



Future Business

The four mega-trends that every company needs to prepare for



CORPORATE CITIZENSHIP
Part of The Good Relations Group

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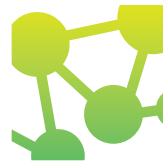
Executive Summary

Our world is changing. Expectations of what business can and should do are shifting. New issues are emerging. Companies are embracing novel approaches to deliver value for their shareholders as well as society.

Corporate Citizenship has identified four mega-trends that we believe are likely to shape the future of business over the coming decade:



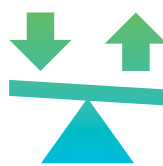
“CRUNCH” – rising demand and limited supplies means that it’s crunch time for key resources such as energy, food and water. Sustainable business models are becoming a value-added imperative.



“CONNECT” – new digital platforms allow people to share information instantaneously. Real-time exchanges amongst billions of people is fast becoming a reality. Privacy and security concerns will accelerate and novel forms of scrutiny will mean that companies are no longer able to hide from demands for transparency.



“FRAGMENT” – traditional power structures are breaking down as government dominance gives way to diverse new actors including social enterprises, not-for-profits, corporations and engaged citizens. Businesses of the future will embrace this fragmentation and play their part in delivering society’s big goals.



“RE-BALANCE” – New nations are growing in economic, political and cultural power. Massive opportunities are arising to meet the social, environmental and economic needs in these markets. Business in the coming decade will emerge from, engage with and be shaped by the ideological influences of countries like Indonesia, Brazil, Turkey, India and China.

These trends will fuse and interact; companies that take a leadership position will tackle the four mega-trends strategically.

Based on our long-standing experience working with corporate clients around the world on responsible business practices, we’ve mapped out the mega-trends that businesses need to prepare for.

Although we cannot predict the future, we can help forward-thinking companies to plan ahead. We conclude by outlining the tools and techniques that businesses can apply to stay ahead in this changing landscape and thrive, whatever the future holds.

Introduction

Why the future always seems impossible

How does this sound for our world, a few decades into the future?

- A population boom and rocketing land prices in India mean that slum dwellers sell their shacks for £50,000 (in today's money);
- Robots are used to scour farmland as part of a clear-up operation after massive flooding in Asia; and
- Scientists can produce gasoline from fresh air.

If they sound far-fetched, your assumptions about the future may be too constrained.

All of these have already occurred: Sky News reported slum dwellers are being priced out by £50,000 shacks in Mumbai today¹; Japan's Government has used 'robot tractors' to clean 600 acres of damaged farmland after the recent tsunami²; and British scientists have converted carbon dioxide and hydrogen into petrol in a pilot project³.

The reality is that the future is difficult to imagine. In the last few decades, we've seen huge changes in the world from the first mass-produced hybrid car, a new single currency in the Eurozone and massive changes in digital technologies. Twenty years ago, mobile phones and the internet were used by less than 1% of the world⁴; today it's over 85%⁵.

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Corporate reporting has also changed. We've seen the birth of the Dow Jones Sustainability Index and the UN Global Compact. When Corporate Citizenship was founded, just over 300 companies worldwide published a CSR or sustainability report. Today, at least 5,500 companies do, and the issues and initiatives have changed dramatically⁶. These changes are accelerating. In the last 12 months, the proportion of S&P 500 companies that report on sustainability performance has grown from one in five to over half⁷.

Looking ahead





Over the coming decades, we can expect at least as much change again. Although the future is challenging to predict as different issues interact, new trends emerge and uncertainty is created.

To simplify this complexity, Corporate Citizenship has identified the four mega-trends that our research indicates could be most significant for companies over the next ten to twenty years. We pose the question: what would happen if these mega-trends accelerated and become mainstream?

The research draws on the Corporate Citizenship Futures Database. This was constructed over a 12-month period and draws on over 100 trends that we expect to shape the future operating environment for companies.

The findings are not intended to be predictions. Instead, they are designed as a strategic tool to help organisations to plan, prepare, and above all thrive, whatever the future holds.

Four Mega-Trends Shaping Our World

MEGA-TREND	KEY CHALLENGE	BUSINESS OPPORTUNITY
 CRUNCH	CRITICAL RESOURCE SHORTAGES	NEW BUSINESS MODELS
 FRAGMENT	DIFFUSE POWER AND COMPLEXITY	COLLABORATION FOR IMPACT
 CONNECT	SCRUTINY AND PRIVACY	TRANSPARENCY
 RE-BALANCE	CULTURAL DIVERSITY	TRUSTED BRANDS IN NEW MARKETS

Mega-Trend 1 - CRUNCH

Summary

- Population growth, urbanisation and rising incomes in new economies are increasing demand for critical resources.
- Water, energy and commodities are in limited supply.
- Price spikes and volatility will result - as well as innovative new business models, technologies, services and behaviours.

What's driving this mega-trend?

By the year 2030, the United Nations estimates that the world population will have surpassed 8.3 billion – that's nearly one and a half billion more people than today. Around 60% will live in cities⁸. Virtually all of these new people will live in what is today called the “developing world”, or as we like to call them the “new economies” (see REBALANCE).

- Natural resource price rises in the last ten years have wiped out all of the price falls of the last century⁹.
- Global demand for food crops has exceeded supply in seven of the eight years between 2000 and 2008¹⁰. Overgrazing, overplowing and deforestation have formed giant “dust bowls” in Asia and Africa because of soil erosion and desertification¹¹.

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Experts forecast that requirements for food, water, and energy will place unprecedented burdens on the planet over the next 20 years:

- 40% more energy will be required by 2030 and by the mid-2030s, China will consume 70% more energy than the United States¹² (see REBALANCE).
- Oil could exceed \$200 a barrel in today's prices¹³.
- Gold, silver and zinc may no longer be available in 30 years except through recycling¹⁴.

- Rare earths are a critical component of electronics, hybrid cars and renewable technologies. China generates roughly 95% of the world's production, but it is estimated that they have already mined two thirds of their supply¹⁵.
- 47% more crops will be required by 2030, including an extra billion tonnes of cereals¹⁶.
- 53% more water may be required, with withdrawals from industry nearly doubling¹⁷. A crisis for water supplies is one of the world's greatest risks when considering both likelihood and impact, according to the World Economic Forum¹⁸.
- Volatile prices¹⁹ and social unrest²⁰ are key risks that companies need to prepare for in certain markets.

What this means for Business

Businesses in the 2020s will respond to CRUNCH by identifying, securing, processing and re-using key commodities in highly novel ways. In short, sustainability will be about the efficient stewardship of scarce resources to ensure a firm's long-term success.

Many businesses will focus their investments on producing more value with fewer resources. This dematerialisation of the economy will span sectors and could result in: companies competing on the resource efficiency of their processes and products; the increased digitization of companies; and protectionism of resources with a focus on reclaiming end of life materials.

The most nimble organisations will develop new business models, such as closed loop systems. The idea of a circular economy is not new, but companies will place renewed emphasis on security of supply and re-capturing end of life materials, particularly in the extractive and technology sectors. In the future, these companies will fiercely compete to reclaim critical minerals after the consumer has finished with their products.

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Business organisations will change to meet these pressures. For example, many companies will become more decentralised and flexible to adapt to pressures in critical resources in global supply chains.

Other companies will embrace the idea of leasing products, rather than simply selling them. By renting to the consumer but retaining ownership of items, businesses can make them affordable to the mass market whilst reducing the consumption of unnecessary resources. This will become particularly significant for products that use rare and expensive materials but are infrequently used by consumers – such as in occasional electronics.

Multinational corporations could find themselves navigating an increasingly hostile and challenging operating environment if some trends within CRUNCH play out. Water shortages in some regions and food scarcity in others will be blamed on companies as well as governments by a youthful, active and angry population in certain markets.

The overlapping challenges presented by CRUNCH will mean that companies will need to plan for more than one issue at the same time – such as how water scarcity, food security and climate change will coalesce and affect the company, its supply chain and consumers. Some pioneering businesses will begin to offer expertise in resource management as part of their core service offering.

Examples from today

GameStop, the world's largest multichannel video game retailer, grew their business by providing a buy, sell, trade programme and by recycling products no longer in use. Gamestop responded to customer requests by expanding their refurbishing and recycling offer and they are now the largest refurbisher and recycler of electronics in the world.

Kalundborg Industrial Park in Denmark clusters manufacturing facilities so that waste products from one process are fuel for another. A power plant, oil refinery, pharmaceuticals factory, plasterboard manufacturer, recycling and waste companies benefit from the exchange of steam, gas, water, gypsum, fly ash and sludge.

Kingfisher has a 'net positive' strategy that goes beyond preventing deforestation, to work towards net reforestation. In addition, the company seeks to create homes that are not just zero carbon but generate their own energy and has a target to produce 1,000 closed-loop products by 2020.

SABMiller has partnered with WWF and the German Government's development agency to protect watersheds that are critical to their operations and supply chains, and to strengthen the role of the private sector in promoting the sustainable management of water resources.

Mega-Trend 2 – FRAGMENT

Summary

- Traditional structures are breaking down. Levels of trust in institutions – including companies – have been falling for some time.
- As a result, a new compact is emerging and boundaries are blurring between citizens, not-for-profits, government and corporations to tackle the thorny challenges facing the world.
- Businesses of the future will need to navigate this uncertainty, deal with complexity and become experts at building coalitions that create an impact.

What's driving this mega-trend?

In the summer of 1945, Winston Churchill, Harry Truman and Joseph Stalin met at Potsdam to decide the future of the world. Today, such a meeting would be an unlikely occurrence – trust levels are falling, power is more diffuse and the role of companies has changed dramatically.

- Levels of trust in all institutions - including businesses and governments – have fallen significantly in recent years²¹.
- Expectations of business are rising – 87% of people globally now say that they think companies should place “equal weight” on society’s interests and their business goals²². Two thirds of people think that businesses bear as much responsibility as governments for driving positive social change, and over half say that companies are better positioned than governments to combat climate change²³.
- There is a growing pressure for larger companies to enforce standards globally - 94% of CEOs say that their company is “increasingly held responsible not only for our own actions, but also for the actions of others in our value chain”²⁴.
- Governments are struggling to meet their obligations to citizens. High costs of public services, national budget deficits and a reluctance to pay higher taxes is typical of some – but not all – markets in the West. Meanwhile, failed states, corruption and ineffective or weak government dominate in other parts of the world.
- Companies have been slowly taking on responsibility to deliver certain roles that were traditionally delivered only by governments. There were over \$1 trillion of privatisations in 101 countries between 2000 and

2008²⁵, covering airlines, telecommunications, roads, healthcare, railways, postal services and energy. Conversely in China, the state remains the majority owner of much industry today (see RE-BALANCE).

- Three quarters of the 1,325 companies that responded to the UN's most recent Global Compact survey said that they are already “taking action to advance broader UN goals” – over half in partnership with governments²⁶.
- Of the world’s largest 175 economic entities, 111 are companies²⁷. Just 83 businesses control a third of all the revenues produced by the world’s 60,000 largest public companies²⁸.
- Complexity is rising. When asked about the future, four in five CEOs of the world’s largest companies responded that a “rapid escalation of complexity” is the biggest challenge facing managers in the future²⁹.

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- Voluntary corporate initiatives that embrace societal goals are on the rise. Certifications, membership bodies, roundtable dialogues and on-the-ground partnerships have exploded in recent years. Since the 1990s, there has been a sharp growth in the number of multi-stakeholder initiatives, resulting in an array of acronyms such as AA1000 (AccountAbility standard), Forest Stewardship Council (FSC) and the Global Reporting Initiative (GRI).
- The World Economic Forum (WEF) was originally conceived for businesses to meet; today, over a third of participants come from academics, non-profits and governments³⁰.
- There are at least 40,000 non-governmental organisations recognised by the UN and millions of community-based organisations. There is one NGO for every 400 people in India³¹.

- Supply chains are becoming more fragmented. Companies are “splintering” their supply chains to create nimble units better able to deal with complexity, and are using supply networks hedge against uncertainty³². After cases of IP theft rose by 80.6% in 2010³³ some companies have begun to rethink outsourcing of manufacturing. In response, companies like General Electric are experimenting with “insourcing”³⁴.
- Crowd sourcing and crowd funding have enabled an unprecedented diffusion of innovation, and reduced corporate control over new product development. For example, President Obama has acknowledged the benefits of decentralised innovation by signing a JOBS bill that allows firms to bypass rules and raise up to \$1 million a year from large pools of small investors by directly soliciting them over the Internet³⁵.

What this means for business

FRAGMENT means that companies of the future will need to work with more varied organisations, plan for uncertainty and align to meet big goals facing the world.

Voluntary, multi-stakeholder initiatives will increasingly become a key mechanism for the delivery of simultaneous corporate and societal goals. Some leading firms, frustrated with the slow pace of change, will drive transformations in their supply chains to address systemic and interconnected issues. New collaborations of the future will see companies coming together to crack issues like global conflict, species extinction and discrimination. New collaborations that involve fierce competitors working together on a shared goal will be one sign of this, carefully navigating monopolistic and commercial sensitivities.

More companies will prioritise tackling big social goals through their corporate strategy and so develop a social purpose. Whilst these goals may have begun as philanthropic initiatives, they will increasingly be tied to the core business strategy. A core technique for business leaders will be to identify the overlaps between long-term share price performance and major issues facing society. Some governments will create tax breaks to facilitate these programmes, harnessing the global infrastructure, cutting-edge IT and professional skills that some businesses can bring. Conversely, when irresponsible behaviours by companies are exposed, there will be more democratic pressure to revoke licenses and even prosecute through courts. Class action law suits against more “unsustainable” companies could be one consequence.

For companies, earning stakeholder trust will be essential to growing their business. Many more businesses will emerge with an explicit ‘social purpose’ – an added

goal of generating social impacts as well as economic value. These companies will be particularly prominent in sectors such as energy, education, finance and healthcare.

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As traditional power structures fragment, new opportunities are emerging for social entrepreneurs, large and small companies, and not-for-profits. Hybrid structures will become more common, such as a social enterprise, funded by a company, advised by a not-for-profit, delivering a government objective.

FRAGMENT means that experimentation will grow, with localism dominating, creating a patchwork of diverse approaches and business models.

Examples from today

Unilever has set a target to help more than a billion people improve their hygiene habits – as well as halving the environmental footprint of the production and use of their products. The first target embraces one of the World Health Organisation’s top global killers (diarrhoeal disease); the second relies on working with suppliers, customers and consumers outside of their direct control.

DuPont Science’s Inclusive Innovation seeks to solve “the world’s greatest challenges”. Working with customers, partners, academics, governments, NGOs, and other organizations they hope to find novel ways of providing food, energy, and protection needs to the world’s population.

Mars and **IBM** collaborated with the U.S. Department of Agriculture to map the cacao genome to improve cocoa crop quality and sustain the world’s supply of the key ingredient for chocolate.

Nestle has committed itself to “creating shared value” for shareholders and society. Their commitments in nutrition, water and rural development include fortified and nutritious products, education initiatives, water stewardship aligned with the UN’s CEO Water Mandate.

Mega-Trend 3 – CONNECT

Summary

- New technologies like mobile phones and tablets are enabling the sharing of vast data resources in real time.
- As a result, scrutiny is rising dramatically and organisations will find it impossible to isolate and shield themselves from exposure.
- Some companies will embrace new levels of transparency; others will go bust overnight as incidents in distant places suddenly become very close to home.

What's driving this mega-trend?

Thirty years ago, the personal computer did not exist. The internet is even more recent, and social media and e-books are newcomers to our world. But their speed of adoption has been dramatic.

Today:

- There are 4.8 billion mobile phone users in the world - 600 million more people than own a toothbrush³⁶.
- A billion people - one in seven on the planet - log into just one network, Facebook, every single month³⁷.
- Sina-Weibo, China's blogging site, has 400 million active accounts³⁸. By 2025, experts forecast nearly 800 million users³⁹ - more bloggers than Europe's entire population today.

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Forecasts for the future show CONNECT accelerating as the number of platforms and connections grows through fibre optic cables and advanced wireless transmission:

- The number of people communicating online is growing at a phenomenally fast pace – experts predict 5 billion people will be online by 2020⁴⁰.
- The cost of communication is falling⁴¹, making it more affordable and no longer just for the elite.
- The World Economic Forum has said that “digital wildfires”, which involve the rapid spread of viral information “that is either intentionally or unintentionally misleading or provocative” to be one of the biggest global risks ahead⁴².
- The FBI has stated that we are close to the stage where “any system that is accessible directly from the internet” will be at risk of hacking; financial institutions and critical infrastructure are most likely to be targeted⁴³.
- CONNECT is redefining what ‘community’ means. Traditionally, a community had to be located in the same space; in the future, communities will be omnipresent, fluid structures of diverse people united by a shared value or goal. These groups will often use digital collaboration for problem solving and some users will feel stronger connections to their virtual community than to a traditional one.
- Personal data is becoming a new asset class with real value, just like traded goods. Proponents will argue it enables better responses to global challenges, predictions, efficiencies and a tailored service⁴⁴. Critics will point out the invasion of privacy and risks of error and fraud.
- Channel overload and clogging will become a serious concern. Already, two-thirds of consumers in the US and UK say that they receive too many promotions through digital marketing⁴⁵.
- The internet is transitioning from a network of computers to a network of devices. Billions of sensors in buildings, infrastructure and products will enable real-time monitoring, feedback, and intervention through the “internet of things”. This will be used to moderate security, energy use, and even user behaviour. By 2020, some predictions claim there will be 50 billion devices connected by the “internet of things”⁴⁶. These technologies could enable the rise of truly “smart cities”.
- The internet of things and machine-to-machine communication will enable new business models. Pay as you drive insurance, enhanced digital content distribution, and more seamless product service systems are just a fraction of the possibilities⁴⁷.

What this means for business

Business of the future will face a number of new challenges and opportunities from CONNECT.

Channel overload will be a key issue for businesses to respond to. Some companies will build in “digital opt out” into their marketing. Today, opting out means not receiving an email; in the future, it will mean avoiding exposure to the barrage of marketing messages embedded in the infrastructure of cities.

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Some segments of the population will seek to isolate themselves from these systems, becoming new ‘hard-to-reach’ groups that refuse to share personal information with companies.

Issues surrounding data leaks and security will become strategic issues for companies in all sectors by the 2020s. Being a well-run and responsible business in the future will mean being an expert at managing data securely and intelligently, as well as protecting consumer autonomy where citizens demand it.

Companies will be able to monitor and track more information on raw materials, commodities and people. For example, local changes in temperature, diseases or people’s behaviours can be interpreted at a global scale in real time. Human biological platforms sharing personal information with trusted companies is one likely possibility.

More information means that reliability and verification will grow in importance. One way of reducing the risk of “digital wildfires” of false rumours is to ensure data is of high quality, audited and meets the stakeholder needs for transparency, according to the World Economic Forum⁴⁸.

The explosion of information will enable higher levels of scrutiny and greater exposure of corporate behaviours.

We are already seeing evidence of the phenomenal risks that CONNECT poses to organisations. In February 2010, the online not-for-profit Wikileaks published a quarter of a million confidential diplomatic cables from US embassies around the world. The instantaneous sharing of information famously enabled organised, citizen action in the Arab Spring. Pressure groups have adopted similar tactics against corporates (see opposite “Examples from Today”). In the next decade, boycotts will bring down some company reputations in a matter of minutes.

All this means that the concept of privacy – for consumers as well as companies – will effectively cease to exist for many groups. Keeping information and issues secret will become impossible in some cases. Commentators of the future will even go as far as to say that companies are no longer ‘private’ enterprises.

Corporate reputations will be easily understood by consumers through their handheld devices. Statistics on health and safety, how employees are treated and environmental impacts will be visible in the palm of our hands.

Regulation by government will give way to regulation by ‘people’ in some markets through technology. By facilitating access to large amounts of highly usable data and real-time scrutiny, governments will seek to use market forces to guide business behaviour.

Consumer understanding around how products are produced, and by whom, will be enhanced. Leading companies will harness these technologies to engage more effectively with their consumers, enabling a deep, meaningful, dynamic and real-time conversation.

These conversations will enable companies to analyse beyond consumer behaviour to learn individual preferences and predict future needs. That could lead to real-time conversation being replaced with preventative and predictive action where consumers trust a brand and opt in to such a service.

Finally, CONNECT will enable companies to activate large-scale consumer campaigns, often around a social cause. Businesses will cajole and influence more people – creating movements around a social mission, interacting with consumers in real time and creating a dialogue on the social impacts of the company.

Examples from today

Mattel, manufacturer of the Barbie doll, was targeted by Greenpeace in a high profile digital campaign that criticised their packaging supplier's deforestation practices. An online video featuring Ken "breaking up" with Barbie, a public Twitter feud between the former couple, photos of Barbie with a chainsaw and over 500,000 emails sent to the company resulted in changes to the firm's supply chain policies.

A number of companies are using Quick Response (QR) codes to bring transparency to their products.

McDonald's has plans to provide nutritional information through smart phones in the US, and multimedia content on the local provenance of some ingredients in Australia.

John Fluevog, the shoe brand, has embedded videos that show the shoe being made whilst **KCA**, a fashion start-up, provides information on the materials and dyes in its clothes.

Vodafone's Money Transfer service, M-PESA, enables millions of people who do not have access to banking services to transfer money using a mobile phone. The company has also looked at how smallholding farmers can benefit from mobile data such as weather forecasts and commodity market information to improve their livelihoods.

Broad Group in China has developed a mobile phone with an in-built air pollution sensor. This could potentially enable millions or even billions of consumers to monitor the environment in real time, boosting awareness of air pollution and climate change issues.

Mega-Trend 4: RE-BALANCE

Summary

- New economies are powering global growth and providing fresh ideas in the fields of commerce, technology, culture and politics.
- Global companies will become multi-local - tailoring their operations and products to national priorities and local concerns.
- Innovative products will meet vast, new consumer needs – and brands will be built on the basis of trust, relationships and recommendations.

What's driving this mega-trend?

It took around 200 years for the industrial revolution in Europe to reach its full momentum. As China and India have industrialized, the two countries have achieved a doubling of GDP per capita in 12 and 16 years respectively⁴⁹.

In the coming years, attention will also turn to the new economies in places such as Indonesia, Malaysia, Philippines, Brazil, Mexico, South Africa, Thailand and Turkey.

- By 2025, half of all global consumption is expected to take place in emerging markets. People with a daily disposable income of more than \$10 will outnumber those with less for the first time in history⁵⁰. China's consuming class could number 800 million by 2025⁵¹.
- China and India could account for 42% of new multinationals over the next 15 years⁵².
- 40% of global graduates are expected to come from India and China in 2020⁵³.
- China is expected to become the world's largest economy as early as 2016, and India is also expected to overtake the United States in the longer term. Some forecasts suggest that by 2060, China and India combined will contribute more to global GDP than all the OECD nations combined⁵⁴.

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This profound structural shift in the world economy will present new challenges:

- The relationship between government and private enterprise plays out profoundly differently in new economies than it does in more established ones (see FRAGMENT). State capitalism is on the rise: the world's ten largest oil-and-gas firms, measured by reserves, are all state-owned. State-backed companies account for 80% of the value of China's stock market and 62% of Russia's⁵⁵.
- There are half a million not-for profits operating in China⁵⁶- many of which are GONGOs ("government-organized non-governmental organizations") which are licensed by the state.
- Overseas investment by state-owned and private companies from the new economies is rising sharply. State-owned enterprises seek to secure supplies (see CRUNCH) and investment is frequently aligned with government aid. Conversely, private companies are using the money they earn at home to enter Western markets: India's Tata has spent \$17.5 billion on cross-border acquisitions over the past decade⁵⁷.
- Despite all the talk of globalisation, national priorities differ in the new economies. China spent \$52 billion on renewable energy in 2011⁵⁸, and aims to source 15% of its total energy mix from renewable sources by 2020⁵⁹. The Indian Parliament passed the Companies Bill in December 2012 which requires certain companies to spend at least 2% of their net profit on CSR activities⁶⁰. In Brazil, deforestation, poverty and inequality are key issues, whilst the country is the world's largest producer and consumer of ethanol.
- Consumer issues also vary remarkably. Polling suggests that "greed and corruption" is the most important national issue in India and Indonesia; whilst "economic concerns" are first equal to "environmental issues" in China⁶¹.
- Consumers in India, China, Brazil and Indonesia consistently say that they are more likely to purchase and promote brands that support good causes than those in the West⁶².
- Asia is particularly exposed to natural disasters. The region accounts for half of the estimated economic

cost over the past 20 years. Weather-related disasters, fuelled by climate change, are a potentially major threat to economic development, according to the Asian Development Bank⁶³.

What this means for business

Multinational businesses will respond to RE-BALANCE through new stakeholder relationships, innovative products and services and building brands that rely on trust.

Today's lists of leading brands are dominated by Western companies. In the 2020s, the picture could be sharply different as new names from places as diverse as Brazil and Indonesia become globally recognised.

Businesses operating in the new economies will need to adapt. The role of the private sector and relations with government are distinctly different in countries such as China. Building support from stakeholders – particularly civil society, public authorities and the media – will be a key concern.

The preferences of billions of new consumers will guide innovation and new product development as well as marketing and people management.

Consumers in emerging markets represent a substantial opportunity for businesses. Yet despite rapid rates of growth, many people still live in poverty. This vast 'bottom of the pyramid' market will be a critical motive for innovation in the decades ahead. More companies will develop business models, products and services that reduce poverty, tackle corruption, deliver safe drinking water and improve health.

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Yet the variation in issues means that people around the world have different priorities. Multinational business are already skilled at adapting their products and marketing to suit local conditions. The multinational

of the future will be multilocal – tightly tailoring their products and brands to local circumstances, whilst maintaining global standards and procedures. We can expect more functions of the company – from supply chain programmes to talent retention – to become highly localised. A key challenge for companies will be to balance the need for global rigour with local concerns.

Building brands in emerging markets often relies on word of mouth and personal recommendations from friends and family – particularly given the number of 'first time' buyers⁶⁴. The population in the new economies is generally younger, and often more optimistic. Trust is key, as is building brands that people can relate to.

Research by McKinsey has found that positive product recommendations from friends and family are twice as important for consumers in China and nearly three times as important for consumers in Egypt as for those in the United States or Britain. They suggest that this will favour "brands with high visibility and an aura of trust"⁶⁵.

Competition for the best talent will grow. A "brain drain" will intensify from those economies perceived as weaker where an ageing population will compound the problem. We are just beginning to see signs of an historic reversal of migration patterns as a "brain gain" of skilled workers move back to India, China, Brazil may have begun⁶⁶.

As "millennials" enter the workforce, they will increasingly view organisations without boundaries. Personal interest, flexibility, training and opportunity are primary motivators, not necessarily monetary reward⁶⁷.

RE-BALANCE will create substantial shifts and wide ranging implications for governments, citizens and companies. The very concept of a thriving "rich" West and a "poorer" rest of the world is already an out-dated concept. Ideas of relative poverty will also change. As new economies grow, they will no doubt face their own tensions; meanwhile the older economies will face profound economic and social challenges due to ageing populations, increasing welfare demands and perhaps even declining living standards. A key challenge for companies and governments will be how to manage this transformation.

Examples from today

Cemex's Patrimonio Hoy provides affordable housing to low-income families in Mexico. Through a membership system, Cemex is able to provide collateral-free microfinancing. It also acts as an intermediary for

distributors of other building materials and provides storage space for low-income builders.

Novartis' Arogya Parivar healthcare products are tailored to meet the needs of the hundreds of millions of poorer people in India. Products have been designed to be simple to use and tailored to meet the needs of rural populations with a low disposable income, usually earned on a daily basis. All educational materials, product packaging and training are adapted to local conditions, and medicines provided in small packs at affordable prices.

HP and **UNESCO** are using cloud computing to combat the 'brain drain' by connecting universities in Africa, the Middle East and Eastern Europe into global research networks.

Companies like **Google** have transformed the recruitment process by offering innovative perks - salaries and benefits have been supplemented with training, free exploration time during work, and luxurious campus amenities.

Future Business – How to Respond

The four mega-trends each present a strategic challenge to businesses. The future we will inhabit will be one where they overlap, entwine, sometime contradict and at other times reinforce one another. Dealings with

uncertainty and the interconnectedness of the mega-trends is a core competency that businesses of the future will need to develop.



A holistic response

Many businesses will find that different parts of their organisations may be tackling different trends. In any one company, we find:

- Procurement and supply chain specialists find themselves grappling with CRUNCH;
- Communications and marketing are interacting with CONNECT;

- Corporate affairs dealing with FRAGMENT;
- Marketing and R&D responding to RE-BALANCE.

There are a number of tools and techniques that any business can use to consider the potential impact of the trends on their business.

Applying the Mega-Trends to Your Business

Corporate Citizenship has developed a suite of tools to help companies stay abreast of changing trends, and ensure that the organisation is positioned strategically to capitalise on them.

We find these techniques are particularly effective for organisation that want to take a long-term view, potentially aligning responsible business practices and sustainability with their core strategy, gain internal buy-in, and prepare strategically for the future.

Two such tools are detailed as follows:

Horizon Scanning

Horizon scanning takes a broad look at a range of trends that could present strategic risks or opportunities to businesses. It is particularly useful to identify or update the material issues that a business may need to respond to in the years ahead.

Prioritisation of trends can help to discount some, and hone in on the ones that may present the greatest opportunities. But this is not always easy. Challenging and surprising ideas are critical to the process.

The Corporate Citizenship Futures Database is one potential source to identify an initial long list of top trends for different industry sectors.

Scenario Planning

Scenarios are vivid images of possible future worlds. They should be realistic and believable, but also stretching and creative to challenge accepted wisdom about what the future holds.

Applied effectively, scenarios can be a powerful tool for business planning. Consideration needs to be given for how the company might respond if each of the scenarios came about.

Recent work by Corporate Citizenship has explored scenarios for each of the mega-trends, examining in more detail what the business environment might look like if each trend were to accelerate.

By considering alternative futures, the organisation can stress test its strategy and capitalise on opportunities inherent within the scenarios.

About the Author



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About Corporate Citizenship

Corporate Citizenship is a global corporate responsibility consultancy that uses clear insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. We work globally across industry sectors. Our work takes us to Europe, USA, Asia,

Africa and Latin America. We help our clients make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment. Corporate Citizenship promotes the idea that companies can be a force for good. We advise a global client list on a number of areas: strategy, reporting, supply chain, socio-economic impact, inclusive business models and assurance. Our longstanding clients include Unilever, Shell, Abbott and Vodafone.

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