firms to produce existing products more efficiently. As such, process innovations are among the main determinants of productivity growth. In this technologically dynamic era, without a continual stream of product *and* process innovations, firms soon lose their ability to compete effectively.

The rise and continued evolution of "quantitative" management systems and the short-term, risk-avoidance mentality that they engender has been attributed to the declining competitiveness in the United States in particular. As a result of risk avoidance, it has been shown that the United States has often lost out to Japan on the commercialization of technologies it created. For example, Ampex created the videocassette, but Sony and JVC exploited the technology. Sony also saw the potential of the Bell Laboratories transistor. The recently bankrupt Kodak invented digital imaging, a sector now dominated by the likes of Canon and Nikon of Japan. The *New York Times* writer Adam Davidson recently speculated that the next wave of commercialization would not come from Japan but rather from China.

There is good reason for this. Not only does the Chinese government—and other Asian governments for that matter—have the resources to pump into R&D, the very structure of their "version" of capitalism promotes a longer-term view. The state-controlled and/or family-owned firms in Asia and beyond don't have to play to the rules of the latest quantitative game in town or pander to the needs of short-term shareholders and analysts.

Which raises the question: How will innovation change competitive behavior in your particular industry?

TREND 6. THE INFORMATION EXPLOSION

“Data, data everywhere. . . . Information has gone from scarce to superabundant. That brings huge new benefits, but also big headaches,” says Kenneth Cukier in a recent article in the *Economist*:

When the Sloan Digital Sky Survey started work in 2000, its telescope in New Mexico collected more data in its first few weeks than had been amassed in the entire history of astronomy. Now, a decade later, its archive contains a whopping 140 terabytes of information. A successor, the Large Synoptic Survey Telescope, due to come on stream in Chile in 2016, will acquire that quantity of data *every five days*.

Such astronomical amounts of information can be found closer to Earth too. Walmart, the retail giant, handles more than 1 million customer transactions every hour, feeding databases estimated at more than 2.5 petabytes—the equivalent of 167 times the books in America’s Library of Congress. Facebook, the social networking website, is home to 40 billion photos. And decoding the human genome involves analyzing 3 billion base pairs—which took 10 years the first time it was done in 2003 but can now be achieved in one week.

So what are the implications of this information explosion? There is no doubt that *more accurate* information contributes to better decision making. It is also true that *too much information* can paralyze decision making. Waiting for more, or perfect, information can delay a decision and cause the decision maker to “miss the boat.” In this decade, people will require more acute skills and thinking processes to be able to separate relevant from irrelevant information more quickly and thus make better and timelier decisions. There will also be less room for error since most wrong decisions will have greater and more

far-reaching negative consequences. A minor decision gone wrong may have repercussions around the globe.

In his recent article “Welcome to the Information Age—174 Newspapers a Day,” Richard Alleyne, science correspondent for the *Daily Telegraph*, wrote:

If you think that you are suffering from information overload, then you may be right. A new study shows everyone is bombarded by the equivalent of 174 newspapers of data a day. The growth in the Internet, 24-hour television, and mobile phones means that we now receive five times as much information every day as we did in 1986. But that pales into insignificance compared with the growth in the amount of information we churn out through e-mail, Twitter, social networking sites, and text messages. Every day the average person produces six newspapers worth of information compared with just two and a half pages 24 years ago—nearly a 200-fold increase.

Leaders around the globe will need to update their “cognitive firmware” to cope.

Social media such as Twitter will not only continue the acceleration of the information explosion but also put pressure on organizations to both share and respond to information in real time. Recently the usually hyperefficient subway system in Singapore suffered two major failures within a week. When criticized over its handling of the cases, in particular its lack of communication, Singapore Mass Rapid Transit provoked ire and laughter in equal measure when in response it created a Twitter account that operated from 9 a.m. to 6 p.m. only! Twitter is a global phenomenon. The South African Press Association (SAPA) recently reported that South Africa tweets the most on the African continent with more than 5 million messages sent in the last three months of 2011. According to research by Portland

Communications and Tweetminster, more than 11.5 million geo-located tweets originating on the continent and a survey of 500 of Africa's most active tweeters showed that the next most active country was Kenya (2,476,800). This was followed by Nigeria (1,646,212), Egypt (1,214,062), and Morocco (745,620).

Which raises the question: What are the implications of the information explosion and real-time communications in your company and industry, and how best can you use this universe of information to your advantage?

TREND 7. THE FUTURE OF ENERGY

As defined by Future Agenda, one of the implications of the aforementioned “certainty” key resource constraints is its impact on energy, and in particular, our overdependency on fossil fuels.

The Future Agenda report states:

[With] the increasing global susceptibility to the impacts of climate change, momentum for change is building. However, we are not yet at a stage where either global agreement will take effect or where technological breakthroughs will provide new solutions; nor are there credible alternative pathways on the table for developing economies.

Despite the lack of global consensus on climate change, legislation is fast being introduced in local jurisdictions, driving a need for companies to accept the reality and adopt programs that if properly conceived and implemented can deliver real benefits to their businesses. The most impactful will be programs where the revenue benefits will substantially exceed the costs, with the overwhelming benefit of preserving our beautiful world for the future.

In a recent article titled “Why should CEOs care about climate change? Is it a nuisance or growth opportunity?” Muriel Chinoda, senior associate, DPI Africa and a noted expert in

climate change, ponders the strategic risk and opportunities arising from this controversial topic. She elaborates:

Whatever your views on climate change's causes and possible dangers, strategic pressures are being created by rising environmental concerns and threats of the pledges, commitments, laws, and regulations being enacted around the world to curb greenhouse gas emissions, as well as increasing demands by consumers. Climate change has become an unavoidable input into any organization's strategic process. The implications, risks, and opportunities are simply too large for a CEO to ignore.

That's why many CEOs are no longer looking at the topic as an operational headache to be managed but as a strategic opportunity to be exploited.

Which raises the question: What implications will climate change and energy constraints have in your particular industry and company?

TREND 8. THE FUTURE OF HUMAN HEALTH

The tiny state of Singapore—unlike Great Britain, its former colonial ruler, which seems to view health costs as an economic millstone—is one of many countries that has bet significant sums on human health as a major driver of economic growth. The Singapore government has invested hundreds of millions of dollars to establish a dedicated, built-from-scratch biomedical research community, known as Biopolis, and it has enticed the best and the brightest researchers and research organizations in the field to the country. Due to its renowned efficiency and highly developed health sector, Singapore is also a major beneficiary of “medical tourism” in Asia.

Future Agenda agrees that healthcare presents major new opportunities for innovation: “The world of health and nutrition is one in which there are many significant technological and social

changes on the horizon. For instance, stem cell research and more detailed use of the information we have on the human genome are providing a plethora of new development opportunities.”

As we move toward 2020, the generally larger, older, more overweight population, at least in developed countries, will necessitate a number of major policy decisions around food supply, health funding, and even end-of-life management. Admittedly, some of these will be more relevant to certain countries than others, yet at the same time, we must not lose sight of the fact that some health issues connect us all. Fears over new global pandemics, such as bird flu, are good examples. In response, new business models will also move rapidly around the world to make healthcare more efficient.

Which raises the question: What are the implications of changes in the healthcare arena for your particular industry and company?

TREND 9. ECONOMIC DOWNTURNS AND UNCERTAINTY

Unfortunately the mantra “History repeats itself” applies to economic trends, especially downturns. The majority of DPI clients worldwide, even those in Asia, foresee shorter and more unpredictable economic cycles. Sadly, recessions are here to stay and will probably raise their ugly heads more often.

Savvy leaders realize that every cloud has a silver lining. Rex Glanville, chair, DPI Africa, recently said, in exploring what it takes to survive and thrive in hard times:

While the discussions on how the world may look over the next decade are interesting and valid, many CEOs’ major concern right now is survival in the worst local and global economic conditions since the Great Depression. However, CEOs should consider that economic downturns are often opportunities to launch unique new products while their competitors are in retreat. What do successes

such as MTV (launched in 1981), the iPod (2001), and Google's Android (2008) all have in common? Well, for starters they were all launched in the midst of recessions.

Economic downturns, recessions, slumps—these terms send chills down the spine of even the most robust of business leaders. Whenever the economy takes a dive, in boardrooms across the world, planning gets underway for hard times ahead. There is great temptation, however, to cocoon when things get difficult—cutting back on risk and innovation, curtailing spending, downsizing, and generally pulling back, hoping to come out unscathed.

Worse still, CEOs may take the “easy” route of across-the-board cuts that ignore opportunities and regional variations and most importantly, the critical need to sustain strategic competencies. Yet it is exactly these old reflexes that kick in during an uncertain economic outlook—cutting people and programs—that have to be rethought.

“The best time for risk taking and innovation is when the economy is challenging,” agrees F. Franks, president of the U.S.-based management consulting practice Franks Consulting Group. “While most businesses retrench, those that take risks and push innovation stand out among their competition.”

Successful companies such as Sony, 3M, Canon, Microsoft, Johnson & Johnson, Caterpillar, and Schwab maintain their control of their turf not by introducing “me-too” products but rather by focusing their resources on the creation of new-to-the-market products and/or improved processes.

Along with great innovative products, smart companies will find the resources to step up advertising and marketing. It may be counterintuitive, but there is plenty of evidence to show that continuing to engage in marketing during an economic downturn can sustain business and provide a competitive advantage.

A classic case in point: In 1933, in the heart of the Great Depression, Procter & Gamble (P&G) took a risk that changed the company, and advertising history. Despite protests from

shareholders, P&G president Richard Deupree created compelling radio serials, sponsored by Ivory Soap. This was the start of what became known as “soap operas.” By the time 1939 rolled around, P&G was sponsoring 21 radio programs. They doubled their radio advertising budget every two years during the Depression. The company is today the world’s number one maker of household products.

As Harvard Business School professor John A. Quelch recently noted: “It is well documented that brands that increase advertising in a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times.”

Spending needs to be carefully planned and targeted, of course. The key is to do more with less and to do it creatively, thoroughly examining market strategies and revising messages if need be. Research suggests that offering reassurance, emphasizing value, and empowering consumers with information is the way to go during uncertain times, as opposed to going for aspirational, optimistic, and light-hearted messages.

This is the time to reconnect with customers and figure out how to add value to their experience. Solidifying relationships with customers now means that they’ll remember those who stuck with them when times get better.

“It seems that during a downturn in the economy, businesses of all sizes are quick to put customers last,” says Franks. “No! This is the time to reevaluate what your business is doing to delight your customers.”

Along with customers, it is also critical to look after employees. Job uncertainty means weakened employee motivation, which can have serious effects on productivity. Overhiring in good times and quickly resorting to downsizing as a temporary fix is a common mistake. Recognizing the warning signs of declining motivation and overall morale can allow managers to respond quickly with intervention strategies aimed at boosting declining productivity and retaining strategically important talent.

Without a doubt, there are companies that will have to take a hard look at people-related reductions. But rather than approaching expense reduction with a broad brush—if not a blunt instrument—companies should consider the areas in which any thinning of the talent ranks could undermine their strategic strengths and render them uncompetitive when the economic climate improves.

Which raises the question: How are you avoiding a batten-down-the-hatches mode and looking ahead to take actions now to exploit new opportunities when economic conditions improve?

TREND 10. THE BATTLE FOR HUMAN CAPITAL

Many of our clients talk of a “war for talent” in their industries. Good employees have always been a scarce resource, and with the ever-increasing mobility of labor—especially highly skilled labor—HR managers face a challenging future.

Yet hiring is not the sole responsibility of the HR function. The list of “best companies to work for” frequently lists the usual suspects, such as Apple, Google, Marriott, Allianz, and Accenture. It is not a coincidence that these companies are among the world’s most successful, meaning that they have excellent business strategies in place. As Mike Robert, DPI’s founder, has put it: “The best employees want to work for the best companies, those with distinct game-winning strategies. After all, who would have followed Alexander the Average or Frederick the Mediocre?”

Furthermore, as the world gets “flatter,” it is common to find smart people working for companies that can enable them to move to more prosperous geographic regions. For example, many Indian workers in the IT sector see ASEAN as a stepping stone to Silicon Valley. How long until they step to China instead?

As the older generation retires and the younger, less experienced managers take over, there will be a critical need for organizations to teach them how to make effective decisions without the benefit of experience. Generation Y employees in developed countries need help to look at problems in a logical manner.

Which raises the question: What strategy and business model will enable you to attract, retain, and most effectively deploy the right people?

THE ONE THING THAT WON'T CHANGE!

Amid all the changes facing leaders, there is one thing that will remain constant: formulating and executing strategies and plans that will ensure survival and generate future sustainable growth and wealth for organizations have always been, and always will be, the primary and most important tasks of C-level leadership.

A vital input into this process is obtaining the best available view of what the future social, political, and economic global environment will look like in relation to the specific sandbox the organization intends to compete in. Only then can the leader be confident that plans are relevant to the anticipated conditions. Developing the best possible understanding of the various possible future playing field scenarios demands the leaders' attention so they can achieve the following:

- Protect their organizations from future threats
- Pursue future opportunities
- Attain that desired but elusive goal of sustainable organizational growth

Strategy, or indeed innovation and day-to-day operations, are not created or managed in a vacuum. They must be based on the particular environmental conditions anticipated during the period being planned for. The selected strategy has to weather the adverse environmental conditions and leverage the positive conditions to advantage. Sports provide a useful analogy. In any sport, be it baseball, cricket, soccer, or rugby, the selected game plan will inevitably consider the anticipated playing field conditions.

In a business context, therefore, the first task of the leadership team is to define the particular shape and nature of their industry's future playing field, what we at DPI call the Future Business Arena. Once this is defined, various game plans can be constructed.

This has always been an onerous task. But in a world characterized by exponentially scary levels of change in all spheres, one can well understand executive teams throwing up their hands in despair and perhaps deciding that they will pragmatically manage change as and when it occurs.

To try and manage change in this way can be fatal as long-term strategies become undermined or derailed by short-term fixes created in panic mode. Besides, at their very core no seasoned leaders, or at least the ones we work with, are comfortable with such a reactive stance. The late Steve Jobs has shown that it is possible to do more than react to change. Change, such as the ongoing ripples of the iPad in education, business, and entertainment, can be created. Yet to create change, one needs to also understand and see change and respond to the questions it raises.

THE QUESTIONS RAISED BY THE TRENDS

The trends shared above are macro, cross-industry ones, yet they raise numerous critical questions to be answered. Alas, they only scratch the surface of what a typical leader has to grapple with. By the time you've drilled down to industry- and company-level specifics, the leader can be easily overwhelmed! Deeper insight into the world of 2020 will only lead to further questions like these posed by Future Agenda:

1. How well do we recognize the big issues on the horizon?
2. How well do we understand the full implications of resource constraints?

3. Where can we use existing capabilities to create new sources of value?
4. As the world changes, what new activities will come to the fore where our skills and experience can be more effectively deployed, and how can we best take advantage of the opportunities?
5. To what extent do we expect to have influence over our human resources?
6. If the world is getting smaller and flatter and the best talent is mobile, how can we attract the key people we need for the future, how can we stimulate them, and how will we reward them?
7. Is our understanding of future areas of opportunity better than that of our peers?
8. Are we paying enough attention to what we don't know? Do we understand the future any better than others do? How vulnerable are we to change from outside, and how and where can we best understand this?
9. Are we paying enough attention to monitoring threats to both our core and potential new areas of activity? Can we create competitive advantage by spotting new opportunities earlier than others do?
10. How will we manage our reputation in the future?
11. Will we be able to communicate with stakeholders in 2020? Will we be in control of our brand, or will consumers have more influence? Are we prepared to change the way we act?

SUMMARY

What do these trends mean for corporations everywhere as they head for 2020? What will it take to answer the resultant questions?

In our view this environment will require strong leadership. It will be very good for people and organizations that develop and practice leadership skills. Proactive leadership will require the ability to detect, assess, and exploit these trends for an organization's greatest benefit. *Leadership*, however, is an elusive word that has different meanings to different people. To us, *leadership* has a very specific meaning and requires the mastery of very discrete and deliberate skills and management processes, which we will explore in the remainder of this book.

As Peter Drucker put it: "Effective leadership is not only about making speeches or being liked; leadership is defined by results, not by personal attributes." In the next chapter, we explore the notion of what leadership is in more detail.

Note: We would encourage our readers to visit the Future Agenda website for more detail: www.futureagenda.org.