

Introduction: Empire and Manure

“Prediction is very difficult, especially about the future.”

—Mark Twain,¹ humorist

Name the following country: It is the richest nation in the world, with the world’s highest standard of living, largest military force, and most developed education system. It is the global center of business, finance, innovation, and invention, and its currency is the international standard of value.

The answer is: Great Britain.

Actually, we misled you a little. More precisely, the answer is the British Empire *in the year 1900*.

Even more recently than that, in 1922, the British Empire was still the largest empire the world had ever known. It spanned 12.7 million square miles (33 million square kilometers), roughly a quarter of the earth’s land mass, with 456 million people, a quarter of the world’s population.

At that time, few could have imagined how the world was going to change within just 100 years. Nobody could have forecast the ebb and flow of world power that would follow: the emergence of the United States as the world’s dominant superpower, the rise and fall of the Soviet Union, and now the ascendancy of China to threaten America’s hegemony. And many people have no idea that Britain’s supremacy was ever the global status quo.

But then, prediction is very difficult, especially about the future of superpowers.

IN THE MIRE

Nevertheless, people dare to predict. Let us return to the days of the British Empire for a moment and consider the great horse manure crisis of 1894.²

Imagine London in 1894: the world's largest city, a hectic, densely populated metropolis, and the commercial center of the world. Transportation was its lifeblood. And in the nineteenth century, as it had for thousands of years, transportation meant horses. Just about every product made relied on horsepower for distribution. No large city could have functioned without horses.

In 1894, therefore, London was home to tens of thousands of horses, each of them consuming, according to one calculation, the produce of five acres of arable land per day. And each produced between 15 and 35 pounds of manure. *Per day.*

This was a problem. More than a problem: It was a crisis. Horse manure was piling up on London's streets. It was reaching intolerable levels, polluting the environment and attracting billions of flies, which spread fatal diseases such as typhoid. The stench was abominable, and the effect of rain on all that waste does not bear thinking about.

The abundance of horses led to other problems, too: road congestion (horses were slow), accidents (they were given to panic in crowded conditions), mistreatment of the animals, and a growing demand for valuable land to house and feed them.

Scientists and politicians were at a loss as to what to do. An urban planning conference addressing the topic broke up prematurely when no solution could be found. This was the context in which the *Times* of London dared to predict in 1894 that by 1950, every street in London would be nine feet deep in horse manure. Of course, London was not the only modern city facing a horse manure nightmare. Another forecaster warned that New York would be plagued by droppings three stories high by 1930.

But then, prediction is very difficult, especially about the future of horse manure.

THE TIMES THEY ARE A-CHANGIN'

The fact is nobody knows what the future will look like. It is all too easy to focus on one single trend, development, or incident, then extrapolate and jump to the wrong conclusion. But there comes a time when people have a feeling that change is in the air. We live in such a time.

This is the impression we have gleaned from hundreds of conversations with business leaders, academics, colleagues, and clients. They perceive that the way we do business will be dramatically different in the future, as will the way we lead people and organizations. It is a perception born of thousands of experiences, observations, and trends, all of which add up to a sense that we are in an era of far-reaching change.

It is a perception born of economic growth booming in unexpected parts of the world and stagnating in old economies, and of China being on the verge of surpassing the United States as the world's largest economy.

It is a perception born of nanotechnologies and biotechnologies advancing in ways that most of us do not really understand.

It is a perception born of younger generations operating in the virtual world as comfortably as in the physical one, and expecting to be allowed to spend time on Facebook while working.

It is a perception born of employees becoming as concerned about living fulfilling lifestyles as they are about how much they earn—if not more so. Of talented individuals being able to change jobs at will. Of top managers in Brazil, Russia, and China earning more than their colleagues in Germany, the UK, and the United States. Of companies struggling to find young talent, while older employees continue to work past 60, 70, and even 80 years of age.

And so on It is a perception born of all of these things and many, many more.

In early 2013, an iconic symbol of London—the onetime global center of commerce—came under Chinese ownership. The company Manganese Bronze, which makes the famous London black cab, was bought by Chinese car manufacturer Geely. (There is more on Geely

in Chapter 1). In fact, after its bankruptcy a few months before, Manganese Bronze was rescued by Geely.³

The fate of Manganese Bronze is deeply symbolic of the fact that times are changing. The prospect of the last car company in British hands being saved by a Chinese buyer was not bemoaned as a national catastrophe. Rather, it was warmly welcomed by London's mayor, Boris Johnson, who declared himself "delighted" that Geely had secured the company's future.⁴

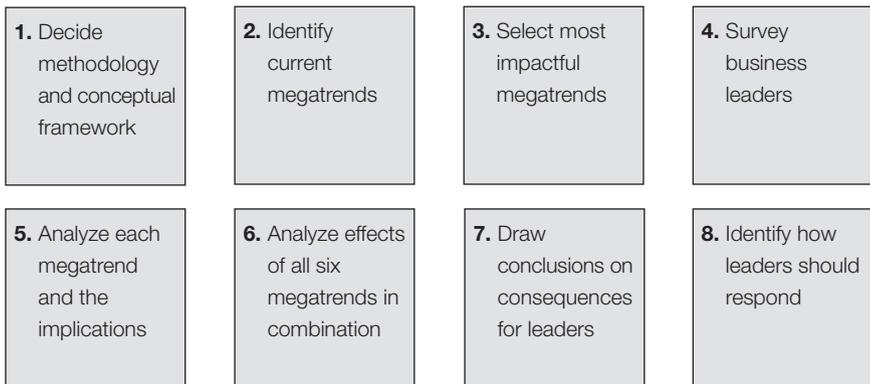
We too get the feeling that change is afoot. A few weeks ago, we interviewed a chief financial officer as part of the due diligence process for a private equity deal. She told us that she had been working three days a week for the past two years to give her more time with her young family. The investors were only vaguely surprised—and largely unconcerned—to learn about this. A decade ago, however, a senior executive working a three-day week would have been unimaginable. Now it barely merits a mention.

The European head of a global financial services company recently complained to us that his organization struggles to recruit the best talent. This is not because the best do not apply but because "they expect good salaries, but are totally unwilling to put in the long hours we had to ten years ago."

In addition, a recent hire informed us—while in the process of signing his contract—that he planned to go on paternity leave just a few weeks later. And one job candidate asked about our company's "carbon policies."

We've seen numerous senior managers from emerging markets leave careers in the West to return to their native countries of India, China, and Indonesia to work for local companies. At the same time, Anshu Jain, an Indian who hardly speaks German, became co-CEO of the German financial giant Deutsche Bank in 2012.

All of this led us to the same conclusion as the leaders that we and our colleagues at Hay Group, the global management consulting firm we work with, talk to: Something is in the air. But it is difficult to get a grip on exactly what is changing, how and why, and what the future will look like as a result.

Figure I-1 ■ The Leadership 2030 Research Process

This motivated us to dig deeper. We asked ourselves: Exactly what is changing? What are the implications for organizations and their leaders in the immediate and longer term? How will this affect the way that leaders lead? What will leadership look like by the year 2030?

We wondered if it would be possible to identify the main drivers of change. How could we systematically analyze these drivers and their implications? What would be the right framework for such a study? Figure I-1 shows our entire research process.

THE BENEFIT OF FORESIGHT

The answer lay in in the science of foresight analysis (sometimes called future research). Foresight analysis is robust, cross-disciplinary, scientific research that focuses primarily on social science. The same rigorous criteria apply to this field as any other science: relevance, logical consistency, simplicity, clarity of premise, narrative and presuppositions, and a practical value to everyday life.⁵

Once we knew that we would be using foresight analysis, the next task, which began three years before writing this book, was to find the right conceptual framework to investigate the questions we wanted

to answer. After extensive research, we decided that the most fruitful way to analyze the changes occurring would be to identify the current *megatrends* in global society.

The concept of a megatrend was first introduced by John Naisbitt in his 1982 book *Megatrends*.⁶ It is important to understand that a megatrend is not a short-term trend of the sort that characterizes the clothing and FMCG (fast-moving consumer goods) industries. These can be short-lived and are often localized in nature. Rather, a megatrend is a *long-term, transformational process with global reach, broad scope, and a fundamental and dramatic impact*.⁷

More specifically, there are three dimensions that define a megatrend: time, reach, and impact. See Figure I-2.

Figure I-2 ■ The Three Dimensions Defining a Megatrend



We recruited a research partner to help with the early analysis, which would identify the global megatrends driving the changes being perceived by the business leaders we work with. We chose as our research partner Z_punkt, a German foresight company regarded as a European leader in the field of long-term foresight analysis.

Working with Z_punkt, we initially identified around twenty megatrends, all regularly cited in academic papers and credible studies as having a significant impact on societies and economies. As we honed our understanding of these, we zeroed in on six megatrends that are creating—and will continue to create—the greatest shifts in the business environment.

This took us into the next phase of our research: canvassing business leaders for opinions about and insight into these six megatrends. We analyzed the views of thousands of employees around the world on their organizations' leadership practices from a variety of Hay Group data sources. We also conducted hundreds of informal conversations with business leaders and academics about the megatrends, as well as presented dozens of speeches, lectures, and workshops in which we discussed the issues at hand. In addition, we analyzed hundreds of articles and studies on each megatrend.

We carried out our analysis megatrend by megatrend. This enabled us to understand the causes and consequences of each one in great detail, on three important levels: the business environment, organizations, and leaders and their teams. In this book we focus primarily on the implications for leaders.

The next stage was to analyze the six megatrends in combination. What do they have in common? Where do they cross over? To what extent do they reinforce or contradict each other, and how? And again, what are the implications of the megatrends taken together?

This led us to an important discovery. Not only does each megatrend have huge implications for organizational leaders, but combined they result in five "reinforcers" and four dilemmas that will make life even tougher for business leaders in the future.

Finally, based on this exhaustive analysis, we drew our conclusions about what leaders need to do to survive and thrive in a world shaped by the megatrends.

THE SHAPE OF THINGS TO COME

So despite the difficulties of prediction, we are daring to predict. In this book, we predict the changes, challenges, and environments that leaders will encounter in a future shaped by the six megatrends, as well as the attributes they will need to cope with an altered landscape.

It is important to put this into perspective, however. Our aim is not to extrapolate hard numbers into the future, as people tried to do when faced with rising levels of horse manure in the streets. That would be attempting the impossible.

And we don't have a crystal ball. We are not trying to set down in stone exactly how the future will unfold. That would also be attempting the impossible. We have no way of knowing whether "black swans"⁸ might occur: unforeseeable, disruptive episodes with far-reaching effects that radically alter the course of world events and the direction of one or more of the megatrends. Examples of such events are the recent financial crisis, the revolutions in Eastern Europe, the invention of the Internet, and World War I.

Rather, we are forming a view of the shape of things to come. What this book *does* attempt to do is to investigate the early indicators of long-term, fundamental change, then draw conclusions from this analysis.

In some ways, this is a counterintuitive exercise, for human beings tend not to question the world around them. Rarely, if ever, do we ponder how the complex normality we have constructed for ourselves might be different. Rather, we take as self-evident everyday life as we know it. We unthinkingly accept our physical environment, societal structures, and the cultural norms, common values, and belief systems that give us identity, belonging, and meaning.⁹ To question all of this at the same time would be to place ourselves under an unbearable mental and emotional strain.

So we go about taking everyday life for granted. We trust that the world is round, that the sun will come up in the morning and set in the evening, and that there will be oxygen to breathe. We assume that the building we work in will be there when we arrive each day. And we believe without doubting it that the United States is the world's greatest superpower (or at least, we did until very recently).

In 1900, people took for granted that the world's dominant power was Great Britain. And they took for granted that the main means of transportation was the horse and that they just had to put up with all the manure.

But overreliance on our known world leads to inertia. The blithe acceptance that things are as they are brings about a reluctance to recognize and embrace change, even when it is staring us in the face. This is understandable. But it can blind us to the inevitable, and to the need to adapt to change.

In 1907, this type of blind acceptance led the U.S. National Association of Teachers to believe that “students today depend too much upon ink. They don’t know how to use a pen knife to sharpen a pencil. Pen and ink will never replace the pencil.”¹⁰

But then, prediction is very difficult, especially about the future of pencils.

Overreliance on the known world also blinded our horse manure forecasters to the solution to their problem. The internal combustion engine had been in existence for thirty years or more by 1894, and it underwent numerous advances and improvements throughout the 1890s. Perhaps most significantly, Carl Benz patented his *Motorwagen* in 1886, and in 1894 he began production of his first series. Another significant factor was the use of asphalt, which had been employed to create smooth roads in the United States from around 1870.

The writing was on the wall for horse-drawn transportation. Yet the eminent scientists, politicians, and urban planners who came together to tackle the horse manure crisis failed to understand the changes going on around them. To them, horses and manure were the status quo.

The fact is that sometimes we need to face up to change, because change is coming whether we like it or not. Now is one of those times.

In this book, therefore, we question the status quo because the business world will soon be very different.

ABOUT THIS BOOK

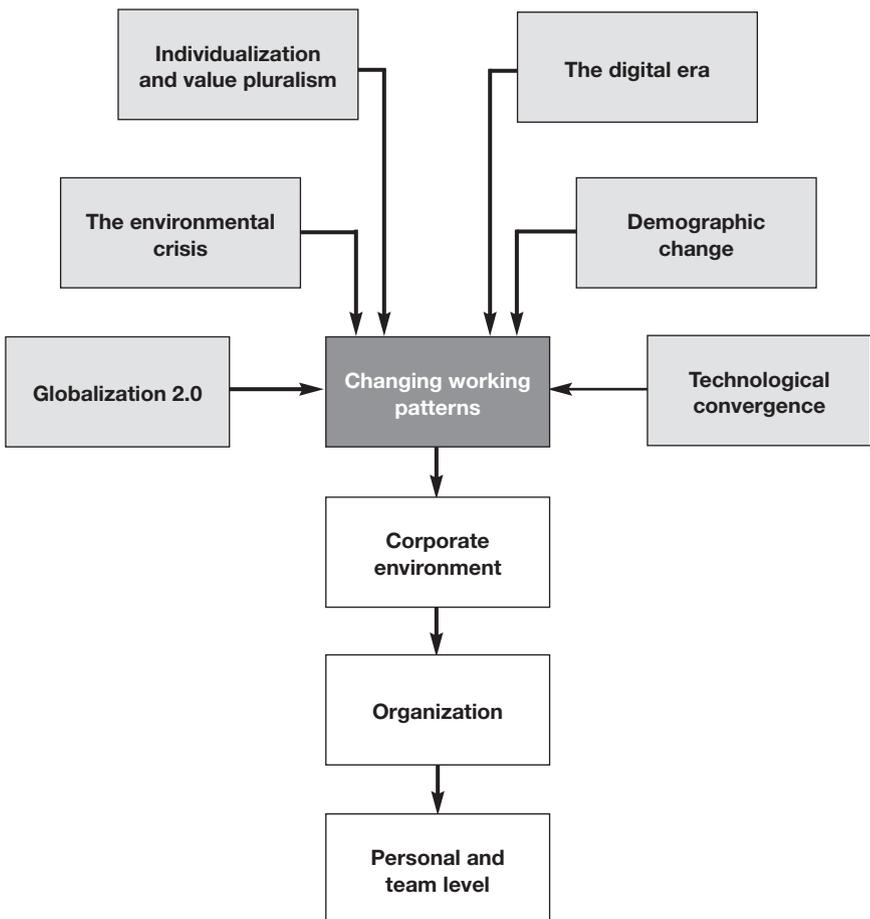
The book begins by analyzing the hard facts of each megatrend and examining the implications that each has for leaders. We then explore the consequences of all six megatrends and set out what leaders need to do in response.¹¹

The six megatrends, shown in Figure I-3, are:

1. *Globalization 2.0.* A new economic world order is emerging. Power is shifting to fast-developing markets in Asia (China in particular) and away from “old” economies. This will result in numerous opportunities and threats from highly localized market dynamics as a new middle class materializes in emerging markets.
2. *Environmental crisis.* Critical natural resources are becoming scarcer and climate change more threatening as a result of human activity. In the face of accelerating costs and social and market pressures, leaders will need to fundamentally rethink their operations if they are to continue to compete.
3. *Individualization and value pluralism.* Growing affluence in emerging markets will drive increasingly individualistic attitudes in more parts of the world. People will come to expect their individual needs to be catered to, as both customers and employees. This will create niche opportunities for customized offerings, greatly diversify the demands of employees, and require far greater sensitivity and agility from organizations.
4. *The digital era.* Living and working with digital technology is becoming the norm. Digital platforms are shifting power from organizations to consumers and employees—particularly younger “digital natives”—and breaking down old divisions between personal and professional life. This generates unprecedented transparency, which will oblige leaders to act with sincerity and authenticity or see their reputations plummet.
5. *Demographic change.* A burgeoning and rapidly aging world population will transform markets and place enormous pressure on social structures and welfare systems. This will result in a shrinking global workforce, sparking a war for talent among organizations on an unprecedented scale. Leaders will need to cope with the demands of an increasingly intergenerational workforce, in which each age group has vastly diverse attitudes and requirements.

6. *Technological convergence.* Scientific progress in fields such as nanotechnology and biotechnology will transform many areas of our lives, the greatest advances resulting from the combination of these technologies. This wave of innovation will create untold new product markets. It will also place huge demands on companies to stay ahead of the curve and to collaborate closely with competitors on complex R&D programs.

Figure I-3 ■ The Six Megatrends



In our study of the megatrends and in compiling this book, we have made every effort to take a truly global perspective. The megatrends are, after all, global in nature, and we have considered in detail their implications for large, global organizations.

However, we are a German and a Canadian; our nationalities, backgrounds, cultures, and social education are unavoidably Western. To an extent, therefore, we cannot help but address the issues at hand with Western perspectives, mindsets, and thought processes.

TO BE CONTINUED

As the Greek philosopher Heraclitus observed, change is the only constant: No man can step in the same river twice. And like Heraclitus's river, the megatrends are in constant flux. They continue to progress as we write this book and as you read it. But as their effects are to be felt over the long term, we can confidently examine their impact fifteen years hence.

However, our study does not cease with the completion of this book. If you want to participate in our ongoing study of the megatrends and understand how they will affect your organization and your leaders, please visit www.haygroup.com/leadership2030/ where you can fill in our Leadership 2030 survey and find a wealth of additional material relating to our research, as well as the Bibliography to this book. You can also read about which trends will impact your organization most, and what you might consider doing to cope with them.

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Berlin and London