DOES EUROPE HAVE A FUTURE?

Prof Richard Scase

DANISH CENTRE FOR LEADERSHIP

9th June 2006

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AGENDA

• Changing Global Context
• Denmark’s Competitive Advantage
• Leveraging High Performance
• Some Key Challenges
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• Changing Global Context
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CHANGING GLOBAL CONTEXT

(1) Political

- United States as Protector of World Order
- Unrest in the Middle East
- Ethnic and Regional Conflicts
  - China/India/Russia?
- Conflicts/AIDS/Revolutions in Africa

Geo-Political Uncertainties

Corporate Strategies
CHANGING GLOBAL CONTEXT

(1) Political

European Union

Enlargement (25 ⇒ 30)
Tiers of Engagement
Local, Regional, National Tensions
Regulations, Regulations, Regulations
(4500 since 1997)

A Global Force?
With/Versus the United States
Single Currency?
A Shared Vision?
Sustainable?
CORPORATE STRATEGIES

Scenarios
Longer Term/Shorter Term
Multiplicity of Variables

Quality of Information

Quality of Human Capital

Business Opportunities

Strategic/Operational Decision Making
CHANGING GLOBAL CONTEXT
(2) Economic

- Economies of Scale
- Emerging Global Business Practices
- Global Sourcing
- Standardised Global Markets
- Global Media
- Emerging Transnational Market Niches
- Rationalisation of Transportation
- Potential of Telecommunications Information Systems

Convergence
GLOBAL SUPPLY CHAINS

INTEGRATING CORPORATE ELEPHANTS AND ENTREPRENEURIAL FLEAS
THE FUTURE IS ASIA

Projected GDP

$BN

2000 2010 2020 2030 2040 2050

US  CONTINENTAL EUROPE  CHINA  INDIA
EMERGING ASIA
GDP % CHANGE 2005 -2007

China
India
Indonesia
Malaysia
Philippines
South Korea
Thailand
INDIA/CHINA

- 2.5 BILLION PEOPLE INTO THE WORLD ECONOMY
INDIA: ECONOMIC GROWTH FORECAST

- Overtakes Japan 2032
- Overtakes Britain 2022
- Overtakes US 2050
INDIA: TODAY

- Limitless Talent Pool
- Call Centres and Data Management
- Focus for “English Speaking World” Outsourcing
  - McKinsey Forecasts
- Low-Tech Manufacturing
- Poor Infrastructure
- Gaps in Regulatory compliance
  - IPR
  - Corporate Governance
INDIA: TOMORROW

- Continuous Upgrading in Talent Pool
- Infrastructure Investment
- Emerging “Affluent” Consumer Market
  - Opportunities
- Indian Companies in Acquisition Trail
- Improved Compliance Enforcement
- High Tech/Knowledge Based Sector
CHINA: ECONOMIC GROWTH FORECAST

- Overtakes Britain 2005
- Overtakes Germany 2008
- Overtakes America 2035
HOURLY LABOUR COSTS IN MANUFACTURING SECTOR

$
CHINA:
MACROECONOMIC INDICATORS (% ANNUAL)

Private Consumption
Govt Consumption
Fixed Investment
Exports
Imports
GDP

%
CHINA’S OIL

Million barrels per day


Consumption  Production
YEARS RESERVES FOR OIL, NATURAL GAS AND COAL, 2005

Source: World Energy Council
PERSONAL CONSUMPTION IN CHINA

- Retail Sales Growth 10% pa
- Rural Poor Decreased From 49m (1997) to 28m (2004)
- 650 million Phone Users
- 100 million Internet Users
- Auto Sales 1.1 million pa
  - 9 million pa (2010)
- 100 million Chinese Tourists Overseas 2015
CHINA TOMORROW

• Highly Motivated, Educated Talent Pool
• Growth of Knowledge, High-Tech Sector
• China Corporations on Acquisition Trail
• China Determines Currency Rates and World trading Patterns
THE WORLD ECONOMY IN 2030

Share:
- Europe 12% (22% Today)
- Greater China 25%
- United States 25%

Growth Rates:
- Euro 30 1.1%
- United states 2.3%
- Greater China 2.9%
CORPORATE STRATEGIES

Shift in Centre of Economic Gravity
Growth in International Strategic Partnerships

Managing Diverse Regulatory Regimes
Ambiguities in Ownership and Compliance
Doing Business in Different Ways
Diverse Business Ethics

Uncertainties and Risks

Business Opportunities
EUROPE TODAY

• No Single Market
  – Language not Currency
  – National Employment Laws
  – National Regulatory Frameworks
• Productivity 25% Less than US
  – except Netherlands
• The European Model in a Global Economy
• Business Start-Ups One-third of US
NEW EUROPE

• Above Average Growth Rates
• 5-9 per cent
• Continuing FDI
• Growth in Personal Affluence
• Increase Spend on Personal Risk Management
• The Baltic States
BALTIC STATES AND RUSSIA
GDP % CHANGE 2005 -2007
BALTIC STATES: FUTURE TRENDS

• Growth in Volume of Exports
  – 20% pa Increase
  – Poland and Russia Growing Markets

• Credit Stock High - Correction in 2007?
  – Rapid House Price Hikes

• Euro Membership
  – Lithuania 2007?
  – Estonia 2008?
  – Latvia 2009?

• Inflationary Risks
RUSSIA: FUTURE TRENDS

• Dependency on Oil/Gas Prices
• 2007 DUMA Elections
  – Fiscal Stimulation
  – Pensions/Public Sector Salaries
• Appreciation of the Rouble in the Longer Term
• Remaining Regulatory/Compliant Uncertainties
AGENDA

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• Leveraging High Performance
• Some Key Challenges
<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Finland</td>
<td>1</td>
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<tr>
<td>US</td>
<td>2</td>
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<tr>
<td>Sweden</td>
<td>3</td>
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<tr>
<td>Taiwan</td>
<td>4</td>
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<td>Denmark</td>
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<td>UK</td>
<td>11</td>
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<tr>
<td>The Netherlands</td>
<td>12</td>
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</table>
DENMARK: FUTURE TRENDS

- GDP
- Unemployment
- Exports
- Imports
DENMARK’S COMPETITIVE ADVANTAGE

• Educated, Skilled Knowledge Pool
• Competitive Knowledge Sector
  – High Intellectual Capital
• Small Size
  – National Focus
  – Networks/Clusters
  – Growth Through Global
• Mobile/Flexible Talent Pool
AGENDA

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HIGH PERFORMANCE

(1) Embracing Cultural Diversity

• Understanding Other Cultures
  – Business Practices
  – Regulatory Regimes
  – Disclosure/Compliance

• Developing Strategic Partnerships
  What, Why, How?

• Operating Within Global Supply Chains

• Protecting Against Piracy

• Protecting Brand Values, Quality Standards and Ethics
HIGH PERFORMANCE

(2) Creating an Entrepreneurial Culture

Geopolitical Uncertainties
Global Economic Remix

Business Opportunities

Risk management Strategies

Corporate Decision Making
HIGH PERFORMANCE

(3) RECRUITING AND RETAINING TALENT
EMPLOYERS OF FIRST CHOICE

- Flexible and Remote Working Practices
  - The Potential of Technology
- Training Opportunities
  - Personal Development
- Performance Rewards
- Entrepreneurial Culture
- ‘Freedom’ Psychology of Young People
- Importance of Corporate Brand

THE I-GENERATION
HIGH PERFORMANCE

(4) FROM 21\textsuperscript{ST} CENTURY MANAGEMENT TO 21\textsuperscript{ST} CENTURY LEADERSHIP

MANAGEMENT
• ORGANISATIONAL AUTHORITY

LEADERSHIP
• PERSONAL AUTHORITY
LEADERSHIP IS
ADMIRATION
INSPIRATION
TRUST
HIGH PERFORMING ENTREPRENEURIAL CULTURES

- **Employees Recruited**
  - Leader
  - Team Leaders
  - Committed Employees
  - “Nine to Fives”

- **Size**
  - 1-4 Employees
  - 10 Employees
  - 50+ Employees

- **Total Commitment**
  - Same Commitment as Founders
  - New employees influenced by founding team
  - New employees show no special commitment without management action
HIGH PERFORMANCE

(5) CAPTURING CREATIVITY

Individuals as Capital Assets

- Intellectual Intelligence
- Emotional Intelligence
- Social Intelligence

Creativity and Innovation
CAPTURING CREATIVITY

architecture
location
personal dynamics

sociability

tacit knowledge

creativity

innovation
REDESIGN OF THE WORKPLACE
AGENDA

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SOME KEY CHALLENGES

(1) Doing Business in a Changing Global Context

- Emerging Markets
  - Asia/Russia/Middle East
  - Globalisation

- Political Uncertainties
- Regulatory Regimes
- Business Ethics

- Business Opportunities
SOME KEY CHALLENGES

(2) Leveraging High Performance

- Inspirational Leadership
- Incentives and Rewards
- Personal Enterprise and New Business Models

Fit  Fresh  Fun

Innovation

High Performance
SOME KEY CHALLENGES

(3) DON’T START FROM HERE

. . . . . . START FROM THERE
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