

## The Year in Review



### November 2012:

The profound events of 2011 continued to play out in 2012, in some cases amplifying evolving trends. Last year, the people of the Middle East and North Africa raised their voices to drive regime change – in 2012, they were joined by many others, protesting over rising inequalities, austerity and lack of jobs, as well as history. It reflects a fundamental redistribution of power away from traditional institutions that have failed to deliver progress, towards communities and individuals; a shift that includes businesses increasingly stepping up to address societal challenges, often in partnership with public and non-profit entities.

Distributed networks and collaboration are becoming more important than ever, not only to address global issues, but also to create and capture value in a world where consumers and customers demand solutions and experiences, and increasingly have the tools or smart machines to create value themselves, potentially redefining whole markets. The business of the future will not be at the center of the playing field – the consumer will, as cross-industry competition and distributed production becomes the norm. Social technologies will be key linkages. Already permeating every aspect of work and life, they are becoming tools of creativity and productivity within and beyond the firm, as they empower employees and open networks to contribute – fast, because the speed of change is increasing.

The realization of impending resource scarcity is driving tensions and protectionism as more businesses and consumers face the reality that consumption needs to change. New technologies that offer potential solutions are moving out of the lab into life, allowing us to radically rethink what resources we use and how we use them – jets fuelled by household waste and even seawater are coming soon. The privatization of space will bring new advances. Driverless cars may be legal on California roads in 2015.

It's an exciting world of opportunity. But also one of challenge. The whole notion of value is shifting: Companies are no longer judged by profit alone, but also by purpose and contribution to society by

their customers, employees and stakeholders. Profits won't last if the company is not deemed to be relevant and legitimate by those that buy from them, or they can't find great staff. In an overstressed world, time with family and friends or contributing to a healthier planet can be more valuable than assets and status. As value shifts, we are seeing an emerging ownerless economy, particularly among younger generations: One where sharing and renting provide what is needed and possessions are simply not necessary.

The world is going through a period of high instability and uncertainty, exacerbated by political changes around the world, global economic slowdown, the continuing Eurozone crisis and social unrest, as well as a host of other fundamental changes that we outline in the forthcoming Global Trends Report 2013 which are driving a more distributed world. It also stems from a human need for meaning and values, which are hard to define in a multipolar world where trust in institutions that used to take the lead is rock-bottom. Instability and uncertainty, without clear, conscious leadership from business as well as governments, religions and communities, will drive tensions – tensions we are already witnessing today.

Against this backdrop, the biggest challenge for leaders will be to look beyond the short-term pressures to make sense of what's happening around us – to take action today to prepare for the future. Looking ahead, it will not be business as usual or society as usual. In this brief we highlight some of the key changes which have been happening over the last year (and more) – which will impact our collective futures. In our next briefing we will outline the 10 key trends to watch for the next year.

### **Economic and geopolitical power – just keeps shifting...**

Economic power keeps shifting to BRIC plus a next tier of rapidly developing economies, due to a combination of increasing financial power, resources, knowledge base, population, and consumer affluence. In 2010, when the IMF last increased its financial resources, emerging economies agreed to the deal only if their voting share within the IMF was increased by around 6%, with Europe losing about 4%. The emerging markets are demanding a greater share of power and with the outcome of the sovereign debt crisis yet to be seen, the developments this year as well as last have underscored a significant change in both economic and geopolitical relationships, as the “developed” world is increasingly looking for the “developing” world to secure its future. Beyond a shift in geopolitical power and roles, the likely result will also include a shift in assets – some strategic – as those entities with cash and reserves see opportunities in undervalued assets in Europe, the U.S. and potentially elsewhere.

**A new world order:** The U.S. is no longer being viewed as the leading global superpower – many nations believe that China has already taken that place and, according to new research from the [Pew Global Attitude Project](#), the perception of China as the world's economic super power continues to grow especially in Europe but increasingly in other countries, including Brazil, Japan, Turkey and Lebanon. Among the 14 countries surveyed, a median of 45% named the U.S. as the world's leading economic power in 2008, while just 22% said China. Today, only 36% say the U.S., while 42% believe China is in the top position. Even though the financial crisis has accelerated China's rise it is not yet obvious how the Chinese will step up to their new leading role on the global stage. And is the rest of the world ready for them to do so?

**The new financial power brokers:** The last decade has seen new financial power brokers emerge including rapidly developing economy (RDE) central banks, sovereign wealth funds, private equity and

hedge funds – and during the recession stateholders with pockets full of stimulus and bail-out funding. The vast assets of these players have continued to grow and they are increasingly making cross-border investments. In the past decade, according to [McKinsey Global Institute](#), the financial assets of the emerging markets has grown 16.6% annually – that is four times the rate of mature economies. Depending on McKinsey Global Institutes scenarios they estimate the emerging markets' financial assets could grow to between 30% and 36% of the global total by 2020, up from 20% in 2010 and 7% in 2000.

### A year of economic vows and social unrest

Frustration and anger is boiling over in societies around the world and it's a potent cocktail of grievances. The cost to societies in terms of driving divisions and damaging livelihoods and economies is massive. While rising connectivity and social media mean demonstrations are more transparent, geopolitical tensions are rising fuelled by resource issues and history; inequality and unemployment is rising; many governments are weak, focused on partisan power; intergovernmental institutions are increasingly toothless; and religious intolerance is escalating. Inward focus on these changes and tensions is fuelling partisan policies and nationalist sentiment, with the risk of rising geopolitical tensions that could damage the global economy, and separatist demands that could split nations. Weaknesses of government have made people turn to communities of choice. The voice of the people was heard in some, but not all cases, emphasizing a dramatic shift in the balance of power within societies. It is clear now that enough motivated people can achieve change. Politicians around the world will do well to take note – and to look at more inclusive approaches to future governance. There is real potential for conflict if these issues not managed appropriately – deaths and violence are happening already. Could this escalate into broader internal or external conflicts?

**Economic vows:** Leaders of many of the world's most powerful economies have promised to get the world back on its feet again, e.g. France's newly elected President Hollande has vowed economic recovery in two years. However, with a newly implemented 75% tax he is not exactly popular with everyone. The U.S. Federal Reserve has simply announced "economic stimulus actions" until the economy shows growth again. Chinese Premier Wen has vowed that China will meet targets for economic growth and that the government would boost growth if needed. He also promised to do everything possible for a global recovery by rebalancing China's economy. Brazil's President Dilma Rousseff has pledged further stimulus packages for the country, including fresh investments in infrastructure projects for airports, ports, rail and roads. Many countries have also openly declared close cooperation on economic and financial issues, e.g. Japan and South Korea, China and Russia, China and Germany. (Source: Various news sources)

**The voice of the people in action:** In Portugal and Spain massive demonstrations against austerity measures have become regular occurrences as standards of living fall and unemployment soars. As Greece continues to struggle, similar protests have seen many thousands people call for the reduction of new austerity measures which are being described by critics as draconian. In India, tens of thousands have protested against government plans to open the retail trade to foreign investors, as well as rising fuel prices. Ongoing strikes and renewed violence have been the visible face of South African miners demand higher wages. In Argentina, President Cristina Kirchner's government has faced the largest pot-banging protest ("cacerolazos") since taking office as people protested over corruption scandals, crime and management of the economy. (Source: Various news sources)

**Demands for self-determination:** In Spain, the Catalans are calling for independence from Spain, with an estimated 1.5 million people holding peaceful demonstrations in Barcelona in late September 2012. Catalonia accounts for one fifth of Spanish output and the Catalans, fiercely proud of their own language and culture, believe that they would manage their own economy and society better than the

central government. In Sudan, more than a year after South Sudan achieved independence, intractable problems remain: tribal conflict, oil disputes, corruption, hunger and continued fighting.

### From lab to life

As we move into an age where knowledge dominates, technology advances will once again reshape economies, resources, products and production. New ideas, creations and prototypes are no longer only in the imagination of scientists and engineers. Driverless cars have moved from the realms of science fiction to the street while new frontiers in space don't really seem to be that far away either. The internet of things and intelligent materials could reshape service industries, as consumers seize the opportunity to manage their own services or have sensors and computers do many more things for them. As cutting-edge building block technologies are moving out of the laboratory into our lives, game-changing opportunities are there for those bold enough to jump on the bandwagon.

**Driverless cars and trains:** Audi, Ford and Volvo and others, including Google, are testing the complex systems that will allow cars to drive themselves, potentially in car trains controlled by a lead driver. The U.S. state of Nevada passed a law in June 2011 permitting the operation of driverless cars in Nevada. California has allowed testing of Google's self-driving cars on the roads (with a human passenger along for safety) – with legislation expected to make such cars legal on the roads by 2015. The benefits: Fewer accidents and deaths, as well as increasing highway capacity, mobility for disabled drivers and car sharing in urban areas, and a reduced need for parking. The impact will drive a rethink of public transport, as with the flexibility of car trains, systems can become more flexible and distributed. It will also reinvent the car itself. If we don't have to drive, what else will we do? Will cars become mobile communications centers?

**Jet fuel from seawater – The new alternative to fossil fuel?** In an effort to free itself from the use of fossil fuel the U.S. Naval Research Laboratory has developed a technology that involves extracting carbon dioxide and hydrogen gas from seawater and then using catalysts to convert them into a class of jet fuel called J-5 that meets Navy safety specifications. It will be ready for testing at sea in 8 to 10 years and price levels are indicated to be US\$3 to 6 per gallon. In 2011, close to 600 million gallons of fuel were transferred to Naval vessels at sea from oil tankers. (Source: [NBCNEWS](#))

**Privatizing space:** Visionary entrepreneurs are planning to make space available for everyone (or everyone with money!) by launching low-Earth orbit travel to ferry passengers to intercontinental destinations. Planetary Resources, backed by investors including Google's Larry Page and Eric Schmidt, billionaire Ross Perot Jr. and software executive Charles Simonyi, plans to go asteroid mining as asteroids could yield precious metals such as platinum, gold and rare earths – with soaring prices on earth making the venture positive on the hopes of future profitability. (Source: [NBCNEWS](#)) While the U.S. has shut down its space shuttle program nations like China and India are revealing new plans to explore Mars. Who will win the race to conquer space?

**The internet of things:** Machine-to-machine communication or "smart connectivity" is radically changing our world. Today, lights and home security systems can be controlled via smartphone. In the not too distant future all of your electronic devices, machines and gadgets, whether blenders, washing machines or stoves, will be connected to the internet, making it possible to control them remotely. As more and more objects become embedded with sensors and gain the ability to communicate, the communications revolution now extends to objects as well as people. Looking ahead, try envisioning sensors discreetly attached to your body so you constantly are informed about how your vital functions are doing. Or pill bottles that tell you when to take your medicine; wine glasses that let you know when you have had enough to drink; and sugar bowls warning you about your sugar intake. And what about presence-based advertising and payments based on the locations of consumers, inventory and supply chain monitoring. Everything seems possible – according to a report from [Ericsson](#) 50 billion devices will be connected by 2020.

## Social everything

Social networks are old news. But the social technologies they introduced have now moved from novelties to a central part of everyday life and work. The next stage: Social technologies are expanding from being consumer interaction platforms into corporate life, triggering a reinvention of business and organizational behavior from within. The social generations are becoming social entrepreneurs reshaping firms from the inside with the technologies that define their lives. Social software means companies can build broader, more agile networks to create and deliver value to customers – based on socially gathered information and co-creation tools. It also offers significant benefits in enhancing productivity and creativity. This requires rethinking how social technologies change the relationships between businesses and consumers, firms and their stakeholders, as well as between management and employees. Companies need to be where their consumers and employees are – so being present in the social arena is essential. Rethinking these relationships is not just about connecting and gathering data; becoming social means changing the rules of business models, engagement and behaviors.

**A networked world:** Social technologies have become a fact of life for many people around the world. Almost 2.3 billion people are connected to the internet, while globally there are more than 1.5 billion users of social networking sites. Currently the top 5 internet countries (highest number of internet user as of Q1, 2012) include China with 513.1 million users (penetration in % of population is 38.4%), U.S. 245.2 million (78.3%), India 121 million (10.2%), Japan 101.2 million (80%) and Brazil 81.8 million (42.2%). (Source: [Internetworldstats](#)). According to the Broadband Commission for Digital Development 60% of the world's population should be online by 2015 up from 32.7% today.

**Social business:** 2012 is the year when “social business” became a popular trend, even a buzzword, revolutionizing the way companies function and generating value for the broad range of stakeholders in a business network, including customers, employees, suppliers, business partners and social stakeholders such as governments, communities and NGOs. Many definitions have been put forward, although we still lack a common definition of what social business really encompasses. One definition we like is from Edelman's David Armano who looks at the evolution of the concept in a broader, more historical perspective. In “[Social Business: Where It's Been & Where It's Going](#)” he points out: “*The reality is that most organizations are currently dealing with the realities of social media and only a few truly recognize the potential of social business. Not unlike how digital media evolved into digital business – social business takes the foundation of social media and begins to build new economic models on top of it.*”

**Social activism:** Along with the rise of the internet and social media a new form of activism has seen the light of day. Hit a button or write a few sentences in whatever online media you choose and you have raised your voice and participated in a cause you care about. Social activism comes in many shape and forms. Some examples are donating time/money/fundraising, e.g. [Big Help Mob](#) in Australia which is a group of people who team up to lend a helping hand to local good causes like planting 10.000 trees in a few hours, renovating a community centre or cleaning up a place that's long been forgotten. Another example is [Benelab](#), a search engine that donates 100% of revenues to charity, founded by Seattle teenager Jack Kim. Another form of activism is social media based protest, with [Coke](#), for example, recalling 1.4 billion cans of a holiday product due to a [Facebook](#) and [Twitter](#) outcry. [Bank of America](#) has also felt the downside of social everything: After announcing a monthly US\$5 debit fee during the bank's US\$45 billion bailout, tremendous negative reactions were immediately recorded via [Change.org](#) and Facebook. The result: Bank of America and three other major banks dropped their debit card fees. As social everything evolves, expect more social activism!

## From global to local

Globalization heralded the opening of markets around the world to trade, knowledge flows and new levels of economic and social connectedness. Now the pendulum is swinging the other way, as rising

protectionism starts to close market access for some goods and services, and competition between markets heats up. While it's not a return to the isolationism of the 1930s, trade flows are already being impacted with warnings of more restrictions to come, fuelled by the pressures of resource scarcity, austerity, economic slowdown and rising nationalism. The question is how far the pendulum will swing.

**Protectionism & antidumping:** The Global Trade Alert has found a 36% increase in the number of protectionist measures implemented during 2010 and 2011 and is warning about further increases in the future. In 2012, Argentina rationed foreign exchange to sharply limit spending on imports. Brazil has been restricting automobile imports from Argentina and Mexico. [Ternium México, S.A. de C.V](#) has requested that the Government of Mexico initiate an antidumping investigation into flat cold-rolled products of iron or non-alloy steel from South Korea. (Source: [Global Trade Alert](#)) Also German [SolarWorld](#) has spearheaded a trade complaint both in the U.S. and EU alleging Chinese manufacturers sell solar panels for less than the cost of production. From October 2012 Chinese solar panels are subject to sharply higher tariffs in the U.S. How do trade barriers impact your business?

**Manufacturing going local:** In a remarks released in advance of a White House forum in January 2012 with business executives and members of President Obama's Cabinet to discuss how to increase employment and bring overseas jobs back to the U.S., President Obama said, *"I'm calling on those businesses that haven't brought jobs back to take this opportunity to get the American people back to work."* Many companies have been doing just that, bringing back manufacturing from China, Japan, Mexico and elsewhere, e.g. Ford Motor Co has returned 2,000 jobs to Ford's factories in the U.S. from overseas. NCR Corp. has moved its production of ATMs to a plant in Columbus, Ga., which is forecast to employ nearly 900 workers by 2014, Farouk Systems is moving some final assembly of hair irons and dryers from China and South Korea to a 1,000-worker factory in Houston, Texas, and a US\$200 million Caterpillar plant in Georgia will employ 1,400 people by 2020, shifting production from its facility in Japan. (Sources : [AOL Jobs](#), [Online Athens](#)) Will "reshoring" be the next outsourcing wave?

**Buying local:** Consumers are increasingly demanding greener, more ethically produced products fuelling the buy local wave. Even though buying and eating local doesn't guarantee that it is produced sustainably (e.g. avoiding pesticides, factory farming, hormone and antibiotic use) the Think Local – Buy Local – Be Local movement helps to reduce the environmental impact of long-distance transportation of goods. An increasingly number of farmers' markets and grocery stores in the U.S., e.g. [Whole Food](#), [Trader Joe's](#), and even giant [Walmart](#) are buying local produce. Also a rising number of local farmers and producers are collaborating in UK, Europe, Canada and U.S. to provide on-line farmers markets to customers. Some examples are [Tastes of Anglia](#) in the UK, [BALLE](#) and [30 Mile Meal Project](#) in the U.S., [Local Food Plus](#) in Canada.

### Looking forward to 2013 and beyond

2013 is just around the corner. New trends are waiting to (not always) slowly reshape you, me, businesses, governments, communities, nations, and the world around us. We are expecting a more distributed and connected world; many new (forms of) products, services, experiences and solutions; turf wars to be fought; even more smart machines; a world going madly social and much, much more.

In our next briefing we are excited to share with you our 10 Key Trends to watch for the next year. Emerging trends to get you thinking, to get you innovating before someone else will, maybe someone not even on your radar screen...

**In December: Look out for 10 key trends to watch for the next year!**