

# Business Spectator

## INTERVIEW

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### Fine tuning a strategy

*After speaking at the Future Summit 2009 earlier this week, Boston Consulting Group globalisation topic advisor Alison Sander tells Business Spectator's Isabelle Oderberg:*

- **Three key mega-trends will be aging demographics, the rise of Asia and technological connectivity**
- **In Australia, the over-85 population is growing three times as fast as the general population**
- **Companies looking at forecasts for global trends and how to position their businesses must differentiate between signals and noise**

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**Isabelle Oderberg:** You have been involved in sessions discussing mega-trends at the Future Summit. What do you see as the key trends that are going to affect Australia out of what was raised.

**Alison Sander:** Well we actually didn't focus on Australia. We really spent most of the time, the topic was the Future Summit which is part of the Australian Davos conference group and it's their Future Summit so the session was really to talk about what's happening globally more than to focus on what's happening in Australia and we did a survey here of the top 160 out of the 400 people who were attending, and we asked them which trends they thought were really important and we ended up focussing on the aging demographics, connectivity, meaning the rise of the internet and wireless and talking about the rise of Asia.

It's a real pleasure to be Australia. That I think people here at the Future Summit are asking some really excellent questions and I think the World Economic Forum which is connected to the Australian Davos Connection in this event does a fascinating job putting together leading government thinkers, academic NGO heads and corporate leaders to create the kind of discussion on the future that is really powerful and really needs to happen in more countries.

**IO:** Where does Australia fit into some of these trends? The rise of Asia would surely be a key one.

**AS:** The Future Summit was really talking about in an uncertain world, how do governments and companies begin to plan particularly out past the next 24 months and mega trends are one of the more powerful tools to do that because they are exponential waves and we track more than 90 mega-trends that we think are going to continue for the next decade or so, so those would be things like the rise of the internet, the rise of China is absolutely in there but other Asian powers as well like India and what we're looking for is a consistent data set that companies or

governments can really use to help not only forecast the future but figure out where they want to position themselves for growth.

**IO:** How can you track, say, two years in advance? What sort of data should companies be looking at when it comes to these key trends?

**AS:** Well absolutely, one of the sub-categories of mega-trends that we look at are ones where we think the data is very reliable. So if you take something like aging and the population absent a plague or some serious global pandemic, it's highly predictable. Now of course some things can happen that can shift that if you cover mass migration into a country or mass migration out but generally you could almost set your watch by aging demographics.

Just to give you a couple of reference points on that, as a planet in the last 100 years we've gained an extra one third of life and the fastest growing demographic on the planet for the last 30 years has been centenarians which is people over 100. In Australia, the over 85 population is growing three times as fast as the general population, so that's an example of a kind of data that's very predictable and given how predictable it is it's really surprising that it's not part of more company strategies or more government planning.

**IO:** On internet side of things, do you want to tell me a little bit about how that's tracking?

**AS:** Yeah, absolutely, so the internet is probably one of the strongest paradigms for another mega-trend and now it's not only the internet, it's also that global connectivity which includes wireless so in the last few years – cell phones have grown so quickly that they've become the most ubiquitous technology on the planet. We have now close to 3 billion cell phones in a planet with 6 billion people. So the opportunities from a mega-trend like that are a whole new set of payment systems that are happening over cell-phones like M payment, that NTT DoCoMo have in Japan but it's also things like entertainment over cell-phones, VoIP, so now that we have the platforms out there for both the internet and the wireless there are huge opportunities for offering greater services on those platforms.

**IO:** And the last one that you mentioned was the growing importance of Asia. I don't even think that could be debated but how does a company position itself? I mean, we say 'yes, OK, Asia's gaining dominance and traction in world affairs and in doing business in the global landscape', but how does an Australian company take advantage of it?

**AS:** First of all, there are many Australian companies that are ready, are taking huge advantage of that and much of the Australian economy is already integrated in with Asia. We were just on the panel where we heard that there's about 100,000 students from India in Australia in any year, 50,000 of which are in Melbourne so it's two way flows.

It's huge exports from Australia that go out and obviously offering services to travellers and students who come here, but more specifically we have a lot of clients who are looking at these global mega-trends and using them to figure out which countries they want to invest in, to figure out a little bit more about what kind of skill sets and languages they need to hire and using it to figure out which parts of their manufacturing and other service platforms they're going to need to establish in which

parts of Asia. So for companies, it's gotten to be a quite rich set of forces where many companies are figuring they can do R&D for example in China or India and have much quicker innovation cycles. The old version of that was off-shoring of services and parts of their value chain to India so a lot of the cutting edge companies are really figuring out which parts of their value chain they want to put in which countries.

**IO:** How do you allow for the unexpected occurrences of things like a financial crisis? I know that they can be tracked to a certain degree, but most people would tell me, or have told me that they didn't see the gravity of the current financial crisis at all and that the forecasting didn't necessarily point out how bad things were going to get. How do people incorporate that into their planning, the unforeseen events?

**AS:** There are all kinds of disruptions other than just the economic ones you're mentioning. There are technological disruptions and there's social disruptions. We think that some of the best forecasters did have inklings so we think if you have a broad enough set of networks, certainly in the US I can give you quite a few experts who were not only anticipating the crisis but trying to warn of it for quite a while so in today's world it's interesting. It's not usually that nobody has the information but a few people are predicting it and they are consistently not really listened to and of course the challenge is to know not only what the disruption is going to be but when it's going to hit. So a huge value is the timing of information and of course that's not an exact science yet in today's world.

**IO:** It's interesting that you say that there were people who did predict it. One of the topics that was raised as far as I understand it in the session, was how to differentiate between signals and noise. How do you differentiate between the forecasts that have some truth in them and so many other predictions and outlooks?

**AS:** That's an excellent question. These predictable mega-trends, which are pretty reliable, and even what's been fascinating is the Boston Consulting Group tracks about 90 of these and almost every one of them has held up even with the recession. So we see our job as helping to predict the parts of the future that we think are highly predictable. That doesn't mean that the whole future is predictable. You're completely right.

There's a whole another set of events that are random and there's a whole another set of events that are potential disruptions that are very very hard to predict but what's interesting to me about that is if you take the hurricane and the damage done by Katrina and the hurricanes, is that Scientific American warned about that a few years beforehand. On the recent earthquake in Italy, somebody lost his job by so consistently warning against it and he was told really not to, and if you're trying to predict things like disruptions, it's important to look at what are the drivers behind those and which ones like rise of natural disasters. In the case of the economic crisis rise of indebtedness, rise of housing prices, I think there were a lot of different warning signals that people consistently decided somehow didn't apply in today's era.

**IO:** How much of a part does the media have to play? Is the media to blame for creating some of the noise?

**AS:** I wouldn't say the media's to blame. I have a brother who's a journalist so I can't quite join the general views on this, but I think it is true that the media doesn't really

help in today's very complex world predict the future because partly there's just so much information out there that it makes it very hard to find the weak signals. You have to really set up your own set of radar to even have a sense of what those signals are and then I think the second thing that's fascinating is a lot of people hear weak signals but don't want to take them into account. We work with a lot of organizations that have access to information and foresight but don't necessarily act on it so you have to actually be open to what the information is telling you.

A third thing that's fascinating to me, having done this job for about five years, is that as a planet we don't have a lot of good data sets that allow organizations to in a very easy way predict the future. So probably the biggest part of my job when I first took this role five years ago, was we had to use our offices in 40 countries and our tracking across 18 different sectors to put together a real consistent set of data that would allow us to even see which trends were global, which were regional, which were local, which were in one industrial segment, which were migrating over and it's fascinating you would think as a planet that we would try to have that kind of information available to everybody, because it's pretty critical in a world where you have less time to react and more things coming at you to have access to that kind of good data.

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