

## The Exeter MBA's 2018 Future Thinking Challenge

### *How can we enable prosperity for all in a digital world?*

Business and society are facing unprecedented challenges that will shape the 21<sup>st</sup> Century. Economic, societal, environmental and technological challenges are impacting business and with this complexity the expectations placed onto aspiring leaders are changing. This short note highlights the significance of those challenges, and in particular the need to adapt our business models and strategies to succeed in a complex world.

#### 1. The Global Challenges of the 21<sup>st</sup> Century

This section highlights some of the most significant economic, societal, environmental and technological challenges that are shaping business and society in the 21<sup>st</sup> century

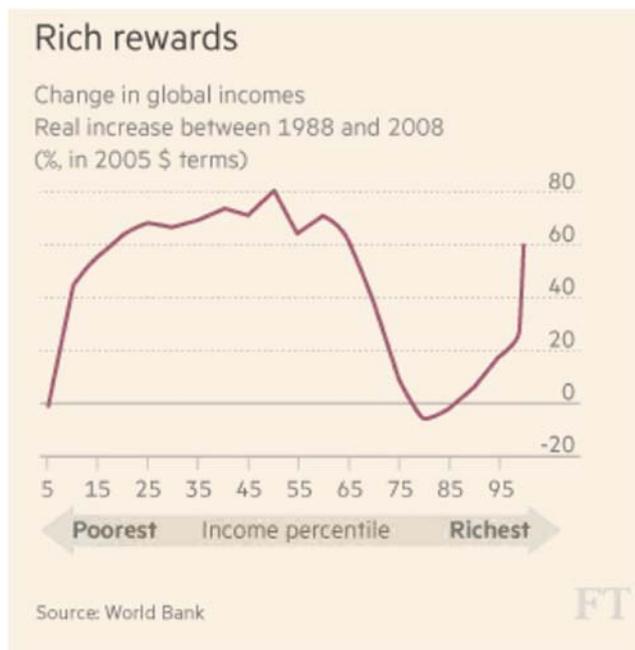
- **Economic and societal challenges**

Globalisation has lifted millions of people out of poverty by enabling people in emerging countries to take part in world trade. Deregulations and privatisations have encouraged competition and innovation, leading to declining prices and higher quality products while urbanisation and industrialisation in emerging economies have enabled 3 billion people to generate an income of at least \$10/day (Dobbs, Koller and Ramaswamy, 2015).

In addition to creating new markets for local firms, it has enabled western multinational enterprises (MNEs) from Europe and North America to greatly benefit from those events through global presence and increased scale. By tapping into each country's comparative advantages they've greatly benefited from cheap labour and low borrowing costs, opting for scale to minimise production costs.

There is no doubt that most of the world's population are better off as a result of globalisation, with millions of people lifted out of poverty in developing countries. But one important group is not. The one group that has lost out is around the 80th income percentile (Figure 1) - that is to say, more or less the *lower-* to *lower middle* class in the rich world.

**Figure 1 – Changes in global incomes, 1988-2008, %**



The societal implications of this inequality can be significant, and have only just started to emerge. They take the form of the rise of populist political parties in the West, the election of Donald Trump in the US presidential election and the growing political instability that is affecting Europe and the USA. The populist's supporters have a legitimate grievance: this group has been left behind by economic developments as industrial jobs have become scarcer in the West since the 1970s. Low skilled manufacturing jobs and repetitive clerical tasks have been lost to automation, and many of the benefits that had been installed in the 1960s have now been eroded, for example access to

affordable mortgages, affordable education, social security and healthcare.

The recession that followed the 2008 financial crisis was one of the deepest and longest lasting downturns of the post World War II era, and the recovery that followed it has been unusually sluggish in many advanced economies. McKinsey (2016a) estimates that between 65 and 70% of households in 25 advanced economies are today in segments of the income distribution whose real incomes were flat or had fallen in 2014 relative to 2005. This compares to only 2%, or 10 million households who experienced this phenomenon in the previous decade.

We have now reached a situation where luxuries (TVs, electronics) have become very cheap, but the basic things that are essential to life (food, education, healthcare) are getting increasingly expensive. How can we boost economic growth and ensure prosperity for all?

- **An ageing population**

Population in most of the Western world and in Asia is getting older. Yet, by 2050 world population will increase to 9 billion (United Nations, 2015) with 50% of population growth coming from Africa and 2/3 of the middle class originating from Asia and the Pacific.

Fewer working age people means less human resource available to 'produce'. Therefore with a growing world population, only productivity gains will enable us to produce more with less.

- **Climate change & resource scarcity**

In the past four decades economies and businesses have benefited from cheaper and better quality imports and improvements in efficiencies in production. And during that period, economic growth has come from scale, i.e. producing and selling high volumes of products to minimise production cost. This has come with a huge price tag: in the past 50 years, 60%

of the earth's ecosystem has been depleted (World Economic Forum, 2016) and natural-resource consumption is expected to rise by three to six times by 2050. The United Nations estimates that demand for water will exceed supply by 40%, and water shortages could affect half the world's population. Climate change and extreme weather events will have significant economic costs, disrupting supply chains and the security of supply, and impacting primarily countries and regions that are among the poorest in the world, which is likely to exacerbate conflicts.

Given world population is expected to increase to 9 billion and the size of the global middle class to triple, how long can we sustain this development model without further damaging the environment and aggravating existing inequalities? New business models and a paradigm shift are needed if we want to promote prosperity for all in a severely constrained world.

- **The fourth industrial revolution is digital**

While flows of physical goods and finance were the hallmarks of globalisation in the 20th century, today those flows have declined or flattened as less importance is being placed on labour costs and more on non-labour costs and speed to market. As a result, some production is moving closer to the end consumer and global value chains are shortening. In the 21<sup>st</sup> century, globalisation is being defined by flows of data and information (McKinsey, 2016b). The volume of data being transmitted across borders has surged, creating an intricate web that connects countries, companies and individuals. Today, we are talking about emails, videos, music, movies, voice, but by 2019 it is estimated that 40% of all connections will be machine-to-machine.

Billions of people around the world are connected by mobile devices with unprecedented processing power, storage capacity and access to knowledge and information, anytime and anywhere. The opportunities they generate are multiplied by emerging technology breakthroughs in the fields of artificial intelligence, robotics, the Internet of Things, 3D printing, nanotechnology etc. Artificial Intelligence is already around us - from self-driving cars to drones and virtual assistants pioneered by Amazon, Google and Apple. This revolution is characterised by a fusion of technologies that is blurring the lines between the physical and the digital spheres. This is what is often referred to as the fourth industrial revolution (World Economic Forum, 2016) - a revolution that will fundamentally alter the way we live, interact with one another, consume and work. While we can't appreciate its full impact yet, we know that its scale, scope and complexity will be unlike anything we have experienced before.

As digital platforms become global in scope they are driving down the costs of cross-border communications and transactions, reducing the minimum scale needed to operate on a global scale, enabling small businesses and entrepreneurs around the world to participate. New business models championed by new types of competitors are emerging, forcing incumbents to adapt. To-date, those who have gained most are consumers able to afford and access the digital world, enabling them to order a cab, book a flight, buy a product, make a payment, listen to music etc. Yet those digital platforms and technologies are also producing threats, taking jobs away from humans. They are giving rise to a new type of economy - the "gig economy", creating opportunities for some but insecurity of employment for others.

So while the fourth industrial revolution has the potential to raise global income levels and improve the quality of life for populations around the world, it also forces us to rethink the way individuals and organisations operate.

## **2. Implications on the role and expectations placed upon aspiring business leaders**

Resilience is an important personal and organisational quality when the environments within which people work are rapidly changing. The ability to persist, recover and thrive (Zolli and Healy 2012) in this uncertain business landscape requires a better understanding of the regenerative capacity of people and the human systems in which they work. No longer can organisations rest on their laurels, repeating the HR practices that have served them for several decades. Understanding the wider global context and the creation of a vibrant learning culture ensures that human talent is engaged, confident, and able to adapt to change.

We cannot separate the mind-set and aspirations of those employed to deliver added value from the way in which they are managed. Leaders are tasked with engaging their workforce in a way that brings out the very best in them, they take responsibility for creating the conditions in which others thrive.

The skills and qualities needed for this interconnected digital world centre on an ability to relate well to others to ensure the flow of knowledge and innovation around the global system. The collaboration and connectivity needed to work across teams and timelines ensure that teams are infused with a diverse talent pool. Those tasked with leading such teams are therefore required to develop and sustain the moral imagination needed to anticipate communication issues that arise from diverse perspectives.

Even with the computing power to analyse huge datasets and the big data world of companies such as IBM, there is still the need for the human sense maker. The human ability to ask questions and make sense of the results, spotting inconsistencies and better defining the question at the core of the analysis is vital. As automation takes hold and we see the diminished need for low skilled manual labour, this calls for a better understanding of how the human mind adds value to the organisation. What is it that creates the difference between competing organisations, when the slick precision of a wholly automated function delivers product perfection?

As tempting as it is to believe that the digital transformations shaping the business landscape require all leaders to hold technological skills, the truth is that we need people skills as much as ever. Moving beyond the predictability of algorithms and coding, to the messy interactions created by emotional, creative, irrational human beings requires leaders able to connect, empathise and relate well to others.

Our increased understanding of the generations coming up through the ranks since the start of this century shows us that bright young minds want a deep sense of purpose in their work. They have seen their parent's burnout, they have seen them give away quality family time for their careers and they crave something more. We are coming to understand just how important that elusive work life balance is for the emerging talent pool. They seek recognition and acknowledgement for their unique contribution, the 'selfie' generation that wants to be front and centre when credit is due.

### 3. Questions we are asking you to consider

By addressing one of the following questions in your personal statement in support of admission in the programme you will demonstrate engagement with the global challenges at the core of The Exeter MBA. This will enable you to tailor your personal statement for admission in the programme and will greatly enhance your chances of securing a place. Subject to your securing an offer of a place on the 2018/19 programme we will reward your engagement with the programme with a **£2,000 discount** off the tuition fees for 2018/19 entry.

In your personal statement please address ONE of the following five questions:

1. In what ways should the senior leadership team of an organisation be responding to the challenges listed in this paper?
2. What are the immediate implications on business and/or society that you can identify from the challenges listed in this paper, and how would you go about tackling them?
3. Are there challenges on the horizon that you identify within your sector that you feel are missing from this paper?
4. How might we create a society in which all people can contribute to economic success – where do the opportunities lie?
5. If you were drawing together a leadership development programme, based on the arguments put forward in this paper what would you include and why?

### References

Dobbs R, Koller T and Ramaswamy S (2015) The Future and How to Survive It, *Harvard Business Review*, October, available at <https://hbr.org/2015/10/the-future-and-how-to-survive-it>

McKinsey Global Institute (2016a) Poorer Than Their Parents, A New Perspective on Income Inequality, July 2016, available at <http://www.mckinsey.com/global-themes/employment-and-growth/poorer-than-their-parents-a-new-perspective-on-income-inequality>

McKinsey Global Institute (2016b) Digital Globalization: The New Era of Global Flows, February 2016, available at <http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows>

United Nations (2015) 2015 Revision of World Population Prospects, <https://esa.un.org/unpd/wpp/>

World Economic Forum 2016, Sustainable Consumption and the Fourth Industrial Revolution, June, available at <https://www.weforum.org/agenda/2016/06/sustainable-consumption-and-the-fourth-industrial-revolution/>

Zolli, A and Healy, A. (2012) Resilience. Headline Publishing. London