

Globalization Trends

Five Primary Trends have been identified which need consideration as organizations seek to be main contenders in the world economy:

- Emerging Markets
- Pricing the Planet
- Productivity Imperatives
- Rapid Technology
- Culture & Demographic Dynamics



The following is a summary of each trend including links to resources for further exploration.

Emerging Markets Increase Their Global Power



Leading emerging markets will continue to drive global growth

- Estimates show that 70% of world growth over the next few years will come from emerging markets, with China and India accounting for 40% of that growth.
- IMF forecasts that the total GDP of emerging markets could overtake that of the developed economies in 2014. By 2020, the BRICs would account for nearly 50% of all global GDP growth.
- Emerging markets attract almost 50% of foreign direct investment (FDI) global inflows and account for 25% of FDI outflows.



Emerging market corporations will become a disruptive force in the global competitive landscape

- These emerging market companies will continue to be critical competitors in their home markets while increasingly making outbound investments into other emerging and developed economies.
- Working to serve customers of limited means, the emerging market leaders often produce innovative designs that reduce manufacturing costs and sometimes disrupt entire industries. E.g. India's Tata Motors' US\$2,900 Nano, priced at less than half the cost of any other car on the market worldwide.



Rising population and prosperity drive new consumer growth and urbanization

- Between now and 2050, the world's population is expected to grow by 2.3 billion people, eventually reaching 9.1 billion. The combined purchasing power of the global middle classes is estimated to more than double by 2030. Over 80% of this demand will come from Asia.
- Most of the world's new middle class will live in the emerging world, and almost all will live in cities.
- This surge of urbanization will put huge strains on physical infrastructure and soft infrastructure.
- Addressing such concerns in Asia alone will require an estimated US\$7.5 trillion by 2020.



Emerging markets will become the new battleground

- The BRICs are having a major impact on their regional trading partners and more distant, resource-rich countries, an increasing number of which are being pulled into their economic orbit.
- In 2009, emerging-to-emerging (E2E) trade reached US\$2.9 trillion.
- As pressure for resources increases, we expect a battle for first-mover advantage among emerging heroes, global players and emerging market governments in regions such as Middle East and Africa.



Global influence grows

- The BRICs' growing economic strength is leading to greater influence on world economic policy.
- In October 2010, for example, a landmark agreement gave 6% of voting shares in the IMF to dynamic emerging countries. Under the agreement, China will become the IMF's third-biggest member.
- Billions of new middle-class consumers in the emerging markets represent new markets for developed-world exports. Emerging market corporations are another big new market: business-to-business sales to China and India, for example, are a key factor in Germany's export economy.

Other resources:

- [EY report on the emerging market trend](#)
- [FTSE Country classification \(developed, emerging, frontier\)](#)
- [EY's emerging markets center](#)
- [Goldman Sach's 2014 outlook on emerging markets](#)
- [Emerging markets: leading the way to recovery](#)
- [Reuters: Jim O'Neill on BRICs and MINTs](#)
- [HBR Insight Center – China](#)
- [CNN money: China to overtake US as world's top trader](#)
- [The rise of China's global companies](#)
- [Chinese shoppers world's top luxury goods spenders](#)

A Fast-Changing Energy World

- China, then India, drive the growing dominance of Asia in global energy demand & trade
- Technology is opening up new oil resources, but the Middle East remains central to the longer-term outlook
- Regional price gaps & concerns over competitiveness are here to stay, but there are ways to react – with efficiency first in line
- The transition to a more efficient, low-carbon energy sector is more difficult in tough economic times, but no less urgent
- China is the main driver of increasing energy demand in the current decade, but India takes over in the 2020s as the principal source of growth



How will the Global Energy Market evolve in 2035?

- Today's share of fossil fuels in the global mix, at 82%, is the same as it was 25 years ago; the strong rise of renewables only reduces this to around 75% in 2035
- Non-OECD countries account for a rising share of emissions, although 2035 per capita levels are only half of OECD; the 2°C “carbon budget” is being spent much too quickly
- Brazil: complex deepwater projects see Brail joining the top ranks of global oil producers, while the domestic power mix remains one of the least carbon-intensive in the world
- China & India together build almost 40% of the world's new capacity; 60% of capacity additions in the OECD replace retired plants
- The expansion of non-hydro renewables depends on subsidies that more than double to 2035; additions of wind & solar have implications for power market design & costs
- The US, together with key emerging economies, increases its export market share for energy-intensive goods, while the EU and Japan see a sharp decline

Company Trend - Environmental Product Design & Green Software



- **UPS** has saved 2% on fuel costs by using software that helps plan delivery routes with fewer left turns than right turns.

- **Apple iMAC** is designed with 50% fewer materials, *decreasing carbon dioxide* emissions by 35%



THE PRODUCTIVITY IMPERATIVE

Developed-world economies will need to generate pronounced gains in productivity to power continued economic growth.

MARKET CHALLENGES

- Growing talent mismatch
- Limited to no growth expected in many parts of the developed world
- People do not have the skills needed for the new jobs that exist.



BUSINESS OPPORTUNITIES

- The productivity economy will reward ‘do it smarter’ companies that build a better business model
- The best companies will learn how to maximize returns from people who think for a living

CHANGING ENVIRONMENT

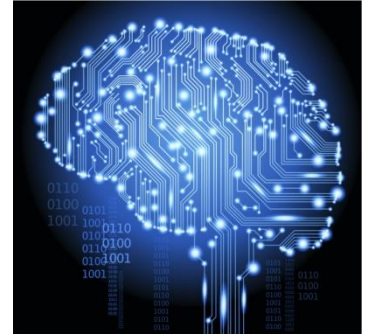
- Employees have more bargaining power and control over what they do.
- Talent is mobile and global.



RAPID TECHNOLOGY

DATA: Advancements in artificial and business intelligence allow information to be centralized and scaled globally through cloud utilities

- Businesses need data analysis to make strategic decisions that impact success & consumer benefits



MOBILE INTERACTION: Increases access to data collection, services vast audiences and reduces cost & time for businesses

- “It’s important to recognize that many mobile apps are really vertical search engines. It’s impossible to really say anyone dominates a section of mobile in a secure way right now.” (New York Times)

INNOVATION: Technology has changed business communication, streamlined customer service, supply chain management, information processes and provided companies with a competitive advantage



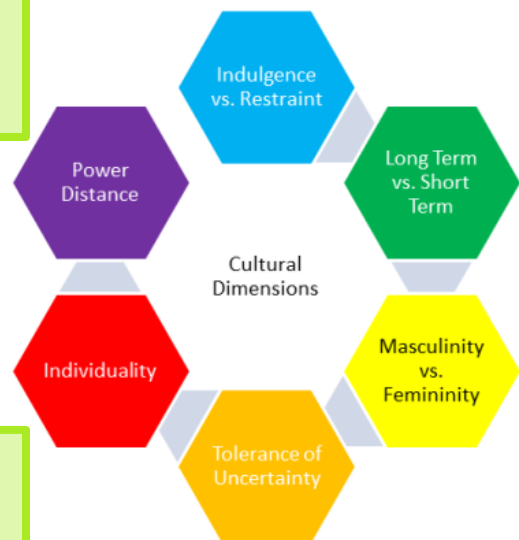
GOVERNMENT: Globally, governments are involved in advanced technology in 3 ways: investing, leadership and regulatory role for people’s privacy (defined privacy varies region to region)

- The Beijing Academy of Science & Technology built the countries largest industrial cloud-computing platform (leadership)
- Most recently, the country of Turkey, has made national news with the decision to block sites like Twitter and YouTube (regulatory)

Culture & Demographic Dynamics

Globalization is forcing organizations to be less parochialistic in order to remain competitive. Organizations need managers who have a global perspective as they manage multi-cultural employees and diversity in the workplace. (Adler, 2002)

Research has uncovered six areas to consider when managing across cultural borders. This research has provided **tools** that should be leveraged to improve Cultural CQ. (Hofstede, 1980)



Additionally, organizations need to be prepared for the coming changes in workforce diversity.

Current Trend:

With an aging population on the verge of retirement, many developed countries are facing higher numbers of retirees than people entering the workforce.

- In Europe alone, the gap is currently a manageable 200,000. By 2030 this gap is projected to reach 8.3 Million
- Going forward this challenge is also projected for other major players on the global stage such as Russia, Canada, South Korea and China. (Ernst & Young Article)

Resources

Emerging Markets Increase their Global Power:

EY report on the emerging market trend

<http://www.ey.com/GL/en/Issues/Business-environment/Six-global-trends-shaping-the-business-world--Emerging-markets-increase-their-global-power>

FTSE Country classification (developed, emerging, frontier)

http://www.ftse.com/Indices/Country_Classification/Downloads/September_2013_Country_Classification_Update.pdf

EY's emerging markets center

<http://emergingmarkets.ey.com/>

Goldman Sachs's 2014 outlook on emerging markets

<http://www.goldmansachs.com/our-thinking/focus-on/outlook/wilson-2014-outlook/>

Emerging markets: leading the way to recovery

http://www.internationalbusinessreport.com/Reports/2010/Reports/emerging_markets/index.asp

Reuters: Jim O'Neill on BRICs and MINTs

<http://www.reuters.com/article/2014/03/25/us-emergingmarkets-oneill-idUSBREA2O1CE20140325?feedType=RSS>

HBR Insight Center – China

<http://hbr.org/special-collections/insight/china>

CNN money: China to overtake US as world's top trader

<http://money.cnn.com/2014/01/10/news/economy/china-us-trade/index.html>

The rise of China's global companies

http://www.china.org.cn/opinion/2013-09/16/content_30041581.htm

Chinese shoppers world's top luxury goods spenders

<http://www.bain.com/about/press/press-releases/bains-china-luxury-market-study-2012.aspx>

Pricing the Planet

Bisson, P., Stephenson, E., & Viguerie, S. P. (2010, June)

Pricing the Planet. *McKinsey Quarterly*. Retrieved from

http://www.mckinsey.com/insights/sustainability/pricing_the_planet

Cleantech becomes a competitive advantage

<http://www.ey.com/GL/en/Issues/Business-environment/Six-global-trends-shaping-the-business-world---Cleantech-becomes-a-competitive-advantage>

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The Productivity Imperative:

Ernst and Young. "Tracking Global Trends." Ernst and Young. N.p., n.d. Web. 30 Mar. 2014.

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McKinsey & Company. "Global Forces: An Introduction."

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http://www.mckinsey.com/insights/globalization/global_forces_an_introduction

Rapid Technology:

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Markoff, John. "The Rapid Advance of Artificial Intelligence." *The New York Times*. The New York Times, 14 Oct. 2013.

Web. 30 Mar. 2014.

<http://www.nytimes.com/2013/10/15/technology/the-rapid-advance-of-artificial-intelligence.html>

Miller, Claire. "Mobile Apps Drive Rapid Change in Searches." *The New York Times*. The New York Times, 7 Jan. 2013. Web. 30 Mar. 2014.

http://www.nytimes.com/2013/01/08/business/mobile-apps-drive-rapid-changes-in-search-technology.html?_r=0

Tuysuz, Gul, and Ivan Watson. "Turkey blocks YouTube days after Twitter crackdown." CNN. N.p., n.d. Web. 30 Mar. 2014.

<http://www.cnn.com/2014/03/27/world/europe/turkey-youtube-blocked>

Culture & Demographic Dynamics:

Hofstede, G. (1980). *Motivation, Leadership, and Organization: Do American Theories Apply Abroad?*. *Organizational Dynamics*, 9(1), 42-63.

Adler, Nancy J., & Gundersen, Allison. (2002) *International Dimensions of Organizational Behavior*. Fifth Edition. Canada. South-Western, a part of Cengage Learning.

Ernst & Young Article:

<http://www.ey.com/GL/en/Issues/Business-environment/Six-global-trends-shaping-the-business-world---Demographic-shifts-transform-the-global-workforce>