GLOBAL BUSINESS OUTLOOK

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Hult CEO Global Trends Report:

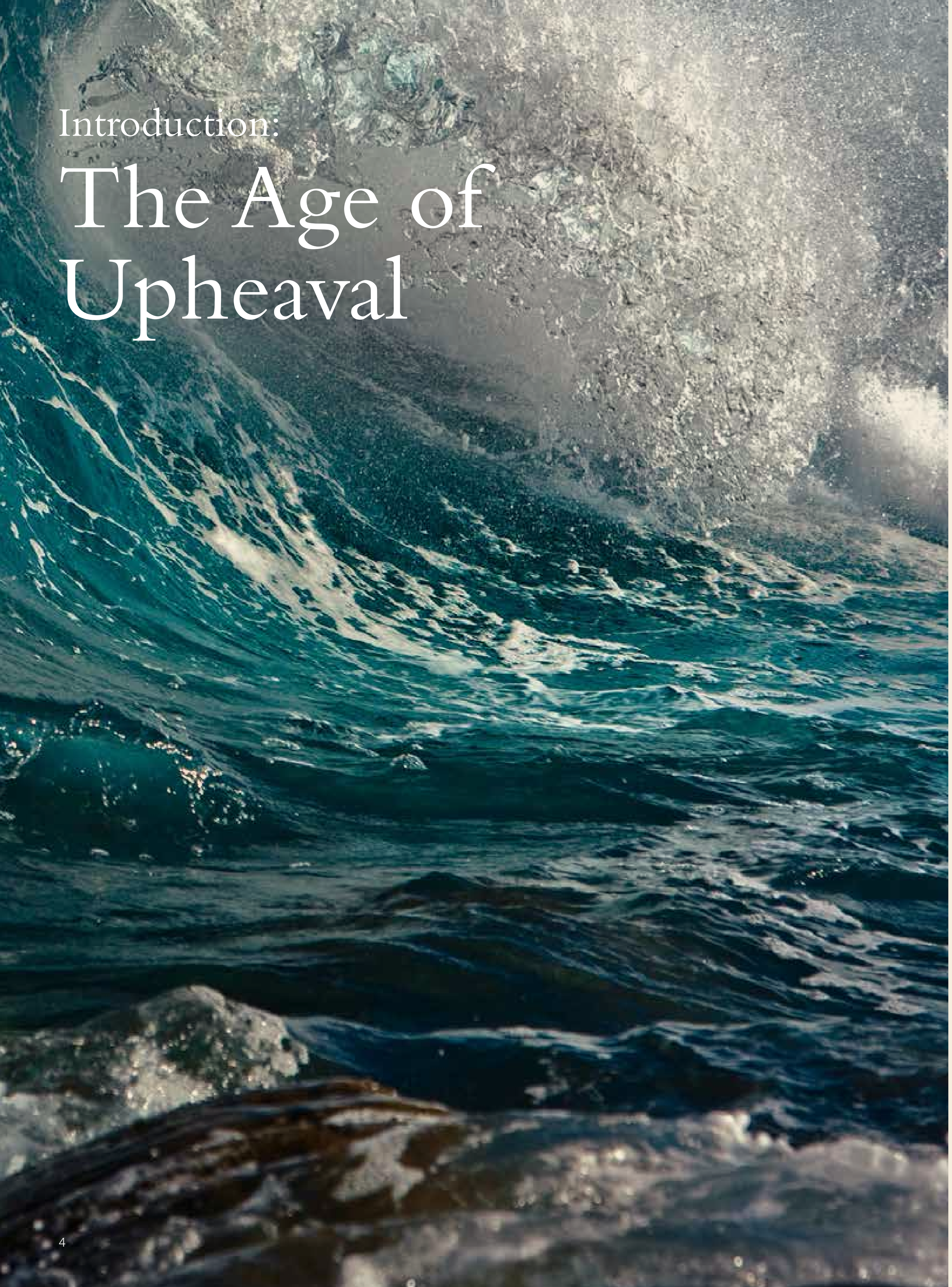
The Age of Upheaval

EDITION 2016

Hult CEO Global Trends Report

Introduction:

The Age of Upheaval



Welcome to the Age of Upheaval

Imagine if, five years ago at the annual gathering of the World Economic Forum in Davos, the CEO of a large Fortune 500 firm had stood before fellow delegates and predicted that in 2016, China's economy would be sputtering, oil would cost less than $40 a barrel, the economic travails of tiny Greece would push the European Union to the brink of collapse, and city governments from Paris to New York would erupt in controversy over an app-based taxi service. Prognostications so ludicrous would have gotten even the most respected chief executive laughed off the slopes.

And yet here we are. In recent years, businesses the world over have been buffeted by those and a cavalcade of equally improbable developments. Welcome to the Age of Upheaval. It is a moment that feels unique in the history of the global economy—a time when markets are cauldrons of chaos, new technologies seem to transform the competitive landscape of entire industries in months, and emerging markets morph into submerging markets overnight.

Amid such tumult, if there is one constant it is this: trying to lead a large multinational organization has become more difficult than ever.

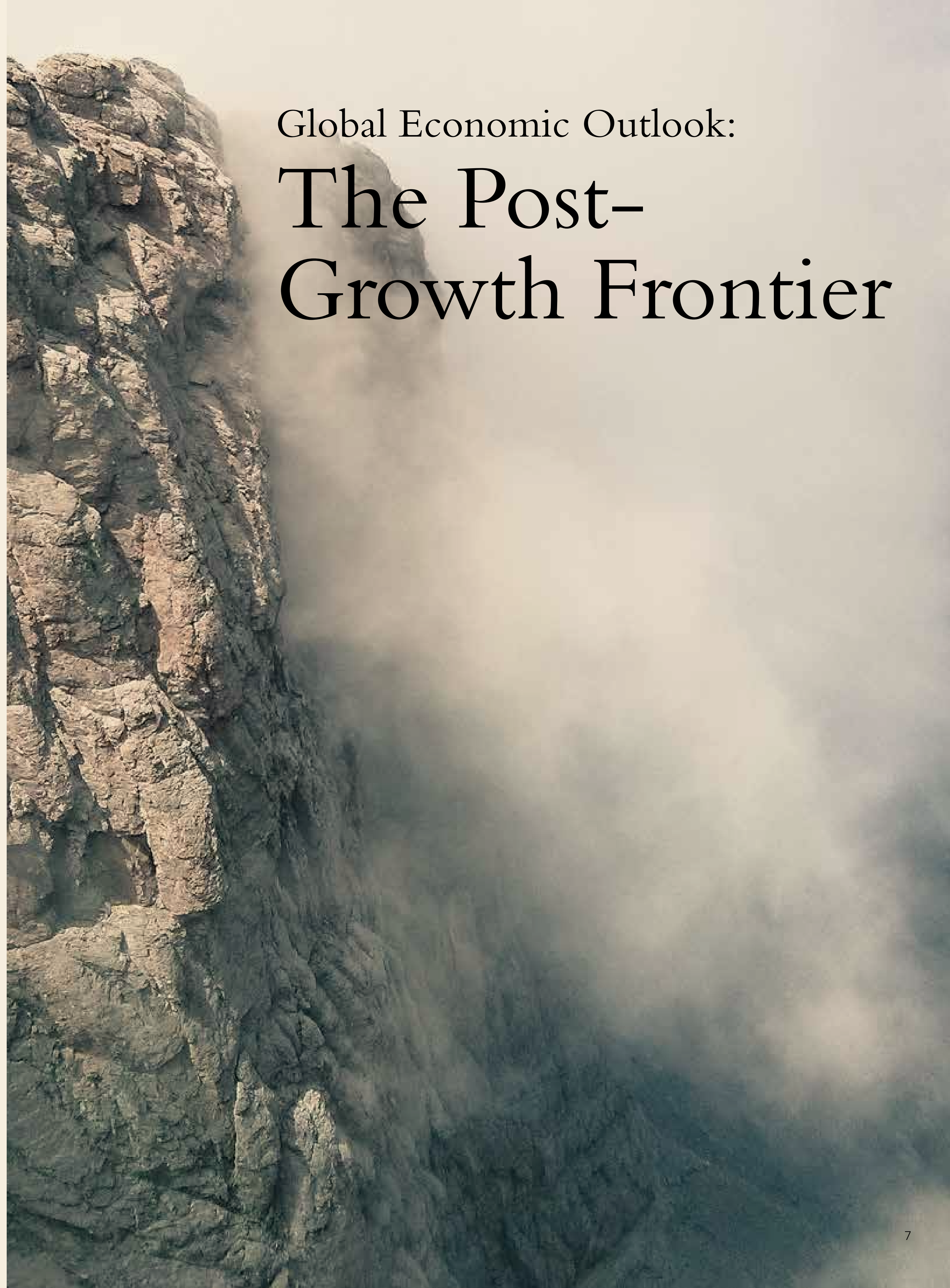
In an effort to make sense of this new era, Hult International Business School polled more than 250 CEOs and senior executives around the world to learn what keeps them up at night, and where they see opportunities for growth.

What we learned was sobering. The need for creativity and resilience is more urgent than ever as the decade's two great economic megatrends—the rise of emerging markets and the digital revolution—have simultaneously come to crucial but unpredictable junctures. Many executives expressed concern that emerging markets, the new frontier that buoyed the world economy in the wake of the Global Financial Crisis, have begun to lose their luster. Among the vaunted BRIC economies, Brazil and Russia are mired in difficulty, and India has fallen far short of expectations for recovery, while China, by far the most important of the BRICs, grapples with a slumping economy and a highly volatile stock market. And the problem isn't just slower growth. In many emerging markets, governments have grown less welcoming of foreign investment, and global firms now face stiff competition from nimble local startups.

At the same time, the technology landscape is shifting as mobile phones become ubiquitous and web-enabled devices of all sorts proliferate into a sprawling new Internet of Things. That network, in turn, is generating unfathomable quantities of data requiring new forms of storage, and offering enormous opportunities to those who can unlock its riddles and recognize its patterns. But all that connectivity also means new vulnerability to hackers and cyber-terrorists. How can established firms compete in this new world? How and where should they invest? How can they attract younger workers with the technical savvy and mental agility the times require? And how do they connect, deploy, and motivate those workers to make the most of their abilities?

Coping with these two broad shifts is made all the more difficult by the fact that world populations are shifting in dramatic ways, with demographic challenges demanding new strategies. The developed world—notably the U.S., Japan, and Europe—is facing rapidly ageing populations, as are Russia and China, while regions such as Africa and the Middle East are grappling with population booms. As people live and work longer it is more important than ever to understand how generations work alongside each other.

These megatrends are playing out against a backdrop of geopolitical uncertainty and global interdependence. We live in a moment of comparative tranquility. But the recent horrific attacks in Paris are a grim reminder that turmoil in one region can erupt in tragedy and mayhem elsewhere, with consequences that are difficult to predict.



Global Economic Outlook:

The Post-Growth Frontier

The end of the growth frontier?

"It's no longer possible to take a one-size-fits-all solution to emerging markets and expect good results in today's diverse global markets."

Raghu Malhotra
President, MasterCard
Middle East & North Africa

In 1893, American historian Fredrick Jackson Turner presented his thesis that America's experience as a frontier nation had uniquely shaped its politics and national character. The idea of America, he argued, was rooted in a time when its early inhabitants were pioneers and land was "free for the taking." As each generation moved further west, it became more democratic and less tolerant of hierarchy and authority. But even as Turner popularized his theories, America was changing. In 1890, the U.S. Census declared the American frontier officially closed. And in the decades that followed, other theorists, most notably Harvard business historian Alfred Chandler, explained how the disappearance of land and resources "free for the taking" and the spread of the national railway grid fundamentally transformed the U.S. economy, ushering in a new era of consolidation. As the frontier receded, the economic advantage shifted from independent farmers and entrepreneurs to large, well-capitalized businesses able to outmaneuver rivals in head-to-head competition.

A parallel dynamic is at work now in the global economy. For more than two decades, the world economy has been sustained by the integration of huge, previously isolated markets. The most important of these was China, where economic reforms set in motion by Deng Xiaoping gathered momentum in the early 1990s, transforming China into the "world's factory" and lifting hundreds of millions of Chinese consumers out of poverty. In India, a gold crisis in 1991 triggered the end of Nehru-era restrictions on trade and investment, unleashing a burst of rapid growth. Strong growth in the emerging economies, especially China, helped blunt the impact of the Global Financial Crisis of 2007-2008. Asia emerged as the new engine of the global economy, driving growth in a host of sectors from automobiles and machine tools to consumer electronics and luxury goods. Economists and management experts celebrated the "rise of the rest," and extolled opportunities in "blue ocean markets" and fortunes to be made at the "bottom of the pyramid."

But suddenly, emerging markets seem a far less dependable source of growth. The predicted straight-lines of growth out of China and India have become complex, non-linear patterns that defy easy prediction—and easy solutions. In the major emerging economies, growth rates have plummeted across the board. China, which expanded at a giddy 14 percent in 2007, is expected to grow just 7 percent in 2016—and some economists believe the real growth rate may sink as low as 4 percent. In India, growth under the leadership of prime minister Narendra Modi has fallen far short of expectations, while the other two BRIC economies, Brazil and Russia, are mired in difficulty.

It is no longer possible to take a one-size-fits-all solution to emerging markets and expect good results. "In today's diverse global markets," says Raghu Malhotra, President of Middle East & North Africa, MasterCard, "it's essential that companies have the ability to adapt to regional trends. Companies with a monolithic approach will struggle to hone their strategies to the nuances of each individual market."

"The world has become more volatile, uncertain, complex, and ambiguous than ever before, certainly than I can remember "

Paul Polman
CEO, Unilever

"We believe that we need to be firmly embedded within each market we serve," he adds.

The world has become "more volatile, uncertain, complex, and ambiguous than ever before, certainly than I can remember," says Unilever CEO Paul Polman. For today's CEOs, these factors have become the Four Horsemen of the Apocalypse, so regularly mentioned in that order that they have earned their own acronym: the "VUCA."

As many large firms have become dependent on emerging markets for annual growth, these markets have become sources of shock and instability for the world economy. In the second half of 2015, China, the world's largest exporter and third-largest importer, sent global markets tumbling when government efforts to prop up its own equity exchanges in Shanghai and Shenzhen failed to prevent sell-offs. As they rush to take advantage of rising incomes in China, many large multinational firms have come to depend on the China market for as much as half of their global growth. In 2015, some experts estimated that Asia Pacific attained a larger middle class than Europe and North America combined.

This is the stubbornly low-growth era that IMF Managing Director Christine Lagarde has dubbed the "new mediocre."

And even as growth is slowing, firms competing in emerging markets face other challenges. In market after market, global giants must grapple with formidable local rivals who are more nimble in their home markets and, increasingly, powerful enough to challenge multinational incumbents beyond their own borders. In China, homegrown car makers such as Great Wall Motors and Chery, and smartphone makers such as Xiaomi and Huawei, now pose stiff competition in both price and quality to foreign rivals. In rapidly advancing countries such as the United Arab Emirates, local economies are "leapfrogging" the stages the West took in development, going "straight to the latest and greatest," says Rory Hendrikz, Director of Ashridge Executive Education in the Middle East.

In Brazil, amid a painful slump in the broader economy, local challengers have become more competitive in a range of industries including banking, cosmetics, and information technologies.

In India, motorcycle manufacturer Bajaj has expanded outside its home terrain, winning market share in the Middle East, while Flipkart vies with Amazon in e-commerce, and IT service giants Infosys and Tata Consultancy claim their biggest sales in North America.

"Prepare for increased competition with conglomerates," says Olaf Groth, Professor of Strategy, Economics, and Innovation at Hult International Business School in San Francisco. "Don't cling to the 1980s religion: in the debate between focused firms and conglomerates, it is not clear that developing country conglomerates will necessarily end up as focused firms soon."

"For your global investment and operations portfolio, think of strategy as Go (with new pieces entering the game all the time), not chess," Groth adds, "and consider more rapid changes to its configuration."

Little wonder, then, that in Hult's survey, this sense of upheaval is reflected. Of the executives surveyed, 45 and 43 percent cited political risk and economic volatility as "very significant" issues for their organizations, with the majority seeing these as threats. Relatively few CEOs, by contrast, saw the growth potential of African countries as relevant for their organizations. Only a quarter of US executives saw the rise of Africa as an opportunity for their organizations, while 35 percent saw it as a threat. CEOs from France, Germany, and Brazil expressed particular concern about "emerging economies with low growth" and "stagnation" creating "economic and political stability in the world."

"It's easier to do business in mature markets," says Robin Windley, SVP Human Capital at DP World. In immature markets, "governments can change on a whim and rules be forgotten. We have been bitten and it is not easy. Working in a regulated market may mean less profit but it is stable and less volatile."

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SVP Human Capital, DP World

"Businesses that focus purely on China will struggle, which is why a balanced portfolio is so important," adds Windley. "In these times you don't want to have all your eggs in one basket. Business growth is still out there but it is not as easy as it was."

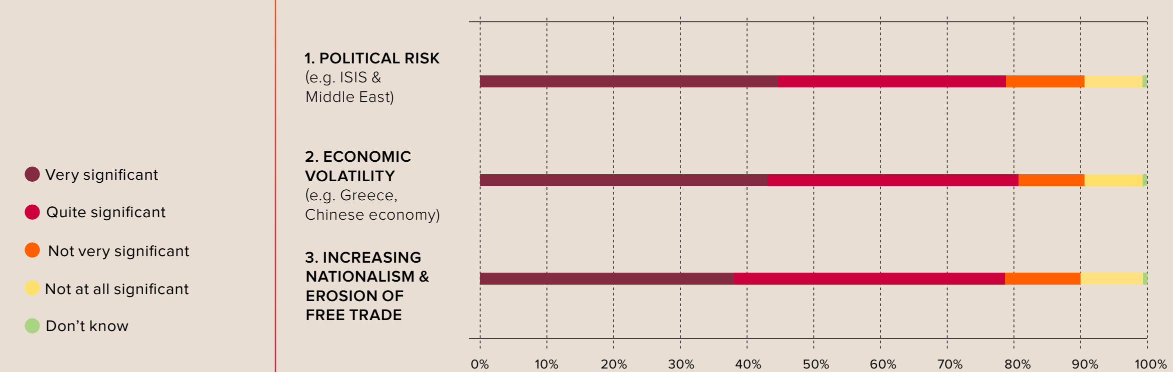
Yet the developed world is, for many CEOs, no less challenging. Nearly half of global CEOs surveyed said that the "stagnant economy and high debt levels" of Western Europe were a very significant concern.

"The challenges we face, such as climate change, poverty, food security, growing income disparity, unemployment, etc., can at times appear overwhelming," says Unilever's Polman, but they also "present opportunities for those willing to approach them in a different way."

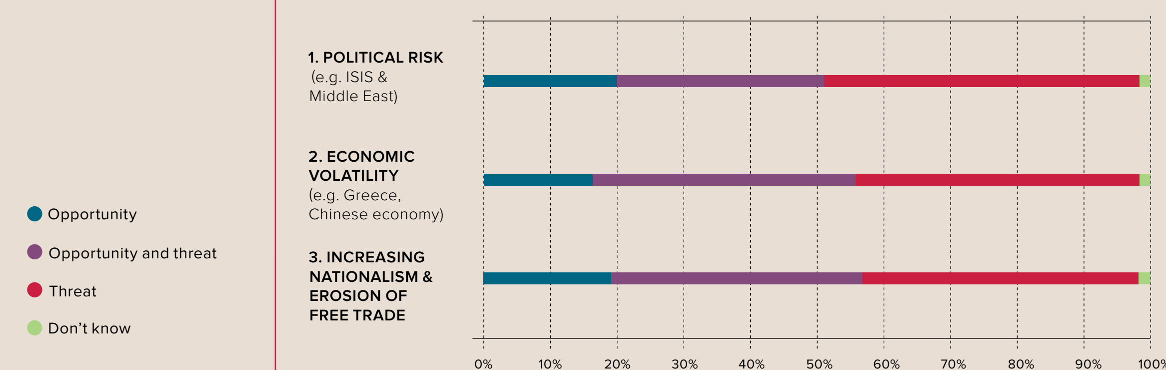
Uncertainty and risk are ubiquitous

From BRICs to the developed world, instability is the new rule of the global economy—and no country or region is exempt. Forty-five percent of global executives said political risk was a "very significant" issue for their organizations, and 43 percent rated economic volatility as a "very significant" factor affecting their business.

SIGNIFICANCE OF ISSUES RELATING TO GEOPOLITICS

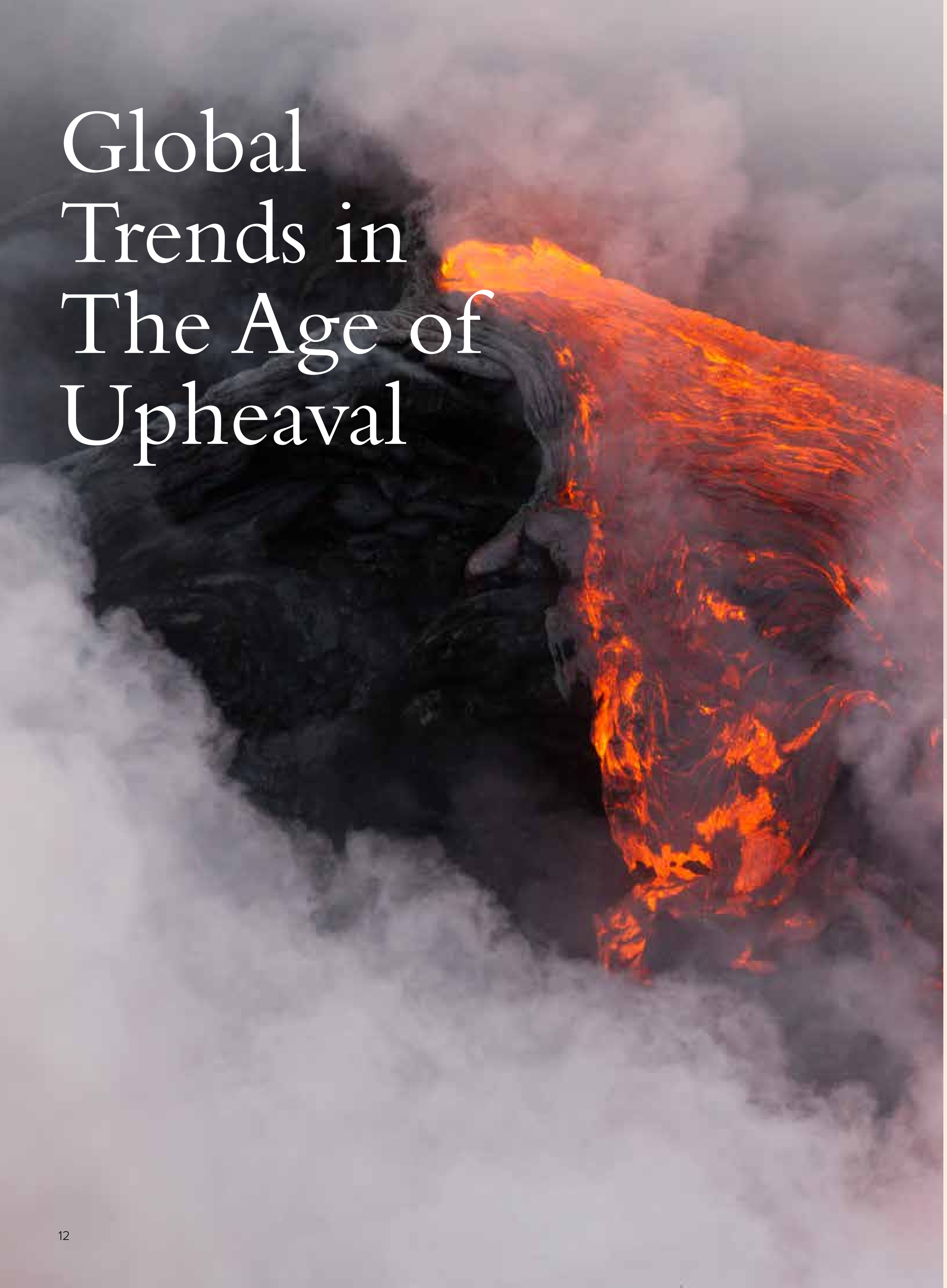


GEOPOLITICAL ISSUES: OPPORTUNITY OR THREAT?



* Charts in this report are based on the Hult CEO Global Trends Survey of more than 250 CEOs and senior executives (2015).
To request a full copy of the survey findings, please email: cbd.enquiries@ashridge.hult.edu

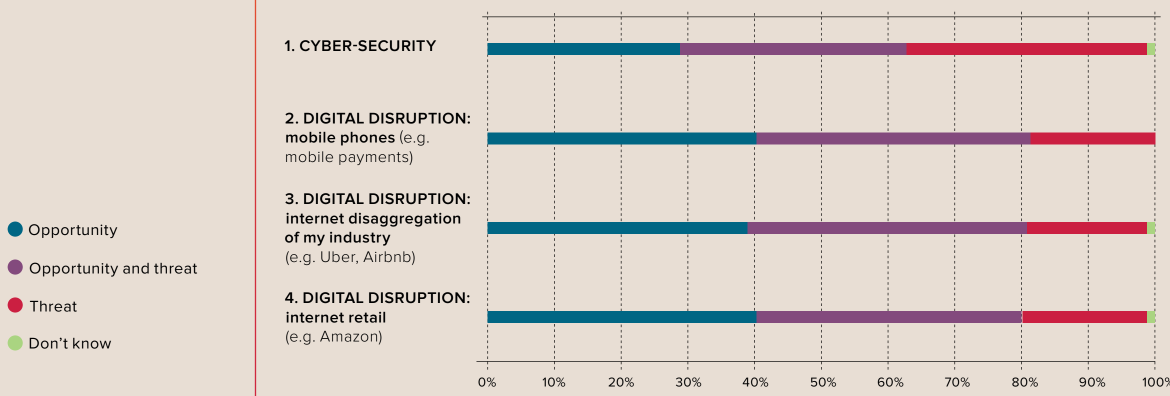
Global Trends in The Age of Upheaval



01. Digital disruption spreads to every industry

The digital revolution has buffeted nearly every form of economic activity. Eighty-three percent of CEOs rated mobile disruption as "very significant" or "significant" for their companies, and 75 percent said the same for Internet disaggregation of their industries. In fact, many executives—50 percent of Brazilians and 29 percent of Americans—saw mobile payment platforms as a "threat" to their business, more than those who saw it as an "opportunity."

INFORMATION TECHNOLOGY: OPPORTUNITY OR THREAT?



While growth in emerging markets has sputtered, casting the world economy into uncertainty, accelerating disruption due to digital innovation has radically increased the risks and complexity of charting a strategy. Non-linear patterns require flexibility, adaptability, and a culture of ceaseless innovation.

The proliferation of powerful mobile devices—faster and better connected than the desktop PCs of ten years ago—has ushered in a wide era of disruption that will crown new champions and leave few industries undisturbed. Aileen Lee, a Silicon Valley venture capitalist who coined the term "Unicorns" to refer to startups worth more than one billion dollars, says, "Much of this change will be powered by new business opportunities arising from the vast expansion of mobile devices, and the high-speed connections and cloud services that have opened whole new realms of possibility for business."

According to projections by Ericsson, there will be an astonishing 6.1 billion smartphone users by 2020—roughly 70 percent of the world's estimated population. Most of these new users will come from Africa, Asia, and the Middle East. Web traffic on mobile devices now exceeds that on computers in nearly 50 countries. Consumer mobile spending is expected to more than triple to $626 billion by 2018.

"In today's changing world, where the Internet of Things is rapidly becoming a reality," says Raghu Malhotra, President of MasterCard, Middle East and North Africa, "every aspect of consumers' lives is shifting to become digital. Unless we all adapt to this shift to digital, and play our role in connecting consumers to the formal economy and to the world in general through financial inclusion, swathes of people will continue to remain left out and marginalized."

Changing consumer expectations are forcing companies to make their products more personalized, customized, and targeted. Big data offers powerful new insight into consumer preferences, allowing unprecedented precision in meeting consumer demands for transparency, responsiveness, and novelty. In such an environment, big data analysis skills are crucial, and competition for the talent that possesses them is fierce.

No sector is immune to technological change. The rapid rise of services such as Uber and Airbnb shows how quickly new entrants can upset large established players. Cross-sector competition is the new reality, as powerful, ubiquitous technologies break down barriers between traditionally discrete industries. New platforms for digital payments such as Apple Pay and Alipay are changing the way consumers handle transactions for goods, while new technologies are disrupting healthcare and education. By 2018, according to Tata Consultancy, one third of the top 20 companies in most industries will be disrupted by industry-specific data platforms.

"There's a huge digital divide opening up between those that adopt and those that are falling behind," says Ronan Gruenbaum, Lecturer at Hult International Business School in London. "On the organizational level, you still have many corporations that believe mobile technology is something for kids. People and companies who have not embraced digital are having trouble keeping up, but they don't realize it."
A total of 83 percent and 75 percent of CEOs rated mobile disruption and Internet disaggregation of their industry, respectively, as "very significant" or "significant" for them. Twenty-nine percent of executives in the U.S. and 50 percent of those in Brazil saw the proliferation of mobile payment platforms as a threat to their business, versus 32 percent and 30 percent who saw it as an opportunity.

In such an environment, a multiplicity of factors is transforming the way businesses operate. The time when non-technology companies could be content with keeping up with modest technological developments is past. Barriers for founding innovative digital businesses have been lowered around the world, continually flooding the market with hungry new competitors.

CEOs realize that success requires ceaseless innovation. The highest ranked of all strategic priorities in the Hult CEO survey was the need for "speeding up innovation." In addition, 63 percent of executives rated "the need for creativity and innovation" as "very significant" for their organization.

"We have already seen considerable changes in business," says Robin Windley of DP World, with "some of the companies with the highest market value having very few meaningful or tangible assets beyond intellect. If you were to say twenty years ago that a company like GE would be worth less than Facebook nobody would have believed you. But that is reality."

The human factor

In addition to disruption caused by technology, many executives are seeing risks emerging in this new era of universal interconnectivity—particularly risks caused by human error or cyber-aggression.

Global executives are also increasingly conscious that the spread of digitization has left companies newly vulnerable to hackers and cyber-criminals. Among all CEOs, cyber-security ranked as the second most important of all issues, with 57 percent of leaders calling it "very significant" for their organization, and 36 percent of those repondents called it a clear threat. Earning customers' trust by demonstrating the security of digital products—especially on the cloud—is becoming an urgent priority for many executives.

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President, MasterCard
Middle East & North Africa

"By its nature, digital media is able to handle more content, therefore giving people more choices. The pace of change in media is still not quick enough. There are better opportunities for media products that provide more value for money."

Richard Young
Managing Director, NFL China

Massive hacks of Sony and Ashley Madison were merely two of the largest and most publicized breaches in recent years. Since 2013, companies have suffered five of the biggest hacks of all time, including attacks on eBay, Target, and JP Morgan. The proliferation of employees' personal devices in the workplace increases organizations' vulnerability to breaches, as do cloud-based services. In total, the cost incurred by cybercrime could run as high as $575 billion per year, according to the security firm McAfee. When hackers can even take control of the computing systems of automobiles, the risks are clear.

But CEOs shouldn't overreact, warns Hult's Gruenbaum. "After all, companies in every era have had to grapple with industrial theft," he says. "What IT has allowed is a new breed of criminal because they can do it easier and do it from anywhere. But it doesn't mean you shouldn't embrace IT. You just have to make sure you have a robust security system in place."

"Most of the cyber-security problems are not from technology," he adds, "they are from human error."

Meanwhile, social media has given individual consumers an unprecedented platform to broadcast their views, allowing them to change brand perception—for good or ill—overnight. The cautionary tales are legion: American Airlines' x-rated tweet to 400,000 social media followers, McDonald's #RonaldMcDonald hashtag that generated thousands of negative responses, and LG's joke about Apple that was posted from an iPhone. But social media can be a powerful constructive force. The success of crowd-sourcing campaigns, from Swarovski's design competitions to Unilever's "Open Innovation" campaign, shows that harnessing social media can yield benefits for companies that employ it well.

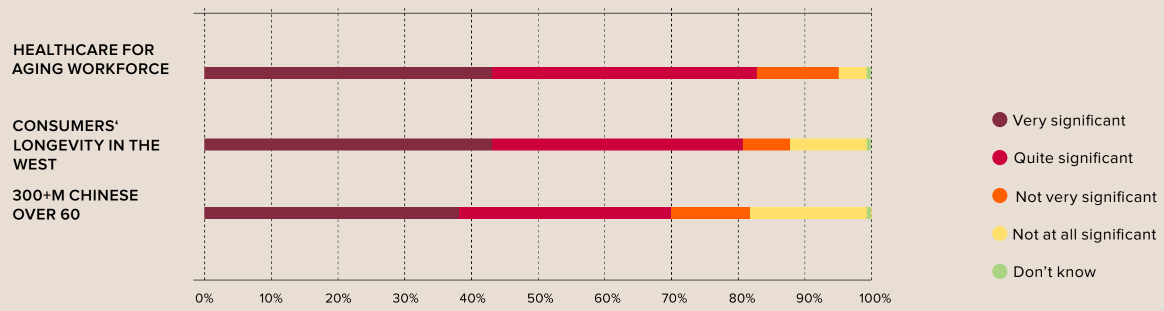
"Customers like having the feeling that they can have an impact on a company's products," says Agnes Nairn, Professor of Marketing at Hult International Business School in London.

Increasing consumer expectations of sustainability and corporate social responsibility are also having an impact. Customers want to see that a company cares—and that it's willing to show it. CEOs in our survey were sensitive to shift, with sustainability concerns ranking fourth out of 21 issues that were "very significant" for their business. In addition, nearly half of all respondents rated consumer demand changes related to sustainability as "very significant" for their organization.

"Sustainability may hold the key to growth" for major corporations, says Joanne Lawrence, Professor of Global Business and Social Innovation at Hult. "Far from being a complexity or risk to be managed, it ends up being an opportunity to grow and expand in the markets business is seeking."

02. Shifting demographics demand strategic recalibration

World populations are shifting in dramatic ways, with the developed world—as well as Russia and China—facing rapidly aging populations, while regions such as Africa and the Middle East are grappling with population booms. More than 40 percent (43%) of CEOs said that "healthcare for an aging workforce" was "very significant" for their company, and more CEOs rated the issue of healthcare as a threat than any other demographic concern: it was cited as a threat by almost one quarter of respondents. Longer live spans in the West as consumers was described as "very significant" by 42 percent of CEOs, and 37 percent also stated that the more than 300 million Chinese who are over 60 years old is a "very significant" issue for their organization.



Declining populations
Profound shifts in demography are transforming our world. Populations throughout the developed world, along with Russia and China, are aging and shrinking. Africa and the Middle East are struggling to cope with population booms. More than 4 in 10 of the CEOs responding to the Hult CEO survey cited "health care for an aging workforce" as a "very significant" issue for their companies, with almost a quarter of respondents describing health care as a threat. Forty-two percent of CEOs said they regard longer lifespans in the West as a "very significant" issue for their firms, while 37 percent said they saw rising longevity in China to be a "very significant" issue.

The combination of graying in advanced economies and population booms in developing economies means CEOs must adapt to a world in which, by 2030, two out of every three members of the global middle class will live in Asia while rich nations struggle to cope with ever larger populations of the elderly and infirm.

In Europe, China, and especially Japan, rapidly aging populations are imposing new social burdens on government, even as the labor forces in those economies contract, creating huge—and probably unachievable—imperatives to boost labor productivity.

The case of Japan presents a cautionary tale. Despite taking a range of measures to halt demographic decline—including government-sponsored speed dating events and extended paternity leave—Japan's population has fallen continuously since 2004. By 2060, Japan's population could fall from today's 127 million to 87 million, returning Japan to population levels not seen before its post-war baby boom. As the population grays, not only will a higher burden for healthcare fall on the working population, but Japanese companies will see consumer spending fall. Already, Uniqlo and other Japanese firms are looking to expand in regions of higher population growth—such as India and Southeast Asia—to stay competitive.

Japan may be the worst case, but other major economies are not far behind. The U.S. and Europe are also aging rapidly, as are major BRIC markets like China and Russia. Despite a small up-tick in the fertility rate in Russia this year, a 2015 report by a Russian state university concludes that "the potential for a demographic crisis is not over," with some projections showing that Russia's population could fall more than 20 percent by 2050, to 113 million.

And in China, the working population has already begun to shrink, by some estimates, and is aging rapidly thanks to decades of the one-child policy, with projections showing that by 2050, nearly a third of China's population will be over 60. China has recently addressed this concerning trend with the revocation of its one-child policy.

As the ratio of dependents to workers deteriorates in the advanced economies, and the rise of emerging markets begins to recede, global executives confront a new and unforgiving competitive landscape.

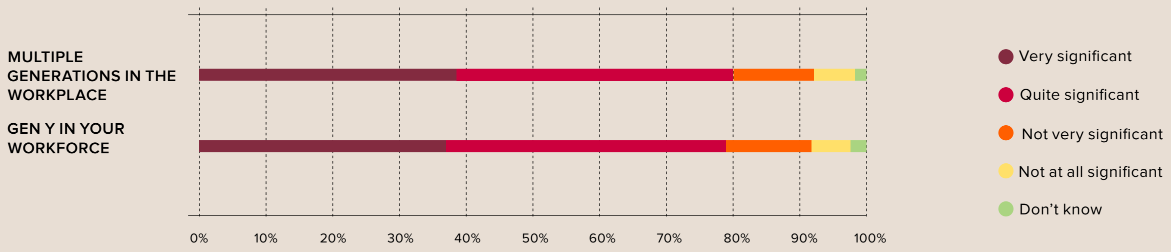
The present research found strong concern among executives for the strains that will be put on businesses and on the global economy by aging populations.

"Demographic factors are probably our biggest issue," one CEO wrote, citing an aging workforce and difficulties of talent retention. Others cited "the growth of smart cities" and their impact on business trends, as well as the "increasing ethnic diversity in the workplace" and building unity across "ethnically diverse" virtual teams.

02. Shifting demographics... (Continued)

At least three generations make up the majority of today's workforce around the world, from Generation Y (Gen Y) through to Baby Boomers. Thirty-nine percent of CEOs said that "multiple generations in the workplace" was a "very significant" issue for their organization. The findings regarding Gen Y in the workforce were similar: 37 percent of CEOs stated this was "very significant" for them. For both of these issues very few CEOs viewed them only as a threat (7 percent and 12 percent for multiple generations and Gen Y respectively). A multi-generational workforce, working together and driven by Gen Y, can provide many opportunities for organizations.

SIGNIFICANCE OF ISSUES RELATING TO DEMOGRAPHICS



Impact of Generation Y
Ashridge Executive Education has been conducting research into the global intergenerational workforce since 2008. In that time more than 8,000 survey responses have been collected and interviews and focus groups with around 350 people conducted across all workplace generations. It goes without saying that Gen Y is not a group of homogeneous clones, and their skills, behaviors, and expectations are as varied as that of any generation. That said, our research into this group uncovered some striking trends and important areas of focus for companies looking to utilize their skills.

First, we found that it is important for employers to understand that Gen Y has grown up in a very different environment compared to previous generations. They come to the workplace with different skills and different motivations. Managers and CEOs who have worked with them know well that the expectations of Gen Y are radically different from generations that came before, with employees requesting—and demanding—the ability to work from anywhere, with flexible, meaningful, collaborative office environments enabled by unrestricted high-speed connections.

> "Work is work and is not going to be fun all the time. The people who understand that and settle in for the long run will do well. We get rid of those who don't."
>
> **Richard Young, NFL Managing Director, China**

Our research also showed that for these workers, visibility and advancement are musts. They want to be respected, valued, and trusted—and they also want to be consulted in the decisions that affect them.

As one might expect, Gen Y also approaches work relationships differently. They want a manager who offers coaching and can be a mentor to them; for them, traditional manager-worker relations hold little appeal. While employees of any and all generations might also have such hopes, our research found that it is typically Gen Y employees who are demanding these changes, often leading to a transformation of the office culture for everyone.

In addition, the unique sense of interconnectedness among Gen Y presents opportunities to corporations seeking to build a global brand. Gen Y, while retaining local differences, often possess a sense of kinship across borders and display similar qualities. Thanks to fast connections that enable communication across national lines, young people increasingly see themselves as global.

"The pattern with Gen Y seems to be quite homogenous around the globe," says Rory Hendrikz, Head of Hult in the Middle East. "We may be getting to a stage where the generational difference is eclipsing the national or cultural difference."

Multiple generations in the workplace
While the arrival of Gen Y in the workforce has drawn a great amount of attention, Ashridge has also focused on the experience, skills, and desires of older generations whose experience and satisfaction are crucial to the success of any organization. A new Ashridge Executive Education report details a survey of 2,045 Baby Boomers (those aged 50 years and over, working or recently retired) and HR professionals in organizations that have Boomers on staff. This research explored the wants and needs of the older generation, what they get from working longer and what they give back—their contribution of wisdom, knowledge, experience, and insight to younger colleagues.

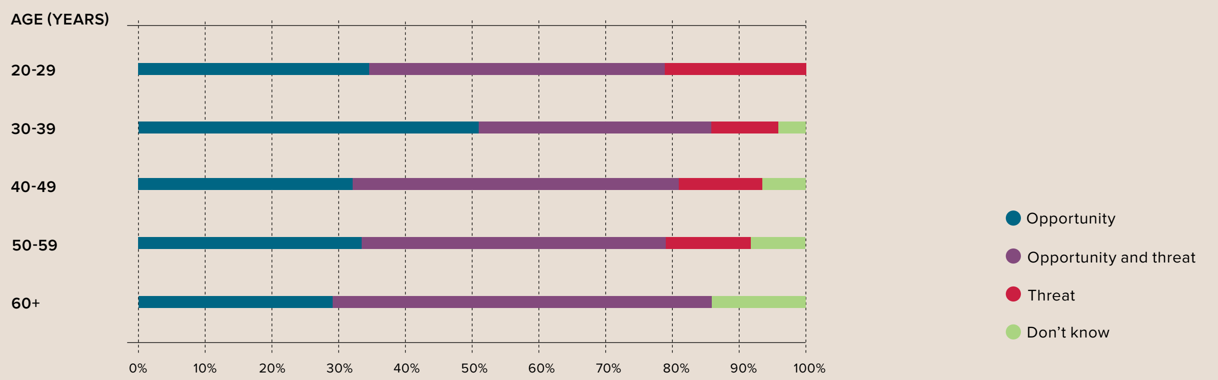
As people are living longer and healthier, the mean age of the population has risen along with the older percentage of the total population. As a result, companies large and small can expect that today's employees will work well past the conventional retirement age. As the workforce ages, the skills and contributions of older workers will play an ever more important part in companies' and organizations' future economic success. It is therefore more important than ever to understand how generations work alongside each other. With people living and working longer, we may see five-generation workforces, where staff in their 70s and 80s collaborate with those in their 20s and 30s.

The findings from Ashridge research show the importance of considering not only a company's needs, but also those of the individual in the workplace, in order to achieve maximum motivation and productivity. Baby Boomers, for instance, pride themselves on ambition, and seek to continue their careers for 20 years or more. They want fulfilling work; to use their breadth of skills; and to have new challenges, such as coaching or mentoring others.

03. The quest for the Next Gen Knowledge Worker

Adaptable high-skilled workers are the new coin of the realm—everybody wants them, but they are in scarce supply. At least half of surveyed executives ranked skills such as "big data and analysis" and "managing complexity" as "very important" for their organization, but only a third said such skills were available in abundance.

GEN Y IN YOUR WORKFORCE: OPPORTUNITY OR THREAT?



Fierce competition for talent
In the Age of Upheaval, talent is the indispensable resource. Workers who are flexible, conversant with new technology, adaptable, and possess cross-cultural skills are in high demand. Finding or developing workers with these skills will be key to determining who succeeds and who fails in this new era. A much broader range of skills—and a range of recruitment strategies—is needed to build a well-rounded workforce ready to handle tomorrow's challenges.

"With rapid change it is essential that workers are continually upskilled," says MasterCard's Malhotra. "This goes beyond work experience and on-the-job training, they need to move faster than this to keep up with technology trends."

These interconnected trends demand a new kind of knowledge worker whose skills are essential in a fluid economy, but are also in fierce demand, leading to a shortage of talent.

When asked what skills are essential in this new world, Robin Windley, SVP of Human Capital at DP World, named two: "adaptability and flexibility."

"We need to accept that things will change and be happy for change," Windley added. "We also want people who can adapt and take on different tasks. Recruiting the right people is key."

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Robin Windley
SVP of Human Capital, DP World

At least half of surveyed executives ranked skills such as "Big Data and analysis" and "managing complexity" as "very important for their organization," but only a third said such skills were available in abundance. In addition, many also cited the need to adapt to having multiple generations—and Generation Y—in the workplace. Twenty-one percent of those aged 20-29 (i.e respondents from Generation Y) cited Gen Y in the workplace as a threat, 45 percent as both an opportunity and a threat, and 34 percent as an opportunity. (See chart on page 20).

Growing up interconnected and constantly communicating, in a constantly changing environment, gives many Gen Y workers an advantage in adaptability and comfort operating in the Age of Upheaval.

The ability to think fluidly in response to the unprecedented complexity of today's economy is also crucial for CEOs themselves. As Joanne Lawrence, Professor of Global Business and Social Innovation at Hult, points out, executives who can rise to these new demands will thrive. "This new era is going to require leaders of courage, conviction, and creativity who are willing to pursue a different path," she says, "and are not fearful of dealing with ambiguity: challenging to be sure, but potentially very rewarding."

For executives from the U.S., U.K., and Brazil, issues like "new technology outpacing [an] aging workforce" are viewed as a major challenge to their organizations.

Gen Y workers have high expectations for recognition, responsibility, and rapid promotion, Hendrikz says. Many particularly value being included in the decisions that affect them. "They don't want things to be done to them," says Hendrikz. "Even if you go off and make a talent management strategy—the younger folk say, we don't want you to go away and make a strategy. They say, we want to co-create it with you."

Negotiating these demands, and the consequent expectations gap, is key to holding on to the talent that will enable companies to thrive in the future.

"Providing relevant business education that meets the needs of organizations currently coping with a VUCA world and responding to global megatrends, at the same time meeting the individual and personalized needs of an ever more demanding and self-aware workforce" is a major challenge, according to one respondent.

In addition, another wrote, "Increasing ethnic diversity in the workplace; increasing multinational nature of business and business communications; increase in virtual business and virtual teamwork leading to the importance of forming and maintaining virtual relationships, including ethnically diverse virtual teams," is a high priority for knowledge workers.

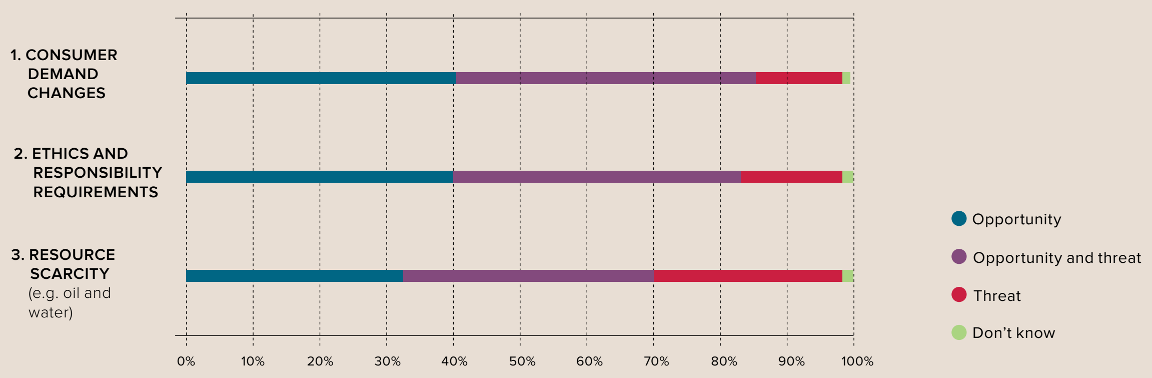
To be effective, management, instead of being traditionally directive and prescriptive, must learn to take more of a coaching orientation to relate to knowledge workers. As traditional ideas of keeping work and personal lives separate fall away, knowledge workers expect CEOs to "bring their whole selves to the office, not just their brain and hands," Hendrikz says. Increasingly, employees will look to executives who can bring their emotional, even spiritual selves into their leadership style.

"The big challenge," says Hendrikz, "is for leaders to deal with greater complexity, and the speed of change, in a very volatile, dynamic environment."

04. Sustainability means business leaders need to be social entrepreneurs

Eighty-seven percent of CEOs rated the consumer demand changes and ethics and responsibility requirements of sustainable business as "very significant" or "significant", ranking these issues joint fourth out of 21 issues that were "very significant" for their business. But many more business leaders saw these trends as an opportunity than saw them as a threat—42 percent saw consumer demand changes on sustainability as an opportunity compared with just 13 percent who saw this as a threat.

SUSTAINABLE BUSINESS



Looking beyond the bottom line
For 21st-century CEOs, business needs and sustainability needs are increasingly intertwined. The integration of emerging markets into the world economy through globalization and the impact of digital innovation have improved quality of life for millions. Between 1990 and 2015, more than a billion people around the world were lifted out of poverty—the proportion of people in developing countries living on less than $1.25 a day fell from around half to just 14 percent. Today, six out of the world's top ten fastest growing economies are in Africa. Digital disruption in Kenya in the form of M-Pesa—the mobile-phone money transfer service—has extended financial inclusion for nearly 20 million Kenyans and enabled the creation of thousands of small businesses.

But people are still facing many challenges. Here we pick out three:

First, despite these huge gains from globalization, many are still being left behind. Of the world's seven billion people, one billion still go to bed hungry every night. That's one out of every seven people on the planet. Five hundred children still die every six hours from diarrhoea caused by poor hygiene. Half a million people still die each year from malaria. Sixty-two million girls around the world are still denied education.

> "I just picked three goals at random, and asked myself, 'How are we, as a company, addressing them and making money out of them?' I looked at maternal healthcare, I looked at strengthening domestic financial institutions, and I looked at increasing the share of renewable energy, and in all of those areas Safaricom has actually commercialized and monetized and is making money and making a difference to the society in which we operate."
>
> **Bob Collymore**
> **CEO, Kenya's Safaricom**

Second, while globalization has been a hugely positive force, it has also created new problems, such as the risks of human rights abuses and exploitation of workers across complex globalized supply chains. In particular, with the eruption of massive global migration in 2015, there is growing awareness among business leaders that modern slavery is pervasive in their supply chains, with gangs exploiting vulnerable migrant workers. Seventy-one percent of business leaders surveyed by Hult in 2015 believed it was likely that modern slavery was occurring at some stage in their at supply chains.

Third, a host of new challenges risk sending these gains backwards—climate change, water scarcity, and the destruction of ecosystems. For the pioneers in 19th-century frontier America, land and other natural resources might have seemed limitless and plentiful, but as the world's population has grown from around one billion in 1815 to seven billion in 2015, there's still only the same amount of freshwater to go around, and it's become a scarce resource. And financial institutions are starting to notice the world is 0.75°C hotter than before the industrial revolution—Governor of the Bank of England Mark Carney has warned that "climate change will threaten financial resilience and longer term prosperity."

Speaking at the World Economic Forum in Davos in 2015, UN Secretary General Ban Ki-Moon summed up today's challenge and opportunity: "We are the first generation that can put an end to poverty and we are the last generation that can put an end to climate change."

These trends and challenges are the backdrop to new Global Goals for Sustainable Development, agreed by world leaders at the United Nations in September 2015. This global strategic framework contains 17 specific goals, each with around 10 measurable targets, for all countries to work together to achieve by 2030. These 17 new goals broadly fall into three groups. First, a set of goals covering basic aspects of a good quality of life, like poverty and inequality, hunger, health, and women's empowerment. Second, goals on the means for improving these: inclusive and sustainable growth, education, decent work, tackling corruption, and promoting peace and human rights. And third, goals about achieving all this within planetary boundaries: addressing climate change and water scarcity, and restoring ecosystems.

The combination of globalization and these general global trends is driving two distinct implications for business: new opportunities and new responsibilities.

Social entrepreneurship is key to realizing the new opportunities. Amina Mohammed, who spearheaded the development of Global Goals at the UN, said at the summit to launch the Goals that "the first 15 of the 17 Goals are 15 of the most significant business opportunities of the next 15 years." Citi predicts innovative blended finance partnerships between public and private institutions could unlock funds of up to $4.5 trillion a year to invest in achieving the goals.

Management guru Peter Drucker has said that "every single social and global issue of our day is a business opportunity in disguise". This insight is at the core of Harvard Business School Professor and strategy expert Michael Porter's ideas about Creating Shared Value and has been taken to heart by many leading businesses. Unilever set itself a strategic goal in 2010 to double the size of its business by bringing safe drinking water to 500 million people and better hygiene to one billion, through water purification products and soap and behavior change partnerships. Dutch-based DSM has oriented all its R&D towards investing in new product development that tackles malnutrition and climate change. Pharma giant GSK has changed its business model for Africa to focus on widening access and investing in healthcare infrastructure, targeting volume not profit.

"I just picked three goals at random, and asked myself, 'how are we, as a company, addressing them and making money out of them?'" says Bob Collymore, CEO of Kenya's Safaricom. "I looked at maternal healthcare, I looked at strengthening domestic financial institutions, and I looked at increasing the share of renewable energy, and in all of those areas Safaricom has actually commercialized and monetized and is making money and making a difference to the society in which we operate."

"Let me give you a very concrete example," he continues. "We are a mobile phone company. We looked at the challenge of poor East Africans having access to grid electricity in Kenya—more than 80 percent of the population don't have access to the grid—and so we bolted together some existing technology which is the SIM card, mobile money, and solar panels, and we have now facilitated 250,000 East Africans to connect to renewable energy at a cost which is lower than the alternative, which is more environmentally friendly because it saves the use of kerosene, and over the next four years we will save about 325,000 tonnes of CO_2 emissions, equivalent. And we're making money."

Danish enzymes specialist Novozymes has gone further, already integrating the Global Goals into their corporate strategy for growth, as CEO Peder Nielsen explains: "In 2014 we agreed a corporate strategy with nine goals. Three financial goals and six goals derived from the expected Global Goals. Now for the top 40 in the company, we'll get a bonus if we meet our financial targets, but the size of that bonus is entirely dependent on how we do against the other six goals." Nielsen adds, "If these are the most important goals to achieve for man up until 2030 then it's also good enough for us."

And social entrepreneurship isn't all about big businesses. The Hult Prize, established in 2009 and organized with former U.S. President Bill Clinton, challenges business school students around the world to solve the planet's biggest challenges with innovative ideas for sustainable startup enterprises and compete for $1m in seed funding. Previous Hult Prize winners have gone on to create the world's largest distributor of solar lights and India's fastest growing loyalty and rewards program targeted at the poor. A team from National Chengchi University in Taiwan won in 2015 with a social enterprise that builds community-run but globally owned educational day care centers throughout urban slums in Latin America.

"The challenges we face, such as climate change, poverty, food security, the growing income disparity gap, and unemployment, can at times appear overwhelming," says Unilever's Polman, but they also "present opportunities for those willing to approach them in a different way."

> "You can't be a successful business leader, or dare call yourself a successful business leader, in a world that fails."
>
> **Feike Sijbesma**
> **CEO, DSM**

"Sustainability may hold the key to growth" for major corporations, agrees Joanne Lawrence, Professor of Global Business and Social Innovation at Hult. "Far from being a complexity or risk to be managed, it ends up being an opportunity to grow and expand in the very markets business is seeking. Business and sustainability are intrinsically linked," she adds, "and for the better."

These developments have not just brought new opportunities for businesses, they've also required business leaders to play a new kind of role on the world stage.

"As businesses have become more significant global institutions, it's become part of a business leader's job to act in the public interest as much as the shareholder's interest," says Matt Gitsham, Director of the Ashridge Center for Business and Sustainability. "In the past, in the era of national companies operating within national jurisdictions governed by national governments, it was quite straightforward: the responsibility of a business leader was to maximize profits within the constraints of the law, everything else was someone else's responsibility."

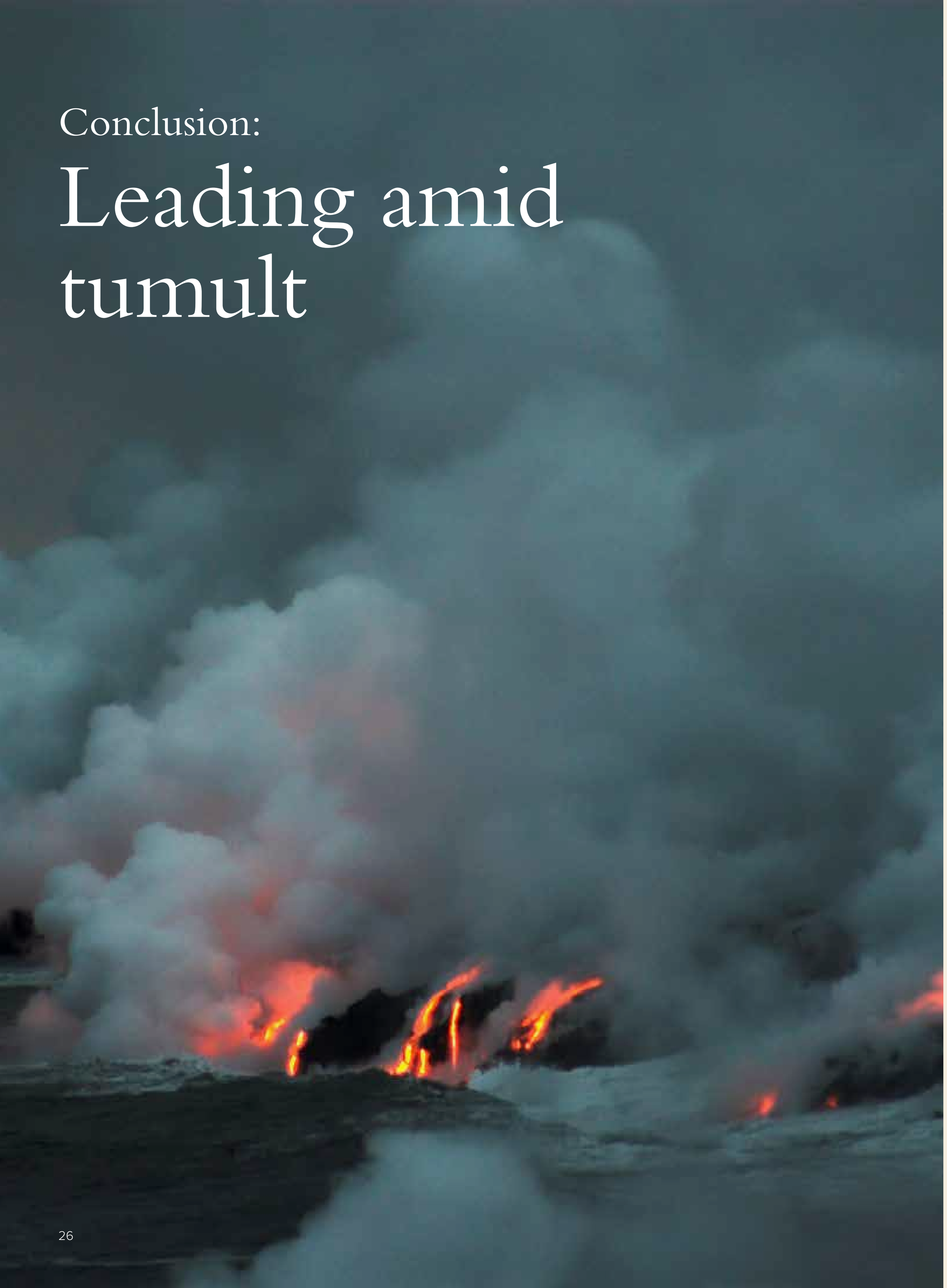
"But now, with globalization, more than half the world's top 100 economies are companies operating globally, without a global regulator. That changes the responsibility of business leaders. They are increasingly realizing that they have to work collectively with others to solve collective problems, and have as much responsibility to be part of the solution as they do to their shareholders."

It is this realization that is driving business participation in initiatives such as the United Nations Global Compact, the Forest Stewardship Council, and the Roundtable on Sustainable Palm Oil, and to lobby governments for policy solutions, like carbon pricing to address climate change. "The reason I got involved in helping shape the Global Goals was because we didn't have an effective global governance system and we needed to create one," says Unilever's Polman, who spent a year on a UN High-Level Panel to help shape the design of the Global Goals.

"You can't be a successful business leader, or dare call yourself a successful business leader, in a world that fails," says Feike Sijbesma, CEO of DSM.

Sustainability—and the imperative to think longer-term about the impact a business has—is top of mind for many business thinkers.

Conclusion: Leading amid tumult



Leading amid tumult

In the Age of Upheaval, the responsibility for leading large, global business organizations is more complicated than ever. For today's executives, traditional models of management and leadership may provide useful reference points, but few definitive answers. Hult's research suggests a consensus among global executives that, to succeed in this new era, leaders must have a higher degree of technological sophistication than their predecessors, and a greater capacity for making decisions quickly, and on the basis of complex and often contradictory information.

"As the future of business becomes increasingly complex, volatile, and unpredictable, leaders will need to rapidly experiment with new approaches that combine diverse ideas in new ways," says Raghu Malhotra, President, Middle East & North Africa for MasterCard. "On-the-job training is no longer enough and leaders will need to develop quickly."

"Digital disruption is changing the way we conduct business," Malhotra adds. "A charismatic leader will no way be enough in itself for success—a digitized approach will need to be applied to all strategy, planning, and execution. We need to be humble enough to learn by our mistakes and smart enough to learn from them!"

Our interviews indicate a view that managers in this new age must learn to operate effectively with much less direct control than their predecessors—that they must be skilled communicators and motivators, adept at building teams and eliciting great performance from employees through inspiration and persuasion rather than issuing orders and executive edicts. Executives we polled and interviewed also suggested that, in the current age, effective leaders must spend more of their time and effort interacting with a wider array of stakeholders than their predecessors—able to win the trust not just of shareholders and employees, but also of regulators, opinion leaders, and stakeholders in the communities in which their businesses operate.

Above all, executives told us, leaders in the Age of Upheaval must be more creative than ever, and demonstrate extraordinary resilience—the capacity to cope with complexity and retain a sense of calm confidence amid chaos.

Research at Hult International Business School

As a business school, Hult is committed to providing a practical, global, and relevant education. To this end, we believe we need to be linked to the current and future issues and trends faced by managers and executives today. These trends include innovation and disruptive technology, sustainability, leadership, and executive development. Our strength lies in translating groundbreaking thinking into the practices that underpin our programs and help individuals and organizations perform at the highest level.

For a full copy of the Hult CEO Global Trends survey findings, please contact :
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Resources

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