



THE NEW RULES OF WORLD COMPETITIVENESS

CONSEQUENCES FOR DIRECTORS



INTERNATIONAL DIRECTORS SUMMIT 2019

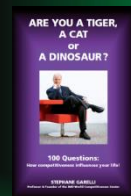


**KUALA LUMPUR
14 OCTOBER
2019**

STEPHANE GARELLI



**PROFESSOR EMERITUS AT IMD AND AT THE UNIVERSITY OF LAUSANNE, SWITZERLAND,
FOUNDER WORLD COMPETITIVENESS CENTER**

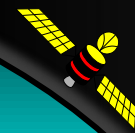


DIRECTORS CONNECT THE ENTERPRISE TO THE WORLD

**THE GLOBAL
ECONOMY**




TECHNOLOGY



THE MANAGEMENT



OF EFFICIENCY



SUCCESS

THE MANAGEMENT



OF CHANGE

MINDSET



DIRECTORS ENSURE CONSISTENCY IN STRATEGY

STRATEGY IS
THE EVOLUTION
OF A CENTRAL IDEA

THROUGH
CONTINUALLY CHANGING
CIRCUMSTANCES



CARL VON CLAUSEWITZ,
« ON WAR », 1832



DIRECTORS CONNECT THE ENTERPRISE TO SOCIETY



© ERIC MILLETTE

**PETER DRUCKER,
1909 - 2005**

**TODAY,
CHANGES
IN SOCIETY**

**HAVE A DEEPER
IMPACT ON COMPANIES**

**THAN
CHANGES
IN MANAGEMENT**

DIRECTORS BUILD TRUST AND TRANSPARENCY



ALAN GREENSPAN
1926 -

**“IF I SEEM
UNDULY
CLEAR TO YOU...**

**YOU MUST HAVE
MISUNDERSTOOD
WHAT I SAID“**

THEY IDENTIFIED GOOD NEWS and BAD NEWS?



NEWS
FLASH

09.00am: SHARES RISE IN EARLY TRADING

NEWS
FLASH

**10.00am: SHARES PLUNGE ON NEWS
THAT IT ROSE IN EARLY TRADING**

UNDERSTANDING THE WORLD ECONOMY



*SLOWING DOWN
OR
ELSE?*

MIXED SIGNALS...

GDP GROWTH
12 MONTH PERIOD

Q2
Q1



+2.3%



+1.6%



-0.8%



+1.1%



+1.2%



+0.4%



+1.3%



+0.2%



-0.1%



+2.0%



+2.3%



+0.9%



+6.2%



+1.2%



+5.0%



+2.1%



+5.0%



+0.1%



+4.9%



+2.4%



+1.0%



+1.9%



-5.8%



-8.8%



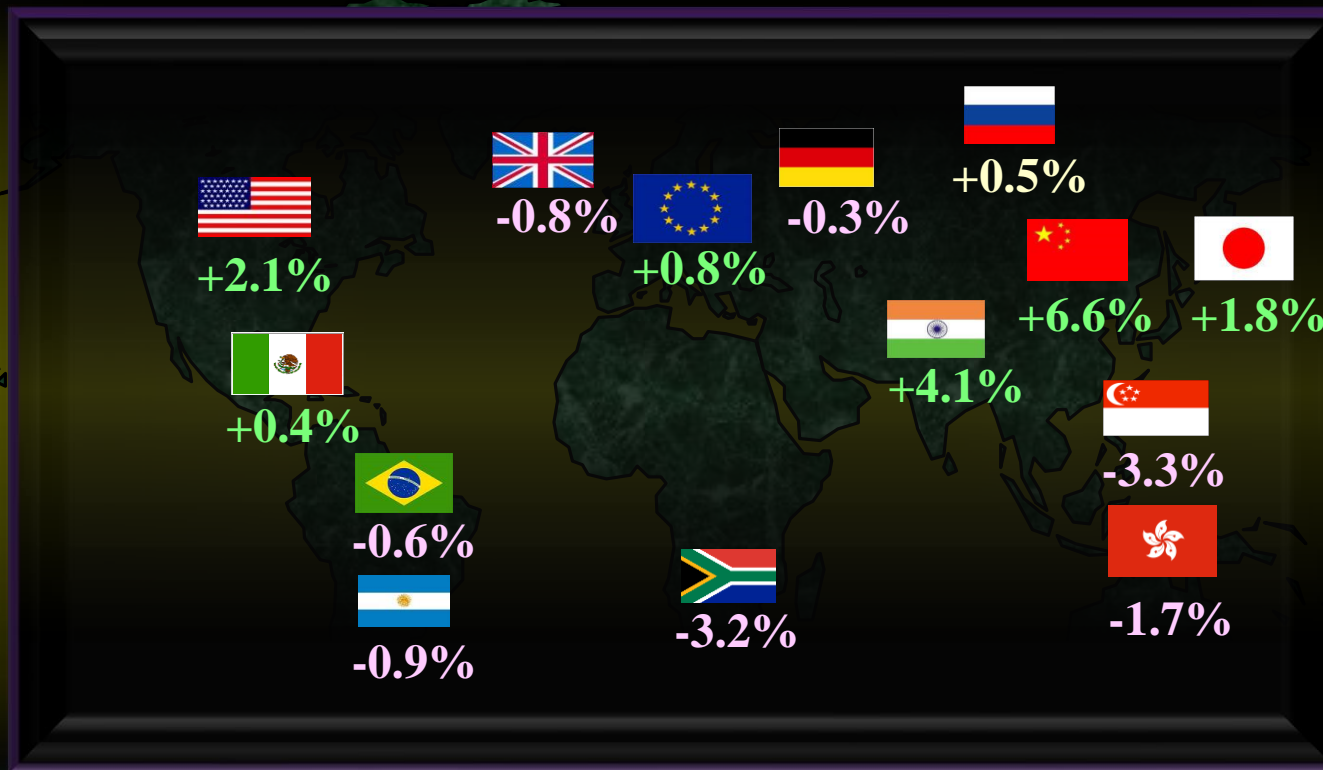
+0.9%

IN WHICH DIRECTION?



QUARTER TO QUARTER GDP GROWTH

Q2
Q1



LIFE AFTER THE TOP OF THE CYCLE



**MORE TENSIONS
=
MORE VOLATILITY**



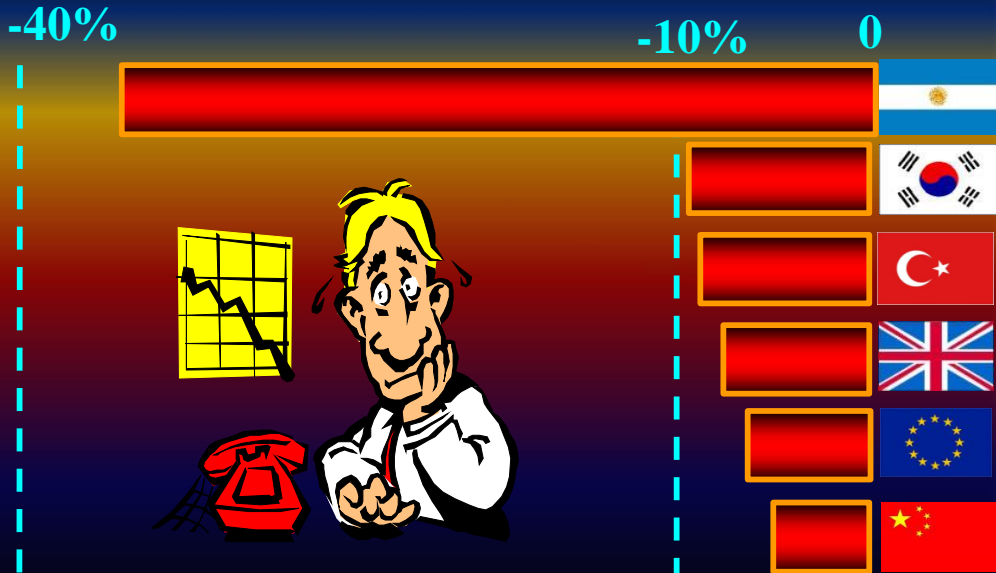
2008

2019

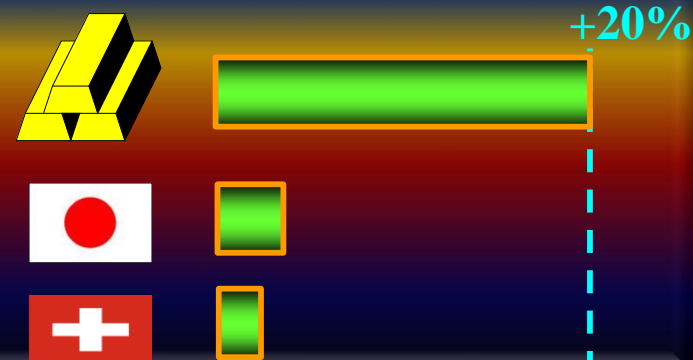


THE ANXIETY INDEX...

Currencies against \$ since January 1st, 2019



against \$ since January 1st, 2019



NEGATIVE YIELDS ON BONDS



\$15tn

WORLD-WIDE

PRIVATE CONSUMPTION: A ROLLER COASTER?



= 60% – 70% OF GDP



= 40% OF GDP



= 56% OF GDP



RESILIENT, BUT FOCUSED IN TIME:



SALES

BLACK FRIDAY

11.11 GLOBAL SHOPPING FESTIVAL

11.11

GROSS MERCHANDISE VOLUME

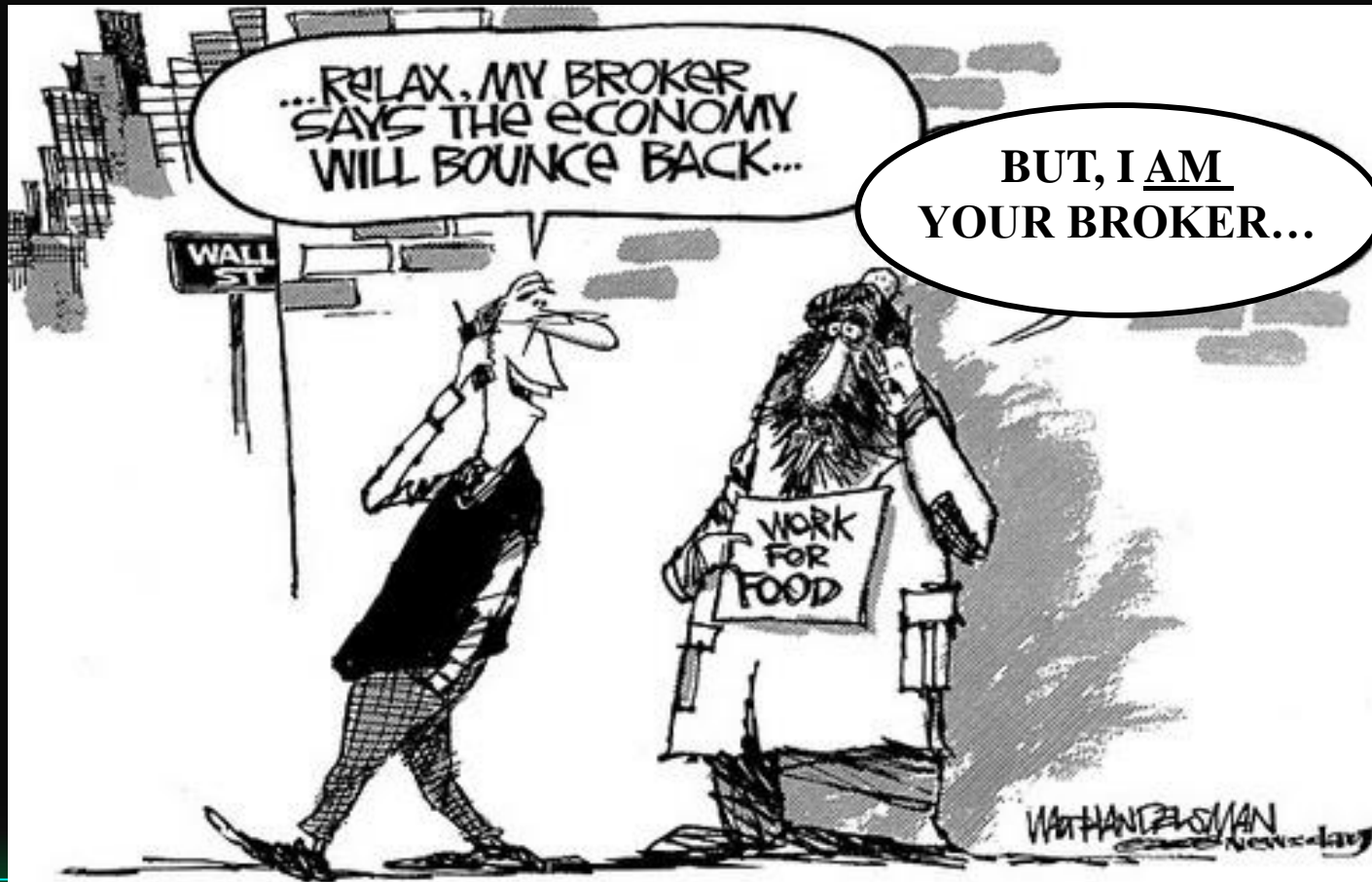
¥ 168,269,635,159 \$ 25,386,927,848

CYBER MONDAY



HOLIDAYS

ARE YOU WORRIED?



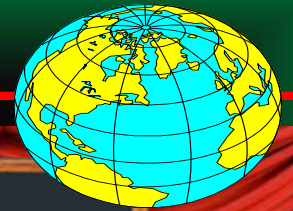


JOHN K. GALBRAITH
1908 -2006

**“THE ONLY FUNCTION OF
ECONOMIC FORECASTING**

**IS TO MAKE
ASTROLOGY
RESPECTABLE!”**

A FIRST CHALLENGE



*DIRECTORS
SHOULD UNDERSTAND
THE
CHANGING NATURE
OF
PROTECTIONNISM*

A NEW TYPE OF PROTECTIONISM

FROM JOB PROTECTION

1990

Come in WE'RE
OPEN

2018

TO NATIONAL SECURITY

TRADE EXPANSION ACT OF 1962

HEARINGS
BEFORE THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
EIGHTY-SEVENTH CONGRESS
SECOND SESSION

H.R. 9900

A BILL TO PROMOTE THE GENERAL WELFARE, FURTHER
PEACE AND UNITY OF THE UNITED STATES THROUGH
INTERNATIONAL TRADE AGREEMENTS AND THROUGH
ADMINISTRATIVE ASSISTANCE TO ECONOMIC DEVELOPMENT,
AGRICULTURE AND LABOR, AND FOR OTHER PURPOSES

MARCH 12, 14, 15, 16, 19, 20, 21, 22, 23, 26, 27, 28,
APRIL 2, 3, 4, 5, 6, 8, 9, AND 10, 1962

PART 4

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1962

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**US SANCTIONS ON
CHINESE IMPORTS**

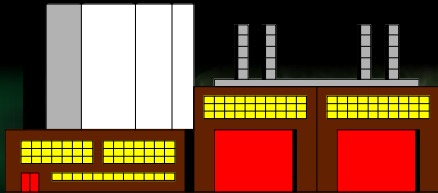
SEPT-OCT 2019: **\$550bn**

**CHINESE SANCTIONS
ON US IMPORTS**

AUGUST 2019: **\$185bn**

“UNTANGLING” GLOBALIZATION

WHAT IS THE “NATIONALITY” OF A PRODUCT?



STEEL, ALUMINIUM...



PC



TV



SMARTPHONE



TABLET



MANY COMPONENTS



From GEOGRAPHICAL ORIGIN...



FREE



or \$200bn



To ADDED-VALUE?

GLOBALIZATION WILL REMAIN

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www.glasbergen.com

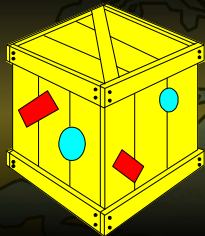


I GOT TOP GRADES!

*I OUTSOURCED MY HOMEWORK
TO A KID OVERSEAS*

THE NEXT IMPORTANT ISSUE?

HIGHER



TARIFFS?

Trade as % of GDP



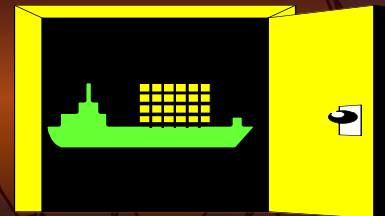
0.9%



3.9%



MARKET



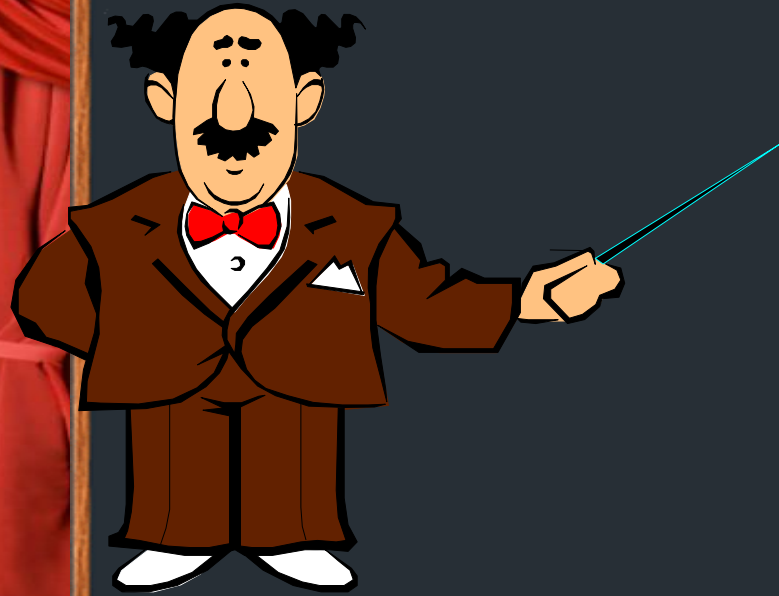
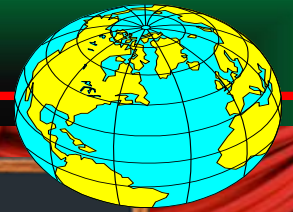
ACCESS

BRINGING THE BUSINESS BACK?

© Randy Glasbergen / glasbergen.com



*WE OUTSOURCED IT TO INDIA, AND THEY OUTSOURCED TO CHINA
WHO OUTSOURCED TO KOREA WHO OUTSOURCED TO MEXICO,
AND THEN, THEY OUTSOURCED IT BACK TO US...*



An
“OBSOLETE”
ASSESSMENT?



INFLATION ON THE RADAR SCREEN...



CONSUMING PRICE INDEX

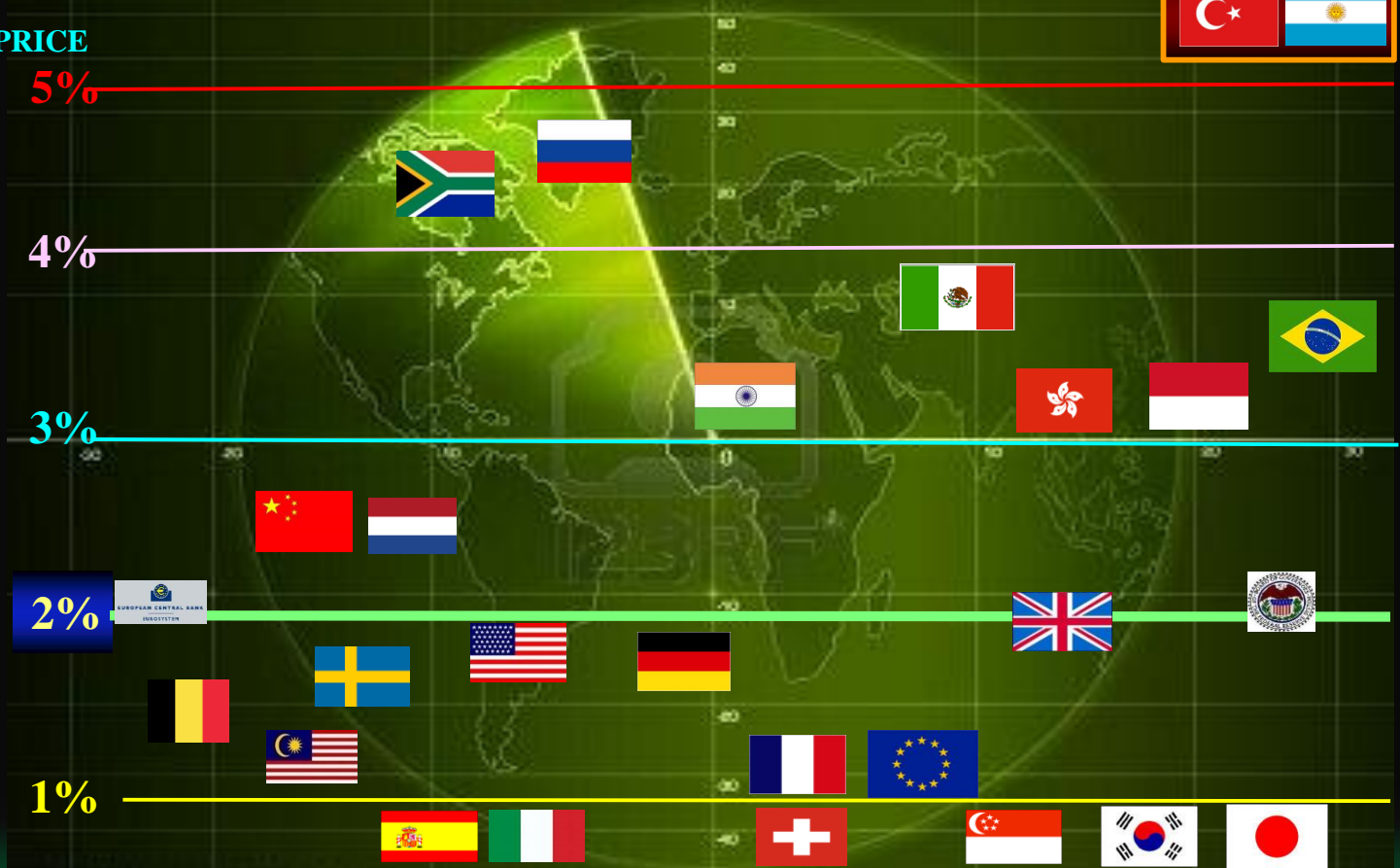
5%

4%

3%

2%

1%



THE IMPACT OF TECHNOLOGY ON INFLATION

THE OLD WORLD



DATA COLLECTED
MONTHLY

COMPANIES
ADAPT TO PRICES



THE NEW WORLD

E-COMMERCE (2018)

REVENUES = \$1, 782bn

USERS = 2,76bn

DYNAMIC
PRICING
ALGORITHMS



PRICES ARE CONTINUOUSLY ADAPTED
(DAILY, HOURLY...)

COMPANIES ARE
PRICE MAKERS

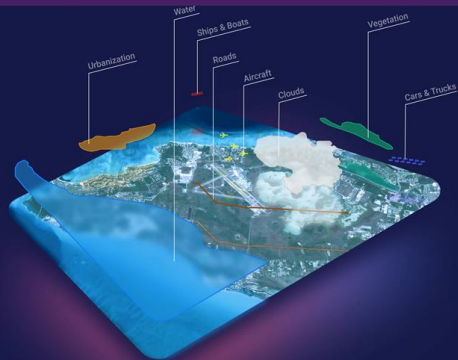


BETTER DATA?

SPACE TECHNOLOGY



SPACE_KNOW

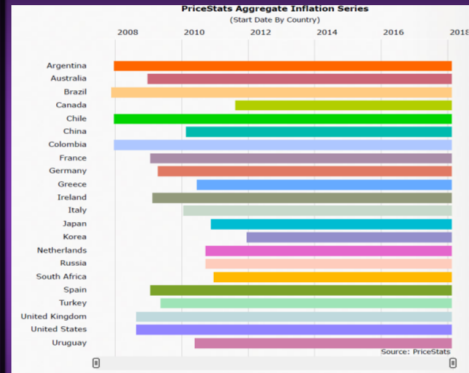


**INDEXING THE
PHYSICAL WORLD**

ONLINE TECHNOLOGY



PriceStats



**DAILY INFLATION
USING ONLINE PRICES**

TWO OPPOSITE HISTORICAL TRENDS?

CONSUMER PRICES



WEAKER

ASSETS PRICES



STRONGER

INFLATION: WHAT DOES NOT CHANGE...

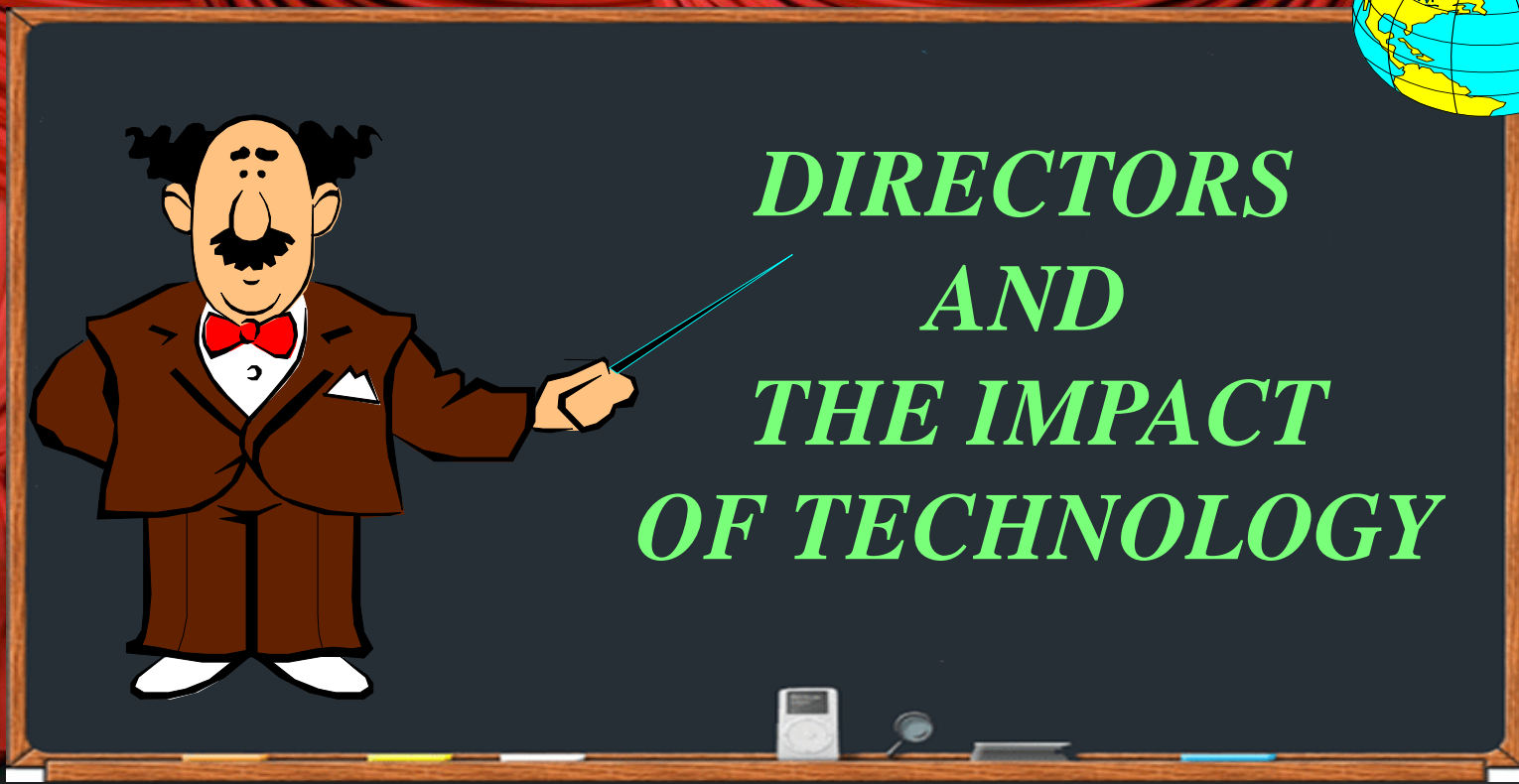
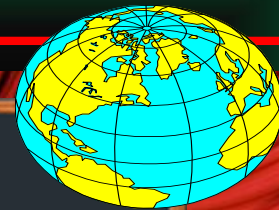


INFLATION IS PAYING
\$30 FOR A HAIRCUT

WHICH USED TO COST
\$20

WHEN YOU HAD HAIR...

A BURNING PLATFORM?



DIRECTORS AND THE IMPACT OF TECHNOLOGY

WHO OWNS THE TECHNOLOGY HIGHWAY?



TECHNOLOGY

PLATFORM

DATA

MARKETS

facebook

Alphabet

amazon



Alibaba Group
阿里巴巴集团

腾讯
Tencent



BRANCHING OUT OF THE HIGHWAY?



CLOUD COMPUTING,
RETAIL FOOD, etc.



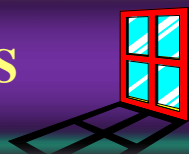
Alphabet

facebook

ADVERTISING



BATTERIES



WATCHES



ELECTRONIC PAYMENT

EXIT
«ELSE-
WHERE»



LOCKING UP CUSTOMERS?

A PROPRIETARY ECOSYSTEM



“YOU HAVE THE CHOICE, PROVIDED IT IS OURS”

COMPANIES BEHAVING AS NATIONS?



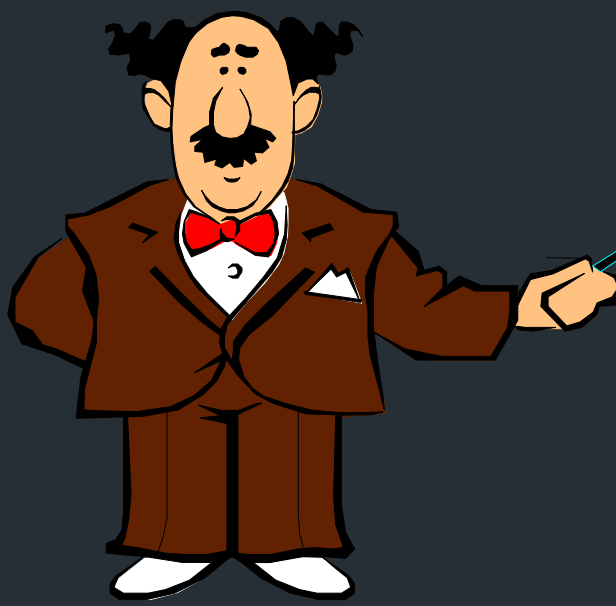
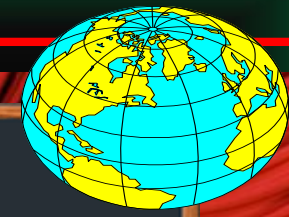
DIRECTOIRS SHOULD ASK THE KEY QUESTIONS:



**WHO
WILL BE YOUR
COMPETITORS
TOMORROW?**



**WHERE
WILL
THEY
COME FROM?**



THE NEW BUSINESS MODELS

BUSINESS MODELS ARE TRIGGERED BY TECHNOLOGICAL REVOLUTIONS



IN ONE LIFE TIME



A blue rectangular box with a dark blue border and a vertical striped background. It contains four text labels in red, each accompanied by an icon. From top to bottom: 'PERSONAL COMPUTING' with a CRT monitor icon; 'INTERNET' with a globe icon; 'MOBILE TELECOM' with a smartphone icon; and 'ARTIFICIAL INTELLIGENCE' with a small robot icon. The robot is grey with a blue antenna and a red heart on its chest.

PERSONAL COMPUTING

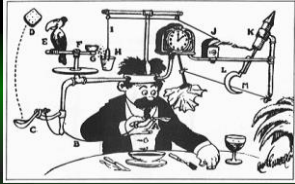
INTERNET

MOBILE TELECOM

ARTIFICIAL INTELLIGENCE

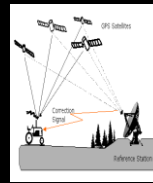
WHAT TECHNOLOGY IS ALL ABOUT?

AUTOMATION



ROBOTS, ARTIFICIAL INTELLIGENCE

CONVERGENCE



AGRICULTURE,
STATISTICS,

CONNECTIVITY



SHARING



C TO C, PEER TO PEER

MOBILITY



MEDICAL,

LOCATION



SATELLITES, SENSORS

TECHNOLOGY CREATES NEW “BUSINESS” MODELS

WHAT IS A SALE?



SALE:

The exchange of

1. a commodity

2. for money



THE NEW "BUSINESS" MODELS



NO MONEY

NO OWNERSHIP



PERSONAL DATA



DIRECTORS CONFRONTED TO A NEW TREND?



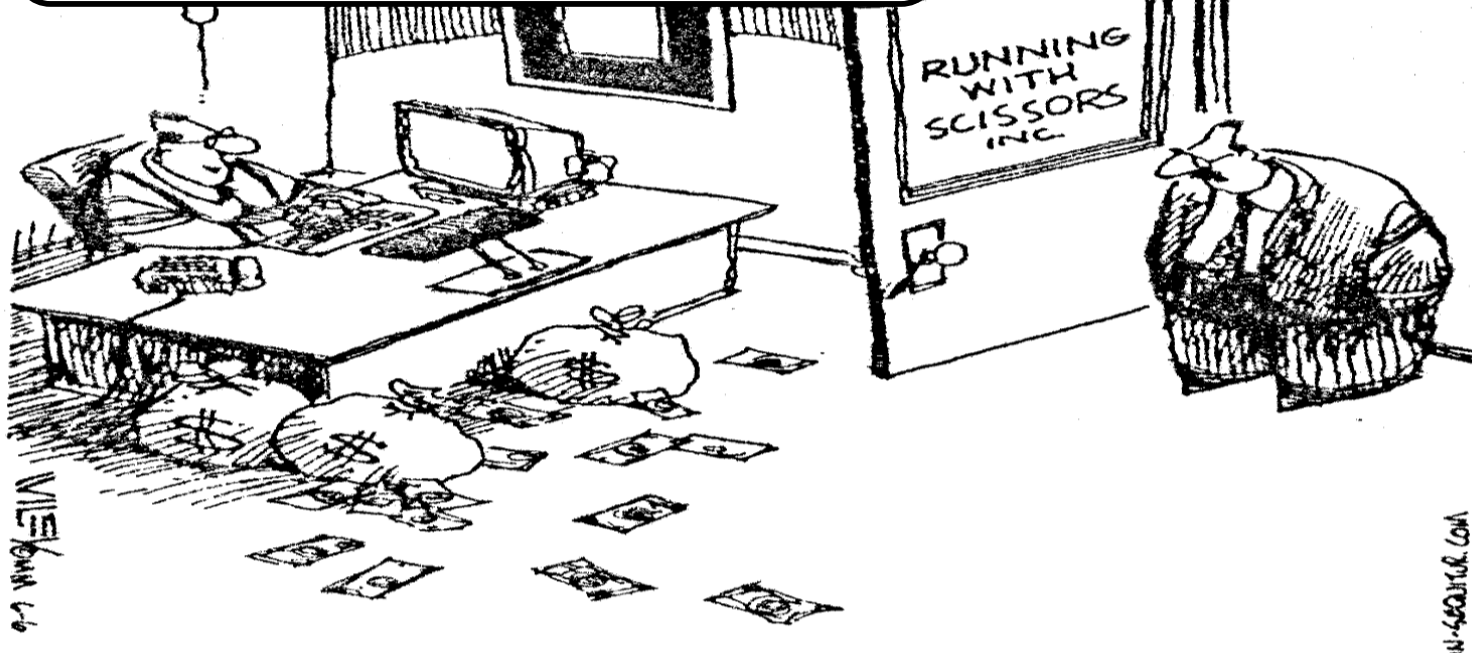
Uber

N26



(WEWORK)

*WE DON'T DO ANYTHING;
WE ARE JUST ATTRACTIVE
TO **HIGH RISK INVESTORS***



BUSINESS MODELS PRESSURED BY CUSTOMERS

- CIRCULAR



HOW MANY PRODUCTS
IN A HOME?



HOW MANY MORE?



TRASH



LIFE EXTENSION



RECYCLING



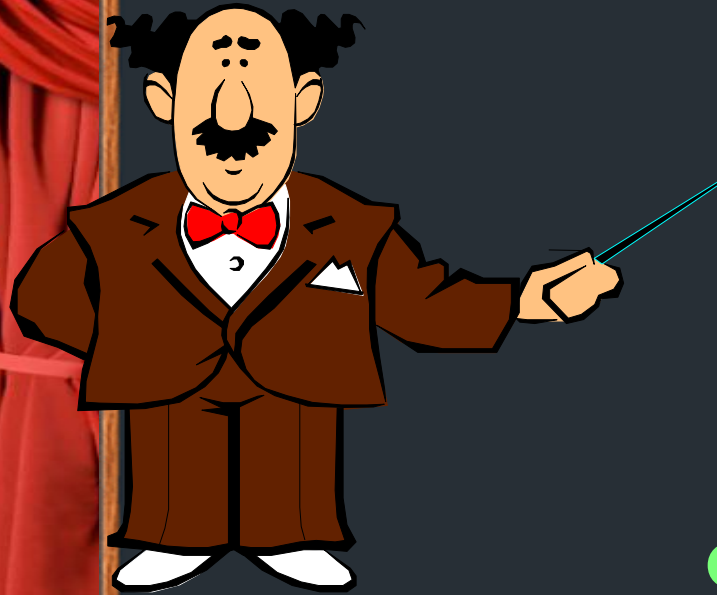
RAW MATERIAL / ENERGY

DIRECTORS AND THE

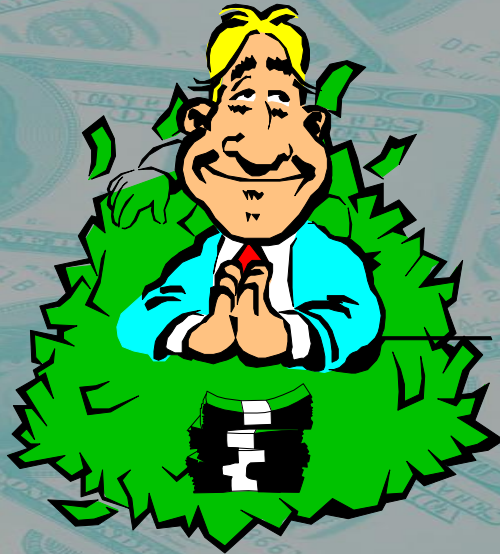
REDISTRIBUTION



OF COMPANIES OWNERSHIP

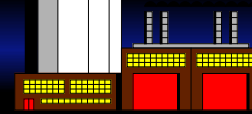


HOW GLOBAL COMPANIES USE THEIR LIQUIDITIES



\$2,200bn
(2018)

INVESTMENTS?



DIVIDENDS



SHARE
BUYBACKS



CONSOLIDATION



M&A = \$3,490bn
(2018)

2010 – 2018 (S&P 500)

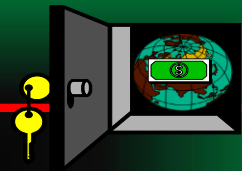
\$5,295bn

\$3,519bn

\$2,670bn

Source: Deloitte Insights, 2019

BIG USERS OF MONEY: SOVEREIGN WEALTH FUNDS



Khazanah Nasional
\$160BN



GOVT. PENSION FUND
\$1'074BN



CHINA INVEST. CORPORATION
\$941BN



ABU DHABI INVEST. AUTHOR.
\$683BN



SAFE INVEST. COMPANY
\$441BN



KUWAIT INVEST. AUTHOR.
\$592BN



HKMA
\$522BN



SAMA
\$515BN



GOVT. INVEST. CORP.
\$390BN



TEMASEK
\$375BN

OBJECTIVE

- PROFIT ...
and

- CORPORATE GOVERNANCE

- POLITICAL INFLUENCE?

ANOTHER FORM OF CONCENTRATION?

INDEX FUNDS

Exchange Traded
Funds

Mutual
Funds

BLACKROCK



STATE STREET

**TOGETHER
LARGEST SHAREHOLDERS:**

88% of

S&P 500

STANDARD
& POOR'S



**COMMON OWNERSHIP
IMPACT...**

A WORLD OF NEW ENTERPRISES

EMERGING GLOBAL BRANDS

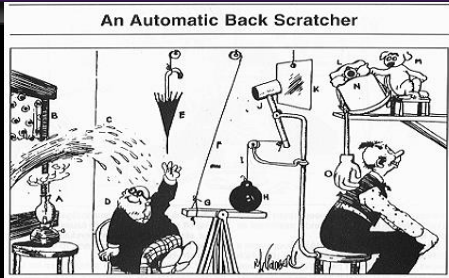


FAMILY BUSINESS

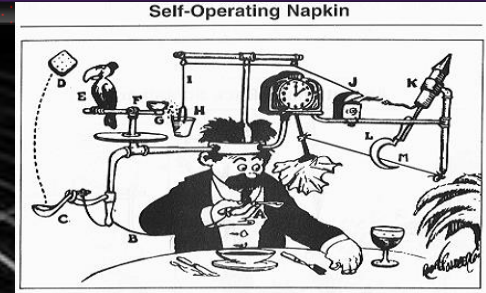
(% ABOVE \$1BN)



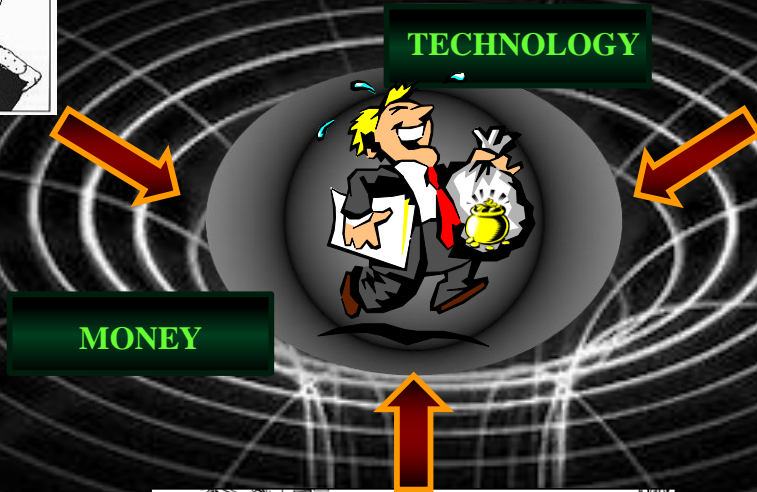
A BLACK HOLE ECONOMY?



INNOVATION



INNOVATION



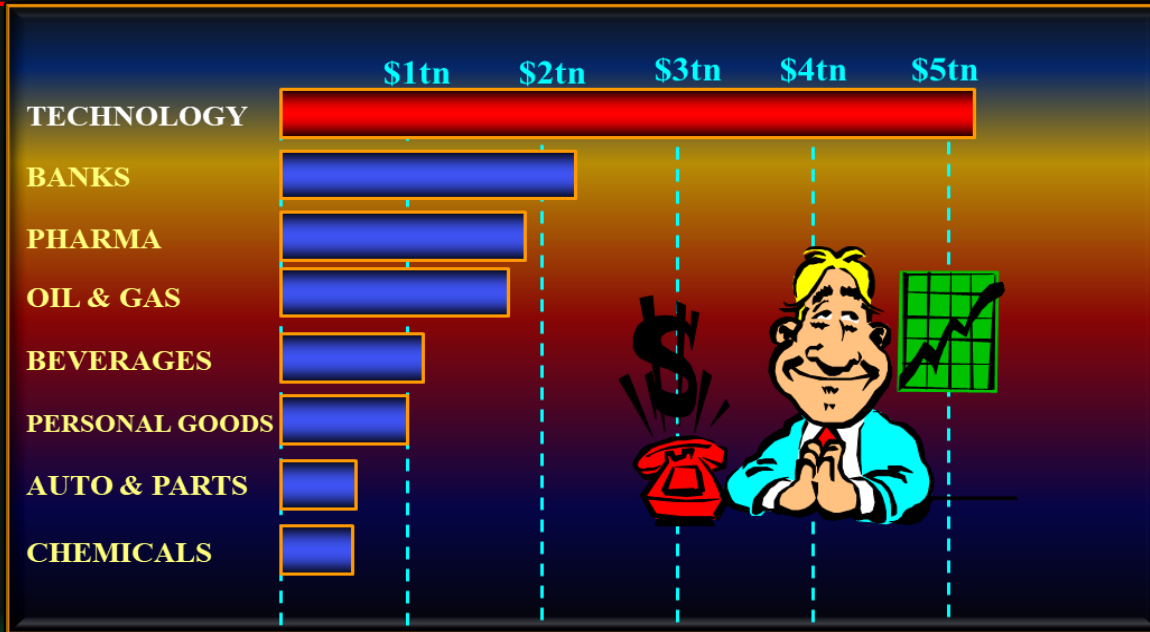
CAN "SMALL" COMPANIES GROW "BIG"?



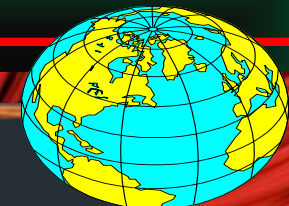
A BLACK HOLE in FINANCE?

MARKET CAPITALIZATION (\$tn)

Top 10 global companies, May 2019



**“OVER CAPITALIZATION”
OF THE SAME COMPANIES**



*DIRECTORS
SHOULD MAKE
SENSE
OF VALUE*

A UNUSUAL ADVICE...



**“PLEASE
DON’T CONFUSE
ME
WITH FACTS!”**

Anonymous banker...

SOFT DATA (STOCK MARKET)?

“ANIMAL SPIRITS?”



REVENUES



US\$17bn



US\$159bn

PRODUCTION(cars)

est 235,000

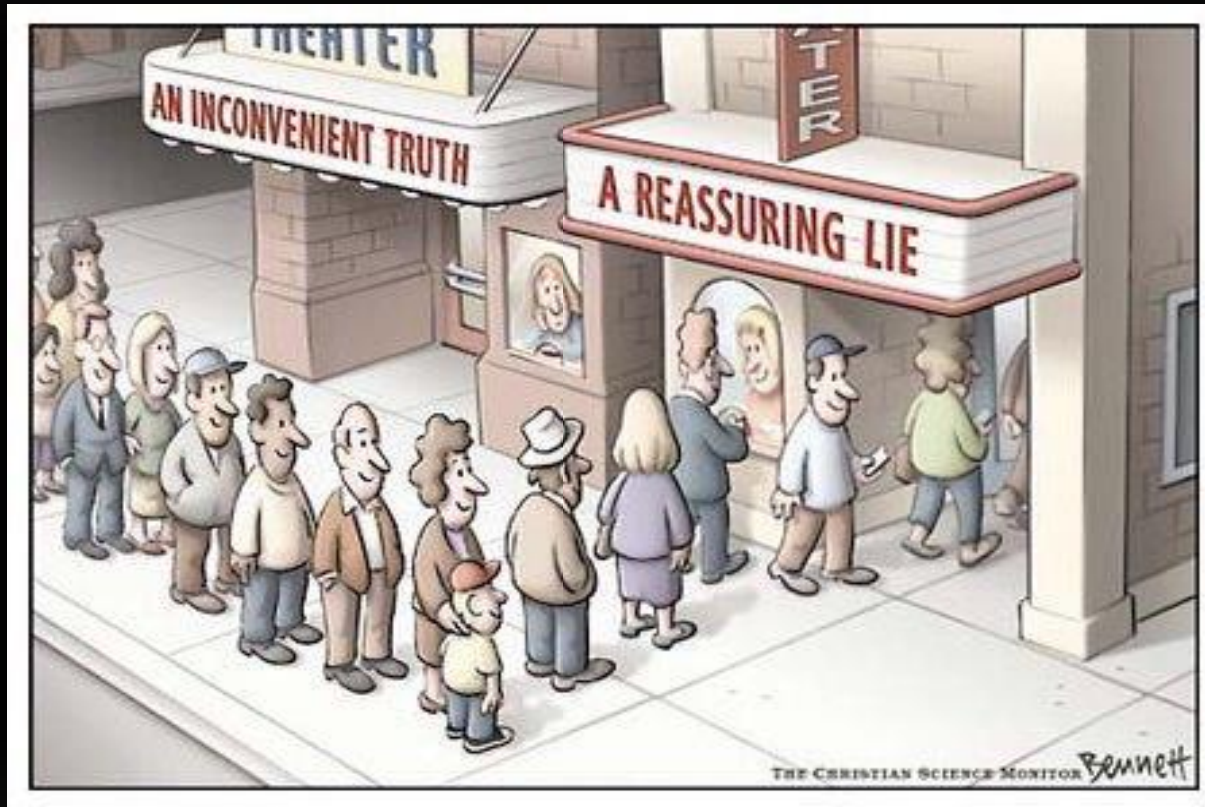
6,700,000

MARKET CAPITALIZATION

US\$42bn

US\$37bn

WHAT DO PEOPLE WANT?



“FOLK ECONOMICS” (economics perceived intuitively...)

POLITICS

- ANTI-ESTABLISHMENT
- NATIONALIST

SOCIAL

- MIDDLE-CLASS
- RURAL

ECONOMICS

- ANTI-GLOBALIZATION
- OPINIATED

PROFIT IS SUSPICIOUS COMPETITION IS HARMFUL



ZERO-SUM THINKING

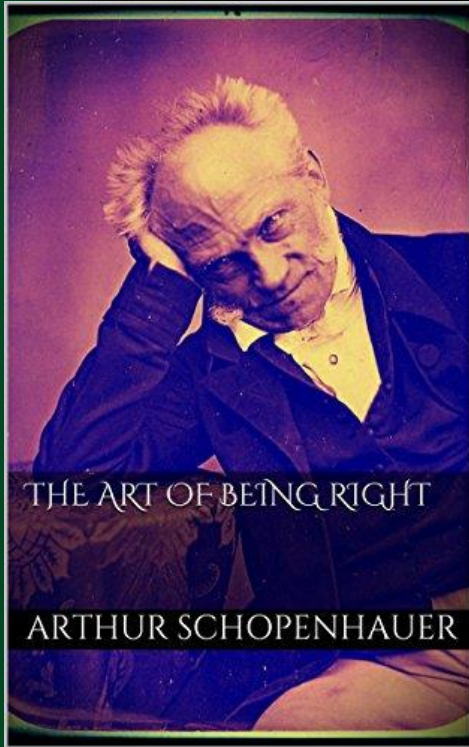


TRADE IS BAD

COMPANIES MANIPULATE
MARKETS

*“FEW PEOPLE KNOW
HOW TO THINK,*

*BUT EVERYONE WANTS
TO HAVE
AN OPINION”*



1788 - 1860

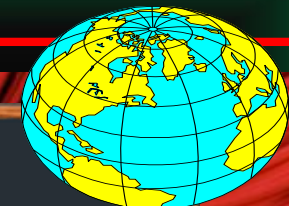


A GOOD EXCUSE...



6,900,000!
entries





*BACK
TO THE
FUNDAMENTALS*

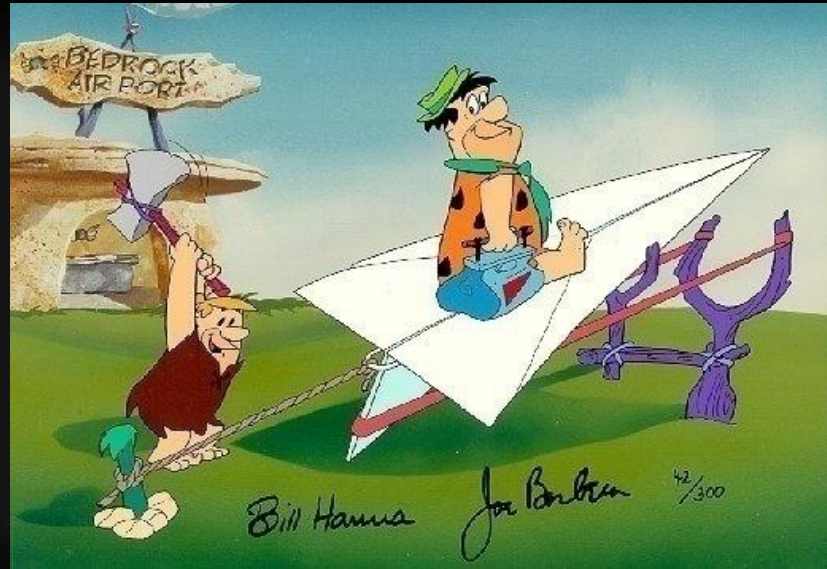
IN THE END, THERE IS ALWAYS A PRODUCT



***SORRY, WE CANNOT EMAIL YOUR PIZZA
AS ATTACHMENT***

THERE IS A TIME FOR INNOVATION...

TAKING THE PLANE...



AND A TIME FOR EXCELLENCE IN IMPLEMENTATION

1. THE UNSOLVED ISSUE: ENERGY



PROCESSING POWER
(GOOGLE)



STORAGE POWER
(AMAZON)



DELIVERY POWER
(FEDEX)

SELF DRIVING CARS



20% MORE ENERGY: AI

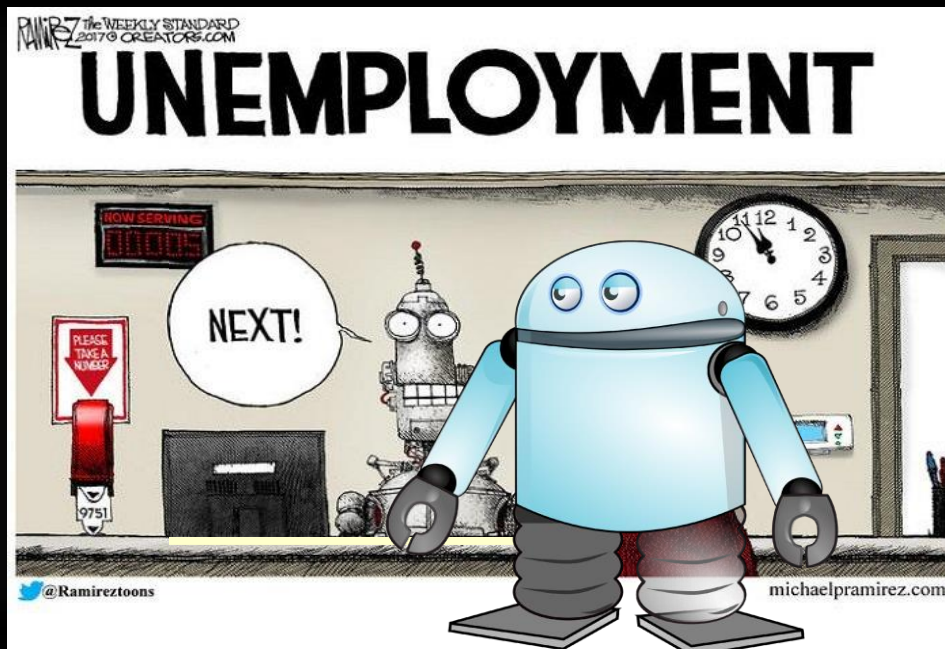


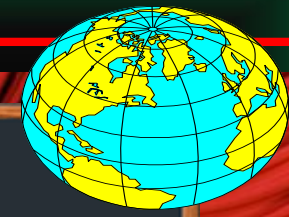
440 kWh



20 Wh

2. THE UNSOLVED ISSUE: UNEMPLOYMENT





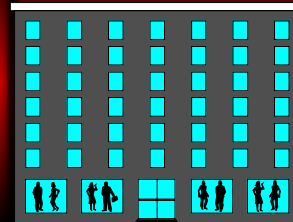
*DIRECTORS
AND
THE CHALLENGE
OF REGULATIONS*

HOW FAR TO REGULATE?

PERSONAL DATA PROTECTION



ACCESS TO DATA



PRIVATE



PUBLIC

© MARK ANDERSON

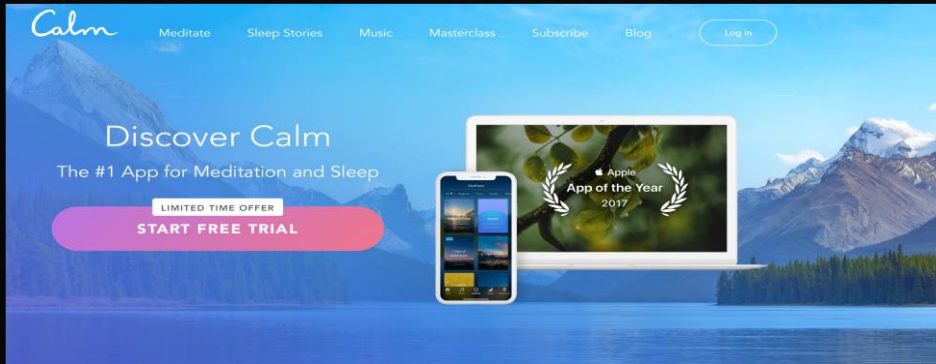
WWW.ANDERSTOONS.COM



*BEFORE I WRITE MY NAME ON THE BOARD,
I NEED TO KNOW HOW YOU ARE GOING TO USE IT?*



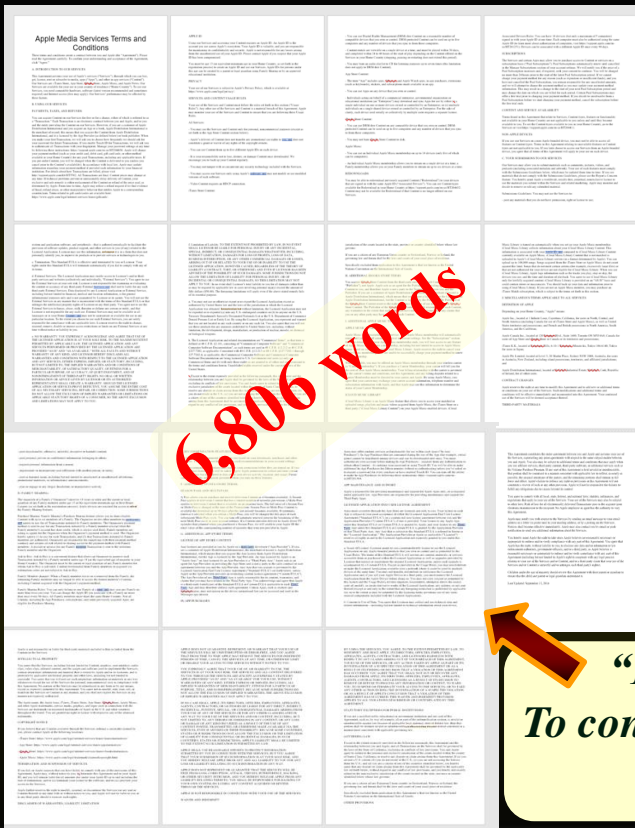
SLEEPING STORIES



DO YOU REALLY AGREE?

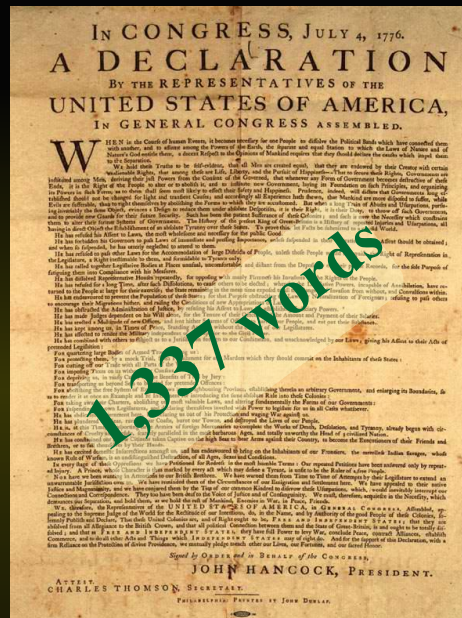


APPLE MEDIA SERVICES TERMS AND CONDITIONS



6,806 words

US DECLARATION OF INDEPENDENCE



1,337 words



*“Please read the Agreement carefully.
To confirm your understanding and acceptance
of the Agreement, click **“Agree.”**”*



«IT WILL BE OF LITTLE HELP TO THE PEOPLE...

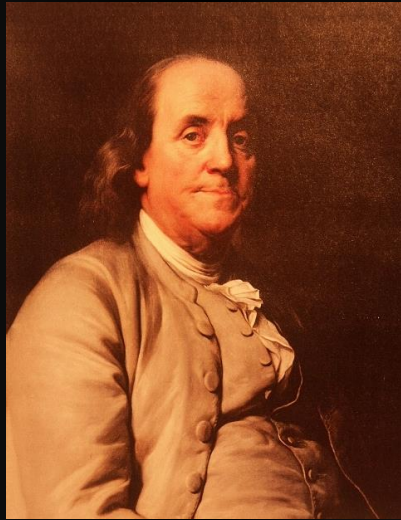


JAMES MADISON
1751 - 1836

**IF THE LAWS
ARE SO VOLUMINOUS
THAT THEY CANNOT BE READ!**

**OR SO INCOHERENT
THAT THEY CANNOT BE
UNDERSTOOD!»**

ON THE OTHER HAND...



« EVEN A SMALL HOLE
CAN SINK
A BIG SHIP! »

**BENJAMIN FRANKLIN,
1706 - 1790**

THE MEANING OF A YOUTHQUAKE!



*DIRECTORS
SHOULD
UNDERSTAND
THE NEXT GENERATION*

UNDERSTANDING MILLENNIALS (age 18-35)



“MEISM”
Self
Fulfillment
and
“Narcissism...”



**THE “SELFIEs”
GENERATION**



ESCAPING REALITY...

Time spent
with a screen



SMARTPHONE



TV



PC



TABLET

90% CHECK SMARTPHONE



WITHIN 15min. WAKING UP

65% PREFER LOSING THEIR CAR



RATHER THAN THEIR PHONE

Source: Nielsen Audience Report, Huffington Post, 2017

UNDERSTANDING MILLENNIALS (age 18-35)



“MEISM”
Self
Fulfillment
and
“Narcissism...”

**LITTLE
AFFILIATION**

Political, Religious...

**CONCERNED
State of the World**



UNDERSTANDING MILLENNIALS (age 18-35)



“MEISM”

Self
Fulfillment
and
“Narcissism...”

ENTITLEMENT

Demanding
And
Intrusive



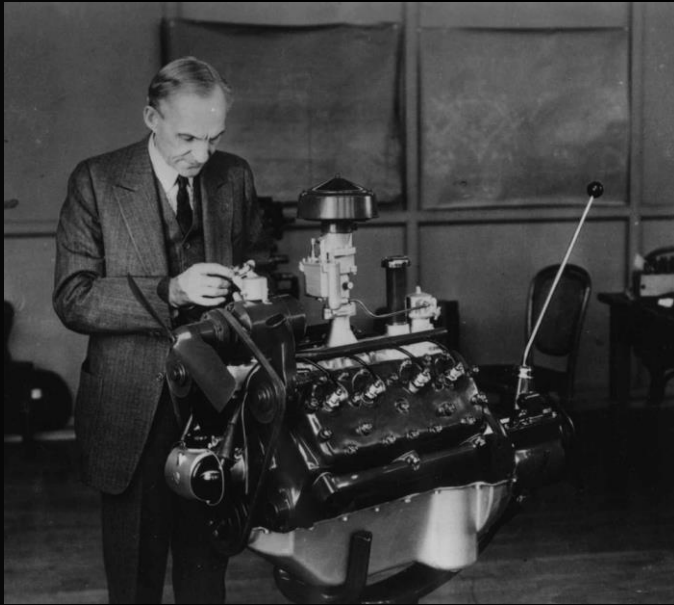
LITTLE AFFILIATION

Political, Religious...

CONCERNED
State of the World



SOCIETY EXPECTS MORE THAN PROFIT



HENRI FORD
1863 - 1947

**A BUSINESS
THAT MAKES**

**-
NOTHING
BUT MONEY**

**IS
A POOR BUSINESS!**



UNDERSTANDING MILLENNIALS (age 18-35)



MEISM

Self
Fulfillment
and
“Narcissism...”
”

ENTITLEMENT

Demanding
And
Intrusive



LITTLE AFFILIATION

Political, Religious...

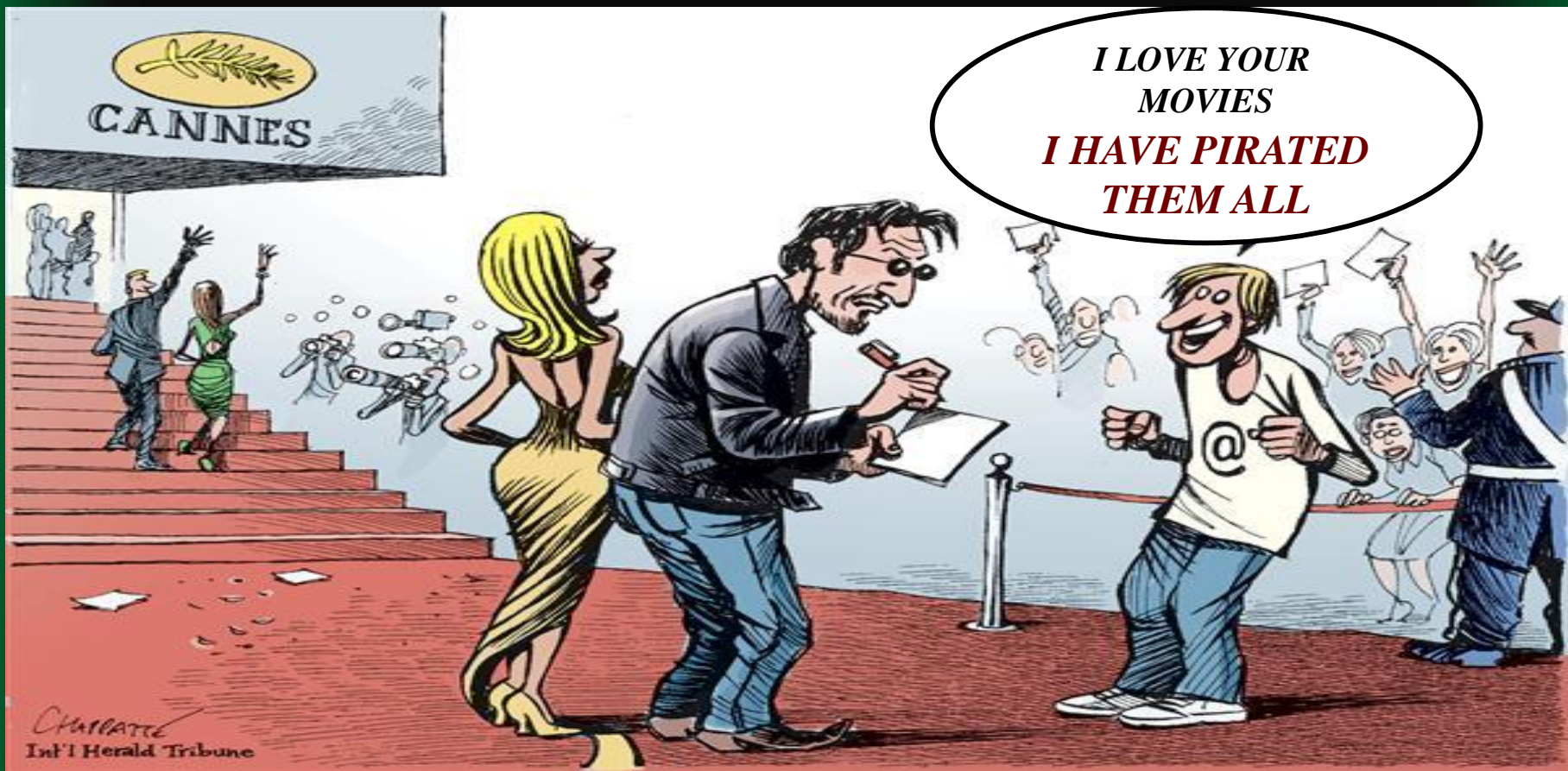
CONCERNED
State of the World



OWNERSHIP (SHARING)

“Free is Cool!”





CHAPPATE
Inf Herald Tribune

THERE IS NO FREE LUNCH...



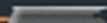
IF YOU THINK THAT A PRODUCT IS FREE

THEN YOU ARE THE PRODUCT!

TIM COOK, CEO APPLE



*DIRECTORS
SHOULD
PROMOTE
THE RIGHT MINDSET*



PROMOTE RESILIENCE IN THE COMPANY...



EPICETUS

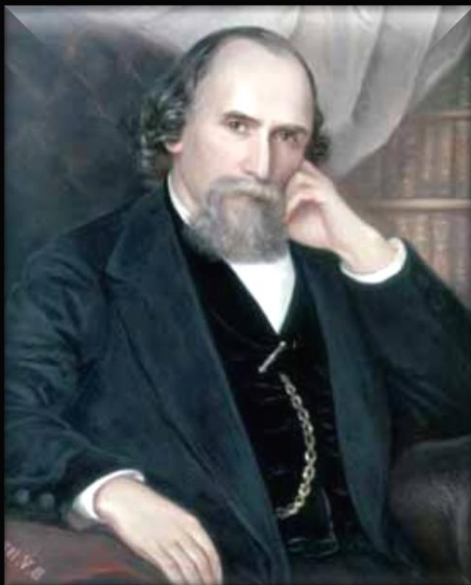
55- 135

**IT'S NOT
WHAT HAPPENS TO YOU
THAT
MATTERS,**

**BUT HOW
YOU REACT TO IT!**



DESPITE UNCERTAINTIES...



HENRI-FREDERIC AMIEL
1821 - 1881

**THE ONE
WHO INSISTS
ON
PERFECT CLEARNESS
BEFORE HE DECIDES...**

NEVER DECIDES!



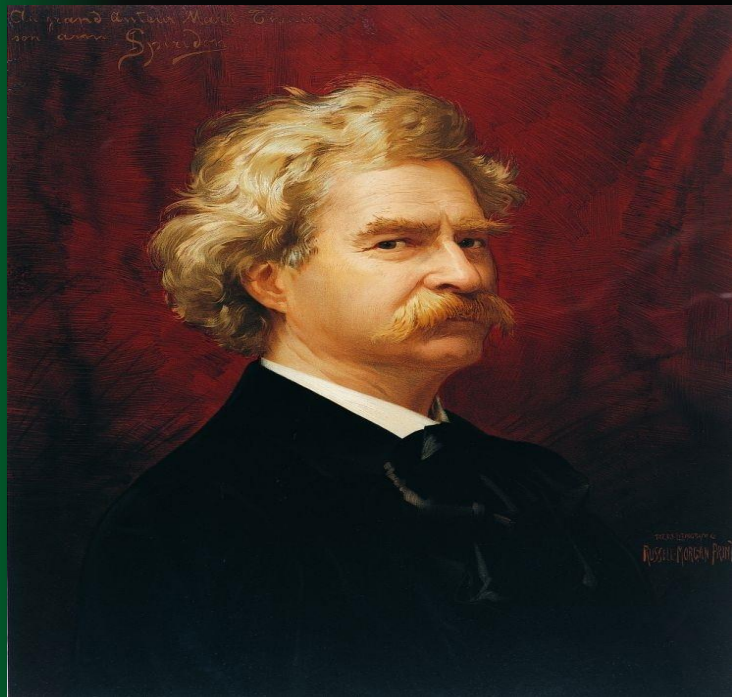
CONFIDENCE
IS
WHAT YOU HAVE

BEFORE
YOU UNDERSTAND

THE PROBLEM!

WOODY ALLEN, 1935 -

PROMOTE A SENSE OF ETHICS



MARK TWAIN, 1835 - 1910

**“NEVER
DO WRONG,
ESPECIALLY
WHEN SOMEBODY
IS
LOOKING! “**

WHAT YOU REALLY NEED...

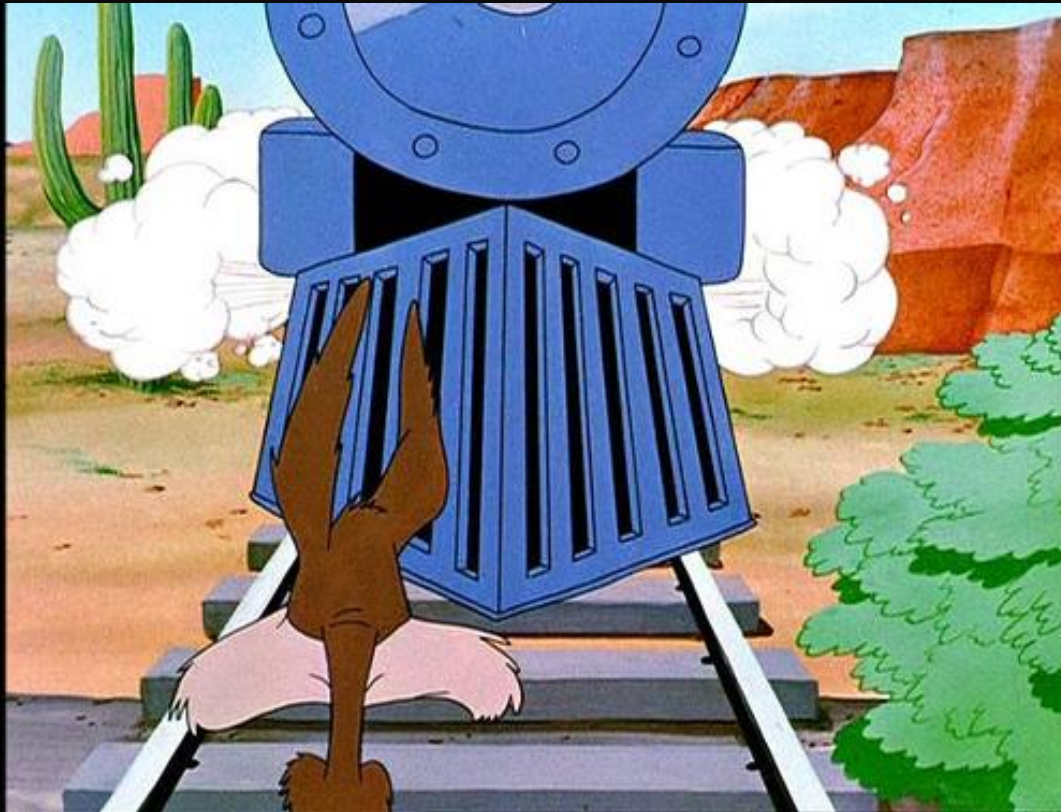
• ~~INTEGRITY~~

• INTELLIGENCE

• ENERGY

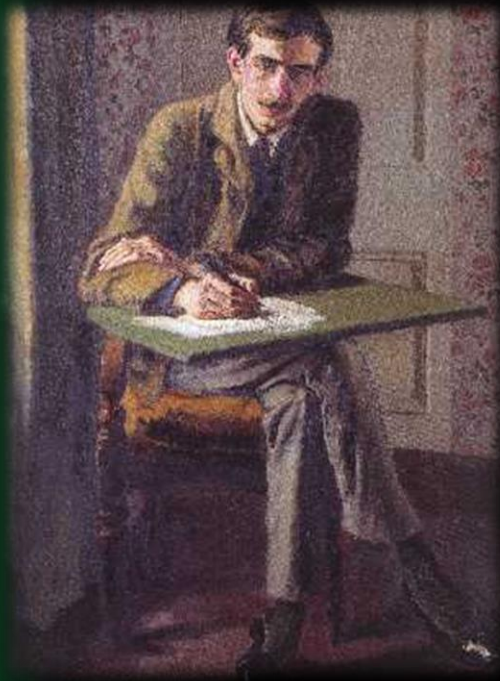


ANTICIPATE CHANGES?



“SO FAR SO GOOD ...”

QUESTION MANAGEMENT ON STANDARD IDEAS



John Maynard Keynes
1883 - 1946

**“THE REAL DIFFICULTY...
LIES NOT
IN DEVELOPING
NEW IDEAS,**

**BUT IN ESCAPING FROM
THE OLD ONES!”**

BECAUSE TIMING IS EVERYTHING

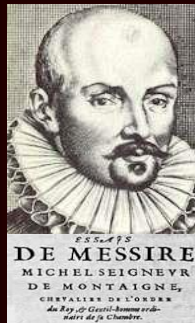


LAKER AIRWAYS
AUGUST 1978



NEWTON - Apple
AUGUST 1993

NOT **IF** IT IS RIGHT
BUT **WHEN** IT IS RIGHT



IT IS VERY WRONG
TO BE RIGHT
BEFORE EVERYONE
ELSE!

MONTAIGNE,
1533 - 1592

ENSURE THAT MANAGEMENT IS NOT ISOLATED



FRANKLIN D. ROOSEVELT
(1882 – 1945)

« A
GOOD LEADER

CANNOT GO
TO FAR
FROM FOLLOWERS ! »



...AND THAT THEY CONNECT TO THE WORLD



© ERIC MILLETTE

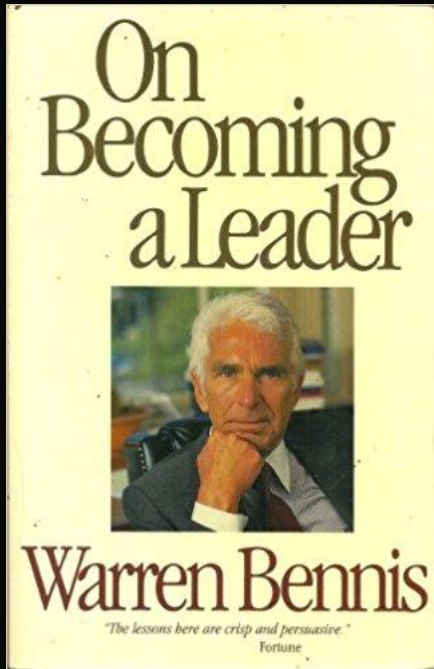
**« SOME EXECUTIVES
THINK THAT THEY ARE
IN TOUCH WITH THE
REST OF THE WORLD...**

**WHEN
THEY PLAY GOLF
WITH THE VP
OF ANOTHER COMPANY »**

PETER DRUCKER, 1909 -



STAYING IN TOUCH WITH PEOPLE...



WARREN BENNIS

1925 - 2014

**“IF YOU WANT TO LEAD
PEOPLE...**

**YOU HAVE GOT
TO
ENTER THEIR WORLD.”**



DIRECTORS SHOULD PROMOTE A POSITIVE APPROACH



MARK TWAIN
1835 - 1910

**I HAVE SPENT MOST
OF MY LIFE**

**WORRYING ABOUT
THINGS
THAT NEVER HAPPENED!**

DIRECTORS: THERE IS A WORLD OUTSIDE



**JEAN PAUL SARTRE,
1905 - 1980**

**« IN FOOTBALL,
EVERYTHING
IS COMPLICATED
BY
THE PRESENCE
OF THE OTHER TEAM! »**