

# Tides of change

The five trends disrupting business in the next five years

As the world slowly emerges out of recession over the next few years, it will become increasingly clear that this was more than just an economic downturn. We are not ever going to 'get back to normal' – a new normal is emerging for everyone, everywhere.

There are at least five key drivers of disruptive change that every organisation in every industry needs to track. These are the TIDES of change. TIDES stands for Technology, Institutional change, Demography, Environment, and Societal values.

## 1. Technology

Over the past 20 years, the power of computing technology has increased by over a million times. Although such spectacular growth is bound to slow, it's not expected to happen yet. The next few years are likely to see computers head towards what is sometimes called the 'singularity' (when computers become intelligent enough to learn and think for themselves).

Companies will need to deal with new methods of communicating and new demands from customers and staff. The promise of the virtual office, the virtual team and seamless data integration will soon be realised. Or, to be more honest, technology will no longer be a limiting factor.

The three key forces that lie behind the developments in information and communication technology are:

### Convergence

This is the ability to access any data, using multiple services over any network on a single device that is getting smaller, easier, more powerful and cheaper to operate. One of the applications I am most looking forward to will be translations linked to voice recognition.

I will be able to speak a sentence into my phone and then have it translated and played back in any language. The only reason we don't have this yet is simply processing power – and that is being solved as we speak. This is the promise of convergence.

### Augmented Reality

AR refers to the ability to overlay data onto the real world. The simplest examples are now available on iPhones and other smart phones. Because the phone knows your actual location using GPS, you can take a photograph of the skyline of the city you're in. Using Google Streetview and iPhone 3GS's awesome Compass feature, the application works out where I am and what I am looking at. It then overlays the picture with notations showing me the closest Tube stations for example. You will be able to pick up a book in the bookshop and the system will search Amazon.com for reviews, beaming them onto the cover. Pick up your airline ticket and the system accesses flight information and beams the gate number and departure time onto the ticket (see this system demonstrated at this TED video: <http://tr.im/ted6sense>).

### User-generated content

You might wonder where all the data for such AR devices will come from? The answer is simple: everyone. Wikipedia first alerted the world to a new trend – that people are interested and motivated to contribute to the pool of knowledge that is available to humankind. TIME magazine recognised this in 2006 when they put a mirror on their front cover and proclaimed 'You' as the TIME Person of the Year.

One of the most important immediate applications of this sub-trend is that companies must evaluate their online presence. People want to be able to connect and interact with you, via your website. Social media is not just teenage toys. It is the way of the future.

## 2. Institutional Change

The ongoing economic crisis has done much to change the future of business. The very rules of industry are changing. Competitors will also question those rules and make changes that would have been unheard of a few years ago.

Both retail and investment banking will see a massive **regulatory change**. I doubt anyone can predict precisely what regulations will be imposed. I am sure, for example, that bankers won't have their bonuses capped by legislation, but the fact that this issue is constant front-page news is a sign that the rules have changed – and a sign that bankers haven't yet worked that fact out.

## 3. Demography

The third of the five TIDES of change is demographics. The impact of modern medicine is resulting in longer lives; we're also spending more on healthcare, marrying later, having children later and divorcing more. Paradoxically, we're also saving less, as we expect to work longer.

Population pyramids are also being affected by falling fertility rates. This is happening in many developed nations already. But this is a huge trend in the developing world, too. Africa is a notable exception but the trend is nevertheless there. Unfortunately, in Africa, Aids is likely to have a similar population-reducing effect.

The impact of the change in demographics could be deadly. There will not be enough young tax payers to pay for the benefits countries want to provide for older people. Older people will not be able to retire – nor will they want to. They're much more likely to 're-tyre'. There will be less young people, but because of the laws of supply and demand, they'll feel more powerful and be more influential. This could lead to generational conflicts.

## 4. Environment and sustainability

The governments of the world are instituting policies to deal with carbon emissions and energy usage. Energy will cost more, and so will transportation. Input costs will rise, and money will be made – and lost – in the carbon trading schemes.

There are business reasons to take sustainability seriously.

If companies embrace the environment and sustainability, they will save money, reduce their risk profile, deal with compliance issues, gain media exposure and obtain a competitive advantage. Increasingly, ethical consumers are demanding products and services that meet certain standards in this regard.

This issue will also affect staff. Increasingly graduate recruits are stating that the environmental policies of potential employers is 'very important' in their decision making process. In the 'war for talent' that companies have to fight, environmental issues can be a deciding factor.

## 5. Societal values

The final trend is shifting social values. If the previous four trends are changing the world, then it should not be surprising that people's values are changing, too.

This in turn will affect the workplace. Many management techniques are based on assumptions about people's values that were true for a manual labour-orientated workplace. We no longer live in that world.

**Pay for performance motivation techniques** have been proven to be ineffective in any environment except manual labour. This is the amazing outcome of international research to be released in 2010 in a book by Daniel Pink, *The Surprising Science of Motivation*. A bonus culture tends to reward the 'hunt', rather than the relationship, and that can result in long-term detrimental activity for your brand.

Pink's research is pretty convincing – if you're prepared to accept that we live in times of remarkable change.

Another example relates to **virtual, temporary teams**. I recently met with a young insurance sales superstar. His secret was simple: he employed his own assistant, paid for by himself and managed remotely. Our expectations of what a team looks and feels like are changing. This will impact company structure.

A final example is

**managerless teams**. Research repeatedly shows that teams that have to operate without a manager for an extended period seem to improve their performance. So why do we have managers at all? Gary Hamel's *The Future of Management* or Henry Mintzberg's *Managing* are good books to read on the topic of how management needs to change in the next decade.

### Surviving a tidal wave of change

The key is to know that the wave is coming. It is possible to reach the 'higher ground' in your industry, if you see the warning signs and respond. In some of the trends I have outlined, the leading edge has hit already. The danger now is to think it was just a single wave. In reality, these changes will be with us for at least a decade, and when they recede – if they ever do – they will leave the landscape changed forever.

### So, how should you respond?

Firstly, you need to understand these trends and how they will impact your industry. This means taking time out for reflection and discussion both within and outside your industry.

Secondly, you need to accept you will not gain a clear picture of the future. You cannot wait for absolute clarity before proceeding. In fact, I'd suggest that uncertainty is the new normal.

Thirdly, be brave in your choices. Most companies find themselves in difficult times. Let's be honest – what is the downside of failure right now?

Fourthly, arm yourself with the skills and knowledge needed to survive and thrive in this constantly changing world of work.

Fifthly, build a haven of stability within your organisation by focusing on your strengths and becoming passionate about your distinctive culture.

Finally, don't imitate others. Now is the time for innovation and bold leadership.

We have a chance to write history rather than just become history. I, for one, am looking forward to the ride. Armed with an understanding of the forces shaping the world of work, I hope you are too.

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Dr Graeme Codrington is a business strategist, keynote presenter and thought leader on the future of work.

He has presented at our Global Leadership Centre.

After reading his thought provoking work on the challenges that we face in the next five years, *The Standard* asked his permission to share extracts with you. He kindly agreed.