

# Shifting Sands: A Review of Global Trends in the Current Business Environment and a Preview into the Future

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The paper highlights some of the changes that are taking place across the entire spectrum of business environment with an objective of understanding this new context. Politics is changing to reflect shifts in economics which is simultaneously causing social strife and unrest. Technology has disrupted many business models and with rapid advancements will change the way we live, work, and interact with each other. So much so that this new reality is being termed as the fourth industrial revolution. We are clearly on the edges of the new times but are trying to make sense of it all ironically with a mindset which is anchored in the past. To be future ready, the future has to be forecasted or imagined or even willed by the collective consciousness of humanity. This paper has captured the changes through extensive research and personal insights into the changing paradigms. The paper finally puts forth two likely scenarios that might emerge which need to be further researched upon so that more conclusions can be drawn.

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## Introduction

The global business environment is the context in which businesses operate not only globally but also locally. The past two years have witnessed unprecedented events that are setting trends which need to be discerned and eventually understood. Any business operates within a society is simultaneously affected by it and also affects it too. Broadly and simplistically speaking, the components of the environment can be classified as political, economic, social, and technical.

### Political

November 8, 2016 was historic. Two of the world's largest democracies stunned the world. The USA elected a business tycoon as its 45th President. The Trump Presidency has brought to the fore, what has been simmering from a long time. It is a vote against globalization, a vote against the established political order, and a vote against conventional leadership. The vote has also highlighted society's angst and fear. The election has also shed light on media establishments and their relationship with corporate elites. This phenomenon is not limited to the USA alone, on the other side of the Atlantic, UK voted to leave the European Union, a referendum which is a manifestation of similar symptoms. Clearly, protectionism and nationalism are back and multinational companies can be branded as being anti-national if they outsource to cheaper locations. How will global businesses change amidst the public sentiment? The same day, the Prime Minister of India launched a

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rather severe and unconventional attack on the parallel economy of India. Some termed the move as bold and visionary and many thought it was political gimmickry. The move was authoritarian, bold, unconventional and defiant and in many ways also captures the unheard voices of the nameless and the faceless. Clearly, the nature of democracy is changing and will have a far-reaching impact which needs to be understood.

### **Economic**

Economics is not an exact science and is also affected by politics and society. The discipline is basically about alternate uses of limited resources in a scenario of unlimited needs and wants, then the paradigms have not only merely shifted but have leaped to form a new continuum. The capitalist model is under siege. The consumerist boom along with huge debts is not only unsustainable for the working class and governments; it is unsustainable for the planet earth and her resources. Here too, unconventional and alternate models are being tried and tested. The shared economy is the new buzzword. People are pooling their resources with ingenuity and technology to bring services and products to people at a much lower cost. A classic example is Uber. Without owning even a single car, the company successfully offers a car rental service to millions across the globe. With an anti-globalization mood across many developed nations, the economic might of organizations like WTO is on the wane. So is economic integration as we can see with the Trans Pacific Partnership (TPP) or the European Union.

GDP and growth rates were baits of political class to woo dreamy and aspirational workers to vote for them. The world is now witnessing a phase of no growth rate, negative growth rate or meagre growth rate. Not many people know the road or the destination from here on. However, what is clearly visible is the trial of new, more nimble, lean and agile business models that work on balancing concerns of different stakeholders and not have a narrow focus on profits and shareholders.

### **Social**

A few years ago, cultural diversity was a considered source of competitive advantage. Corporations raced to embrace it. Now we are witnessing societies that are deeply fractured. People are holding on to their idea of identity by clinging on to colour, race, ethnicity, nationality or religion. Not only are we seeing fissures around these traditional building blocks of culture but another new dimension is the tussle between the values of the Millennials and the Generation X. Both for now seem to be on the extreme ends of the continuum and how each navigates the path will determine work culture and nature of jobs in the future. Another factor that is going to cause a major change is the fall in population growth rates in the developed world. Populations are aging fast and replacements are slow. The demographic profile of the future work force will also have many consequences. Also, social media and the digital era of instant connectivity are changing behaviours, relationships, attitudes, and health. All of these will cause major changes in the way businesses organize themselves for if we get to the heart of any business, at the end of the day it is a social transaction.

### **Technology**

Technology has heralded the coming of age of the fourth industrial revolution, the term coined by Klaus Schwab (2016), the founder and executive chairman of the World Economic Forum. This revolution signifies the coming together of man and machine to co-inhabit planet earth and will cause a shift not only in how we know “homo economics” but will redefine the term humanity as well. The role of technology in business processes began in the 1960s with the invention of semiconductor microprocessors which enabled data to be captured and stored in a digital format. With mainframes in the 1970s, batch processing became possible. With terminals and

personal computing in the 1980s, we saw the advent of automated banks and branches and also offline remote banking became a possibility. Also with the proliferation of local networks, there was the intranet and corporate systems. The internet of the 1990s of course made it possible to have global exchange of data and consequently the rise of the multinational corporations. Since 2015, however, technology is causing changes at an exponential rate. The technologies that have been driving businesses the world over now are cloud computing, cognitive computing, machine learning or predictive analytics, quantum computing and robotics. These have been altering business processes at lightening speeds. In short, these technical interventions ensure that massive quantum of data can be now not only processed but also analyzed in nanoseconds. Analytics which was a core human function can now be handled faster, with more precision by our machine counterparts.

However, the technology that is firing the imagination of the industry worldwide is block chain technology also called Distributed Ledger Technology or DLT and is all set to hit the pinnacle of the fourth industrial revolution.

Looking back in time, it can be seen that disruptive innovations trigger how people lead their lives which in turn changes how they cooperate and transact with each other and how they ensure that contracts are honored. In essence, this typically means how people make a living, how they exchange goods and services and finally shape the way institutions and organizations evolve. It is the people who decide how all this can be tied together so that they can continue to optimize their daily lives while a government looks after the overall well-being of the citizens.

This has been the way human beings have evolved from being hunter gatherers to now coders and software programmers. Over a period of centuries, livelihoods, nature of transactions, institutions and governments have continuously been changing. The common job profile has been changing from hunting and gathering to farming, to factory workers, to office goers.

The Industrial Revolution paved the way for large organizations, economies of scale, schools and universities and democracy and civil rights. Technology and the internet paved the way for global multinational corporations. The institutions, governments, and corporations that we see and experience today are a legacy of the Industrial Revolution that occurred almost 300 years ago.

The world today is changing but for now we do not know how things will ultimately shape up.

Automation and Artificial Intelligence (AI) have done away with the limits inherent in the human system and can today substitute human labor more efficiently, at a fraction of a cost. People will no longer need to work on grueling shop floors or in monotonous assembly lines, or go down dangerously deep within the earth's interior to mine. They will also no longer be required to fight battles or deliver packages, or take orders for food, or drive trucks busses or cars. Robots, drones, and driverless cars can do a far better job.

In short, just like farming as an occupation for many became obsolete with the advent of the Industrial Revolution, working in factories, or manufacturing or the 9-to-5 office job is a dying concept with the advent of the Fourth Industrial Revolution.

So we get to the point where we started, how this now will change the way people work, organize, and govern themselves.

The three most powerful ideas of modern times have been capitalism, democracy, and the corporation.

Although Adam Smith, in his time was both pragmatic and an idealist when he propounded the organic and optimizing nature of people following their self-interest, he probably would not have imagined that it would go this far. Capitalists and politicians have come together on one side and have subverted democracy.

Having enormous power, influence, clout, money and muscle to rule the world with masked and disguised tyranny, the three combined have become despotic. Founders of democratic principles thought that free and independent media would be a vigilant watchdog and provide a check and a balance in the system. But many media houses have become corporate entities and subtly follow an agenda of holding companies funded by political outfits. Hence, the entire system has colluded to become corrupted and works only for the 1% of humanity that is on the top of the social, economic, and political ladder.

The previous decades belonged to global corporations or multinational corporations who produced in rupees or yuan and sold in dollars, pounds and euros. The markets for raw materials, cheap labor on one side and consumers inebriated with aspiration with easy access to debt on the other side were very attractive propositions. Multinational corporations literally went on a rampage all across the globe: bribing corrupt governments anxious to give a dose of development to their vote banks. These corporates poisoned the air, trampled the earth, scoured for metals and minerals, dumped toxic waste into rivers and seas, made concrete jungles, and cut forests and trees. The argument in the favor was that millions across the developing world were being lifted out of poverty, consumers were getting access to a wide array of goods and services at affordable prices, governments were getting more taxes and more votes and the corporations were laughing themselves to the bank. It seemed to be working fine until non-governmental organizations, activists, and environmentalists raised an alarm and 2008 brought to the fore deep and dark secrets of this collusion.

Over the years, the home country of these global corporations witnessed jobs being snatched away, the way of life threatened. To add to the woes, terrorism which is also an ugly manifestation of this very collusion came to chillingly close to people's doorsteps. The enemy which was till now distinguishable and remote and could be pinned down to some geographic location suddenly started emerging from the midst. The face of terror changed. One's neighbor could be the person who rammed his car into a busy marketplace or blew himself and others up in nightclubs. Fear, outrage, helplessness, angst, confusion, and betrayal are some emotions that are now hovering like dark clouds over most of the developed world.

Unfortunately, leaders have capitalized on the fear of many. Vendetta, hate, xenophobia, and racism are being fueled because real solutions are not being sought. Redemption is being promised by bringing the old days back.

The old days will not be back, for sure.

According to an article in *the Economist*, the global corporation is in retreat. In the year 2016, multinational trade cross borders fell by 10%-15%. Also, according to the figures released by the Financial Times Stock Exchange (FTSE), the profits of the top 700 multinational corporations dropped by 25% over the past few years. The reasons for this decline are that advantage of scale and arbitrage are no longer attractive and these big firms have huge overheads, complex supply chains and huge and unwieldy organizational setups which are increasingly becoming difficult to run.

In the backdrop of this social, economic, and political upheaval, the global corporation has become discredited, and also, it is no longer as profitable to shop around the entire planet. It is becoming unviable. So will they be homeward bound? Yes, for sure, but the factory shop floors will not be teeming with American or British workers but with machines and robots.

The governments will probably play Robin Hood and share a miniscule percentage of the profits as welfare schemes or universal basic income, etc. with the people. But if most of the jobs that we know of now will eventually vanish, what will people eventually do?

Many researchers are working on the future of work and say that new jobs will be created. We do not know what will be the nature of such jobs but intuitively it can be said that, it would be jobs that are “more human” ones that will involve more feeling, empathy, creativity, humor, emotions, etc., basically, skills that machines do not have, yet.

But certainly, mass employment can definitely be counted out.

Also, wages or the capacity to make lots of money or becoming very wealthy will be limited to people who write codes, know how algorithms work, develop technology, etc.. The technical elite will be the wealthy one. But what requires more thinking about is if only a minuscule proportion of people have wealth, and there be very few opportunities for the others, how will money circulate, who will demand the goods and services that will be built in factories by robots?

At this point in time, it is difficult to imagine what the future can hold, but various scenarios can be boldly envisioned. These scenarios could be: One, the idealistic and the inspirational based on the premise that humanity will be the next creed. The second, more dismal, based on the premise that the same model of elite few vs. the common many will be applied though in a new avatar.

**Projections for scenario one.** The projections for Scenario 1 are as follows:

- (1) The concept of development, based on GDP, national income, per capita income, and wage rate, will be replaced;
- (2) The term economy or the subject economics will be turned on its heads. Supply for goods and services will be leaps ahead of demand;
- (3) Small, local firms will flourish firms with the human touch. Efficiency will not drive the business, but empathy and real human connection will;
- (4) People will form communities based on personal values and thinking;
- (5) The idea of belonging to a nation based on geographic boundaries might lose its magnetism;
- (6) The word efficiency will no longer be a performance metric, because more people will have much time at their disposal;
- (7) There will be a surge in all forms of human expression like art, painting, music, poetry, and literature which are unaided by any form of technology;
- (8) People will get the time to explore the fullness of being human because they will be saved from the tyranny of making a living;
- (9) People will aspire to meet people physically than remotely or on line;
- (10) People will turn to spiritual pursuits and will want to live close to nature;
- (11) People will explore the mind, body, and soul connection more deeply;
- (12) Education will be hands on, and will accentuate physical abilities, emotional well-being and will explore metaphysics, different cultural and spiritual traditions. The end of education will be to make people seek answers from within and not rely on expert opinion or merely transfer of facts and information;
- (13) People will follow creative pursuits and will take up organic farming, alternative healing methods, cooking, care giving, etc.;
- (14) Goods crafted by hands will be sought after;
- (15) The period will see a slowing down of demand for consumer goods and materialism;
- (16) Local self-governing bodies will be on the rise;
- (17) Intermediation will be at a minimum.

**Projections for Scenario 2.** The projections for Scenario 2 are the following:

- (1) The new elite comprising of technocrats will be the powerful coterie and will run few big corporations and will manage governments;
- (2) Deep learning could make machines super intelligent and we could see a man vs. machine conflict in the future;
- (3) Destruction of cities, nations, or areas will be on a click of a mouse, increasing fear and vulnerability;
- (4) The concept of being human will change as humans will be hybrid between man and machine;
- (5) The intellectual ability of people will decline;
- (6) People will begin to colonize other planets;
- (7) Man will play God with a child's brain.

### Conclusion

It is impossible to have a final word on this, but what can be said with certainty is that humanity is a cusp of change. Like always, in history, this time too as is with technology, small incremental changes over a period of time ultimately lead to the big bang moment, which causes a shift to a new paradigm.

Block chain technology will lead to disintermediation at a large scale. The nature of banking and law is about to change with the advent of smart contracts and distributed ledgers in trust networks.

There already exists an online community called Bitnation. On the website are the following words: "We are a holacratic organization and we strive to become fully functional decentralized organization (DAO). This means that there are no old school management structures or barriers to entry. Anyone can join or create a team ("holon"), whether for profit or for nonprofit and benefit from the support and technological infrastructure of the Bitnation Community", "A Holon is something that is simultaneously a part and a whole and every one can join and create their own operational centres. This allows Bitnation to remain fluid, be autonomous and thus not limited or controlled by a centralized hierarchy".

The concept of Bitnation nearly summarizes what has been written in most parts of the paper.

Change is already here. Are we ready?

Donald Rumsfeld (2017) said, "There are things we know that we know. There are known unknowns. That is to say there are things that we now know we don't know. But there are also unknown unknowns. There are things we do not know we don't know".

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