

# Future Realities and Strategies You Need to Know

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In a global and complex economy, the forces of change are putting more pressures on businesses and on organizations from more directions. High execution requires staying on top of emerging knowledge in order to spot the future horizon. We have researched, studied and carefully analyzed interesting sources that help leaders and strategists to get prepared for the future. Without research, there is no knowledge. Without new knowledge, there is no real change and transformation. There are three laws of research and knowledge, which apply to the process of change and policy-making:

1. How leaders and organizations execute is determined by how they gather access and manage new knowledge.
2. How research is undertaken and its availability will establish the quality of new perspectives, opportunities and courses of actions for leaders and their organizations.
3. A future based research endeavor, which produces useable knowledge, will help leaders and organizations to transform their business realities.

A mandatory list of readings for leaders, managers and professionals is the following: China Now by N. Mark Lam and John L. Graham; Custom Made Knowledge for New World Disorder by Peter de Krassel; Ageless Nation by Michael G. Zey; Happier: Learn the Secrets to Daily Joy and Lasting Fulfillment by Tai Ben-Shahar; and the CIA World Fact book.

A summary and an integration of these interesting and controversial sources point to alarming realities; for instance, China emerge as the world's largest economic power with purchasing power parity GDP of more than \$7.8 trillions in 2008. It ranks second in global economies behind only the United States, with a GDP of about \$14.6 trillion for the same year. China's growth rate is about 10% annually, and this may allow them to overtake the United States in the next few years. This can be the case if their government

allows the country's hyper growth rate to continue in the range of 2% to 4% per year.

China has absorbed much of the manufacturing business formerly done in the United States. In addition, its economic composition is 50% manufacturing and 40% services. This is a sharp contrast with the US which has 20% of manufacturing and 80% of services. For the last years, they have been discussing the possibility of an Asian Common Market and just recently a working-Commission on Chinese and US Issues has been organized and had its first working meeting.

The global demographic and migration patterns are shifting. The United States had about 430,000 births and 251,000 deaths in 2008. By tracking this ratio overtime and looking at unusual variances in the data, one can get a good understanding of the population's characteristics; consequently, a projection of those characteristics can be made. In the United States the baby-boom cohort (consisting of those born between 1946 and 1964) is a large bulge in the population number. Even larger is the group of echo boomers, children of baby boomers born in the 1970-1985 time frames. The two bulges represent large pools of economic activity and will shape the types of products and services consumed in the United States for several decades. In Puerto Rico, there is a similar trend.

During 2008, the United States experienced a net legal migration of a million persons. Its population is currently cresting 300 million, and 345 million in 2025 and 400 million in 2045 is projected. Life expectancy is increasing, and a child born today is expected to live more than 80 years.

In the case of Japan, the population is shrinking and growing older. The country could have difficulties to sustain its current economic output of \$4.5 trillion, the third largest economy of the world. The European Union, consisting of 27 countries bonding together as a trading block, is also showing a rapid population decrease. Germany and Russia, two large components of US, also have negative net population growth rates. As a result, this trading block, which currently accounts for almost a quarter of the world's purchasing power parity GDP at 15 trillions, expected to see that amount to fall to less than 20% of the global total in the next 10 years.

Energy and water shortages will also be a main challenge. As energy prices surge, driven partly by constrained production and refinery capacity, consumers are being pushed to allocate increasing amounts of their monthly budgets in this item. Everybody is being hit with higher energy costs.

Another powerful shortage emerging around the world is that of freshwater. While three quarters of the world's surface is covered by water, it is primarily salt-laden and not directly drinkable. Unlike energy, there are no alternative sources of freshwater available, putting pressure on desalination technologies.

Managing waste and revising products will require creative policy-making. Landfills are rapidly becoming fills with materials that take very long time to decompose. The cost for producing new materials for packaging will continue to climb as necessary raw materials become scarcer. Recycling will have to become mandatory. In Europe, if retail sells an appliance, it is responsible for taking back the appliance after it has passed its useful phase. Packaging is also under significant scrutiny. "Green" mentalities has reached critical mass for consumers and businesses, as they have understood its meaning and are more willing to participate in these programs.

Around the world, as developed economies continue their transformation from manufacturing to service economies built around knowledge workers, a very important challenge for the competitiveness level of all countries is presented. The quality of education determines the quality and quantity of economic growth and development. For example, Brazil, Russia, India, and China have growing economies driven by impressive educational reform and the transformation of curriculums, resulting in impressive gains in mathematics, engineering and science education. A strong educational system is an imperative for economic and social development.

At the global and market level, brand and consumer relationships are intensifying. The fact is that consumers are looking for ways to connect to iconic brands, and these further strengthen the dominance of the brands.

In a world where consumers have increasing access to comparative information and to global purchasing, brand strength and creative management will become a critical competitive undertaking.

The above realities lead to the psychology of instant gratification, frequently moving customers and consumers to look for the convenience of their purchasing task as their time pressure increases. The explosive growth of the Internet shopping is the best empirical reference supporting this behavioral trend. Amazon has engaged in a breakthrough action with a technology that allows consumers to use their cell phones in stores to photograph product bar codes and then use them to find the same product on Amazon at a better price! Along this line, computer and communications convergence will be a strong and continue driver of on-demand media due to the explosion of cable channels, iPod webcast and video streaming on computers, allowing multitaskers to dip into news, entertainment, sports streams, books, songs and movies of all kinds. Even I have become a heavy user of the iPod and the electronic reader tablet!

Consumer brands are increasingly reaching out to unique, homogeneous groups to deliver customized goods and services to them. As a result of these different experiences, people are utilizing positive psychology to become happier in their daily lives.

For the future, key issues will revolve around the challenge of “retiring the generations’ gaps” and coming to terms with the new dynamics of work, health, education and wellness.

The implications of these new realities can drive organizations and enterprises to rethink their business models and make significant changes to the ways in which they interact with the customers.

There are five strategies you need to know right now:

- 1) Learn the supply chain dynamics.
- 2) Re-examine sidestepping economies of scale (scaling down and up and building disposable organizations and strategies).
- 3) Profit from dynamic pricing (matching the price of your product or service with the immediate, moment-by-moment needs of the customer).
- 4) Embrace complexity to achieve competitive advantage.

5) Use infinite bandwidth (receiving all the needed information) to increase operational efficiencies for creating new business models and for establishing whole new businesses.

It is all about the new realities and strategies of a new world on the making.

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