

PerspECCtive

Theme:
Win Together to Share Success NOW!

ECC 2019 Keynote

Stéphane Garelli

Founder

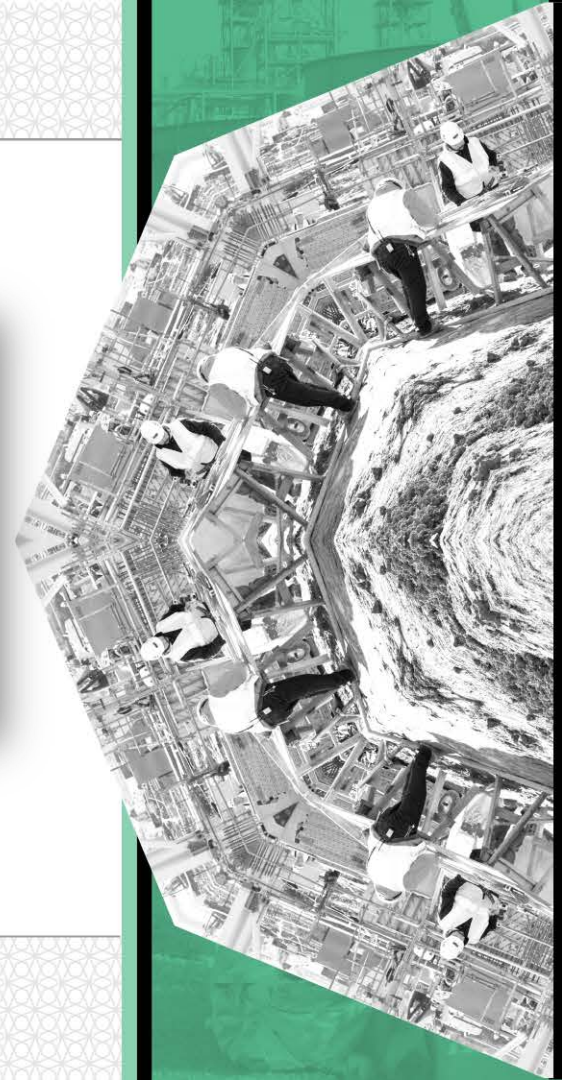
IMD World Competitiveness Center



Year:
2019

Date:
Aug. 28-31

Location:
**The Broadmoor
Colorado Springs, CO**





NOTHING IS CERTAIN, BUT EVERYTHING IS URGENT

A COMPETITIVENESS OUTLOOK FOR 2019, AND BEYOND

PerspECCtive



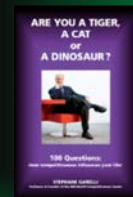
L

**COLORADO SPRINGS
30 AUGUST
2019**

STEPHANE GARELLI



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

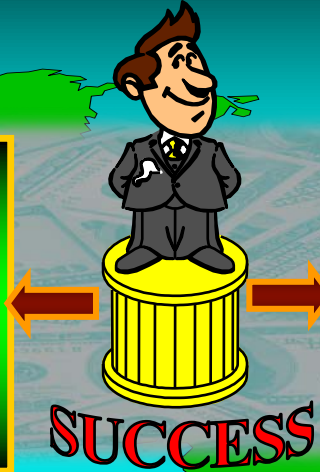


A WORLD OF INTERFERENCE

**THE GLOBAL
ECONOMY**



TECHNOLOGY



MINDSET





VOLATILE AND IRRATIONAL?



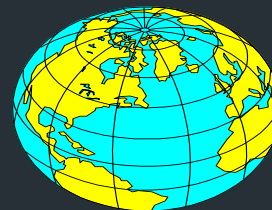
09.00am: SHARES RISE IN EARLY TRADING



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



THE WORLD ECONOMY



*SLOWING DOWN
OR
ELSE?*



MIXED SIGNALS...

GDP GROWTH
12 MONTH PERIOD

Q2
Q1



+2.3%



+1.3%



-0.8%



+0.5%



+1.9%



-5.8%



-8.8%



+1.1%



+1.2%



+1.3%



+0.1%



+2.3%



+0.4%



+1.7%



+2.0%



+0.9%



+0.1%



+6.2%



+1.2%



+5.8%



+2.1%



+5.0%



+0.1%



+4.9%



+2.4%

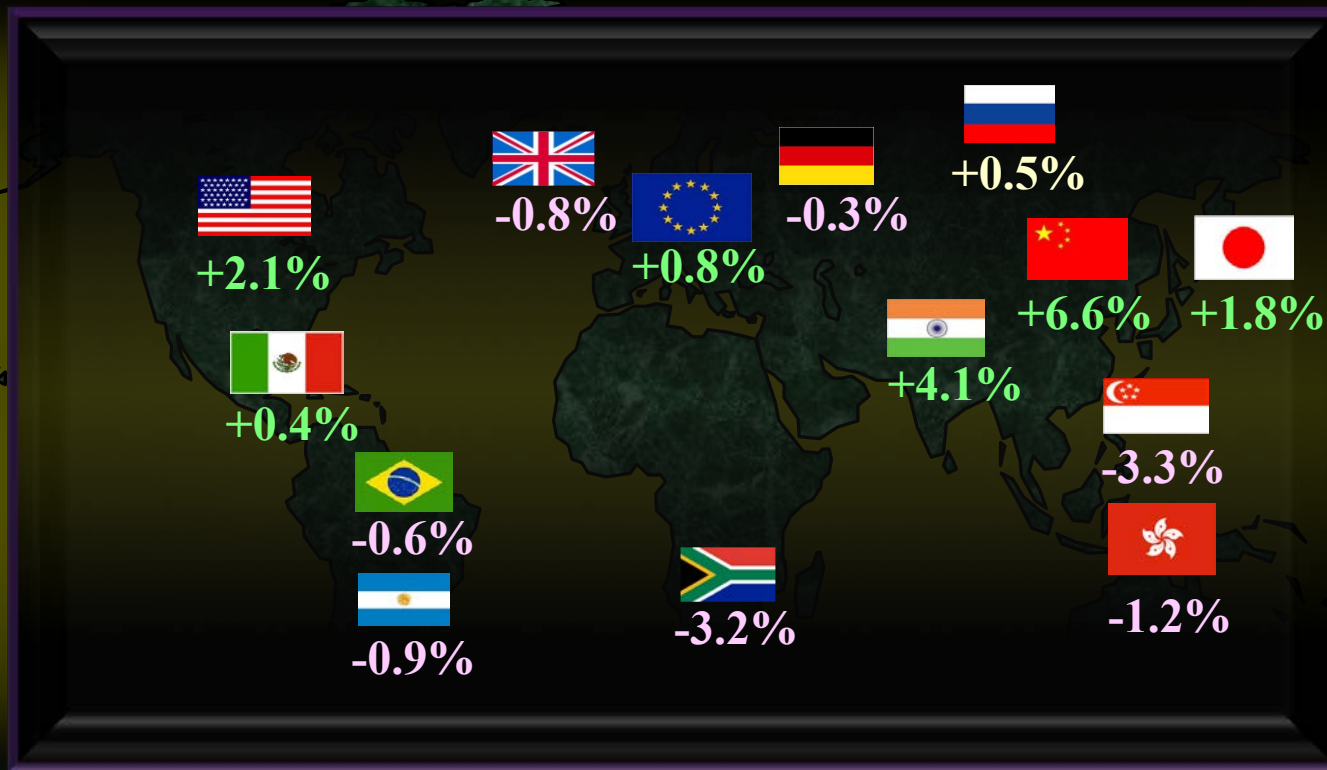


IN WHICH DIRECTION?



QUARTER TO QUARTER GDP GROWTH

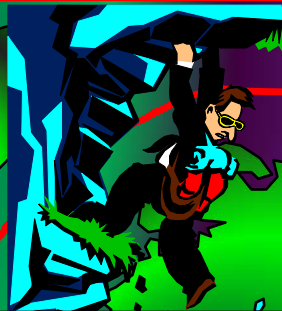
Q2
Q1



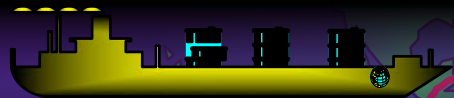
LIFE AFTER THE TOP OF THE CYCLE



BULL MARKET:
9 MARCH
2009



**MORE TENSIONS
=
MORE VOLATILITY**



ENERGY COST



BREXIT



GEOPOLITICS



EXCHANGE RATES



INTEREST RATES

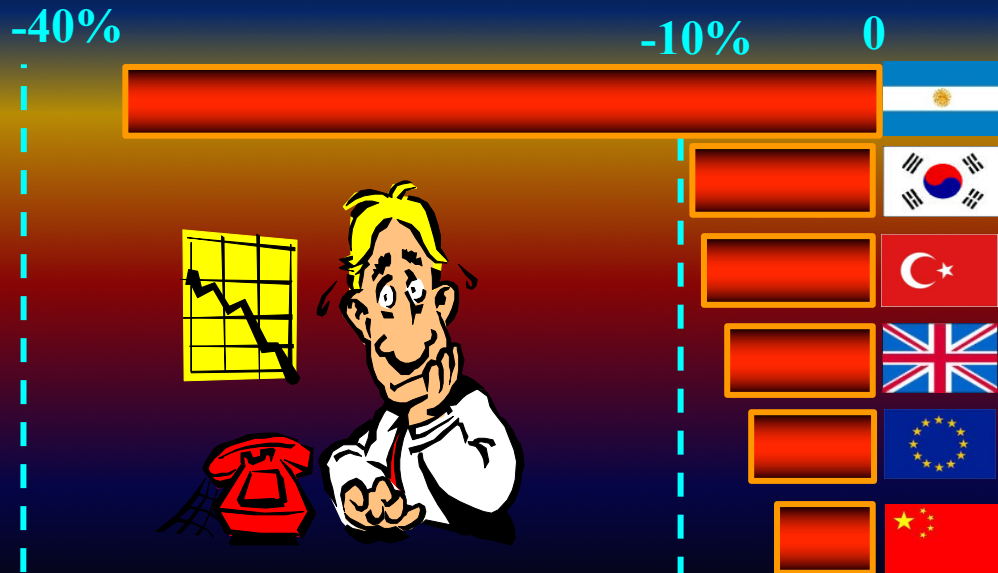


PROTECTIONNISM

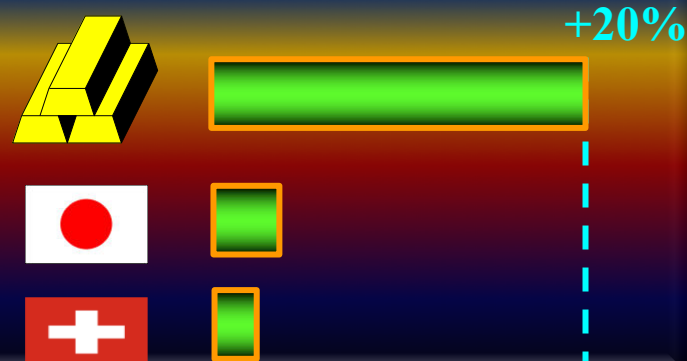


THE ANXIETY INDEX...

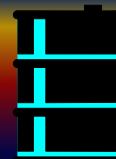
Currencies against \$ since January 1st, 2019



against \$ since January 1st, 2019



-20%



NEGATIVE YIELDS ON BONDS



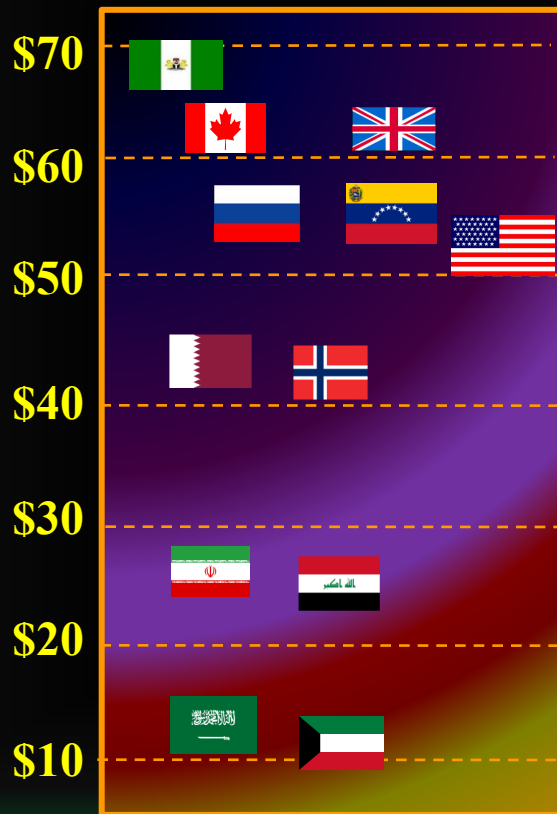
\$15tn

WORLD-WIDE

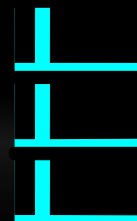


THE DOMINO EFFECT: example the oil price

COMPANIES' BREAK-EVEN PRICE



MARKET PRICE



BALANCING THE BUDGET





PRIVATE CONSUMPTION: A ROLLER COASTER?



= 60% – 70% OF GDP



= 40% OF GDP



RESILIENT, BUT FOCUSSED IN TIME:



SALES

BLACK FRIDAY



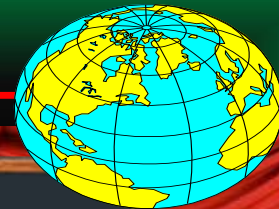
CYBER MONDAY



HOLIDAYS



THE WORLD ECONOMY



THE THREAT FOR PROTECTIONNISM

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
ON
H.R. 9900

A BILL TO PROMOTE THE GENERAL WELFARE, PURSUE
POLICE AND INDUSTRY OF THE UNITED STATES THROUGH
INTERNATIONAL TRADE AGREEMENTS AND THROUGH
ADJUSTMENT ASSISTANCE TO INDUSTRY, DISCOUNT
ADMINISTRATION, AND SAVING, AND FOR OTHER PURPOSES

MARCH 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28,
APRIL 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1962

PART 1

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

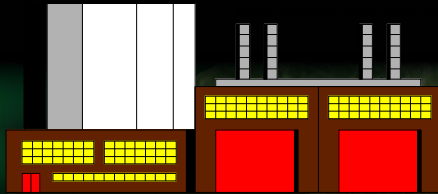
CHINESE SANCTIONS
ON US IMPORTS

AUGUST 2019: \$185bn



“UNTANGLING” GLOBALIZATION

WHAT IS THE “NATIONALITY” OF A PRODUCT?



STEEL, ALUMINIUM...



FREE



or \$200bn



PC



TV



SMARTPHONE



TABLET



MANY COMPONENTS

From GEOGRAPHICAL ORIGIN...

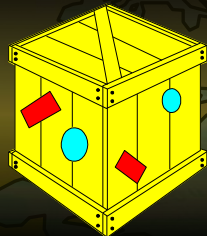


To ADDED-VALUE?



THE NEXT IMPORTANT ISSUE?

HIGHER



TARIFFS?

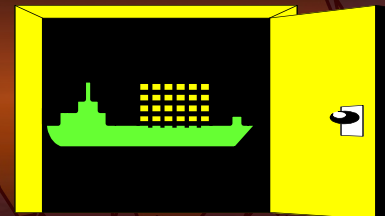
Trade as % of GDP



0.9%
3.9%



MARKET



ACCESS

BRINGING THE BUSINESS BACK?

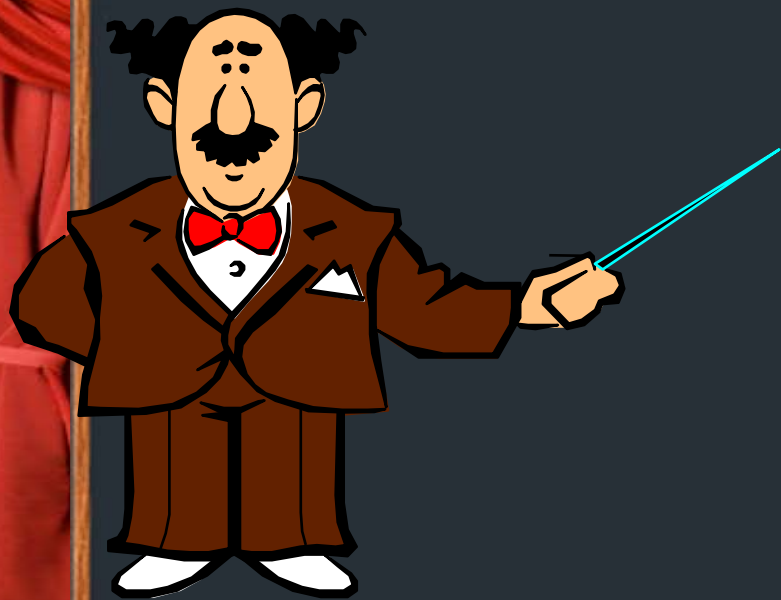
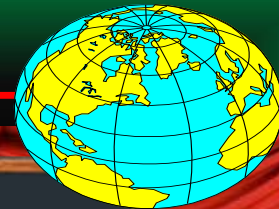
© Randy Glasbergen / glasbergen.com



*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...*



THE WORLD ECONOMY



*An
“OBSOLETE”
ASSESSMENT?*



ARE WE MISSING SOMETHING?

THE “MATERIAL” ECONOMY



GDP, INFLATION etc.

THE “IMMATERIAL” ECONOMY



?



INFLATION ON THE RADAR SCREEN...



CONSUMING PRICE
INDEX

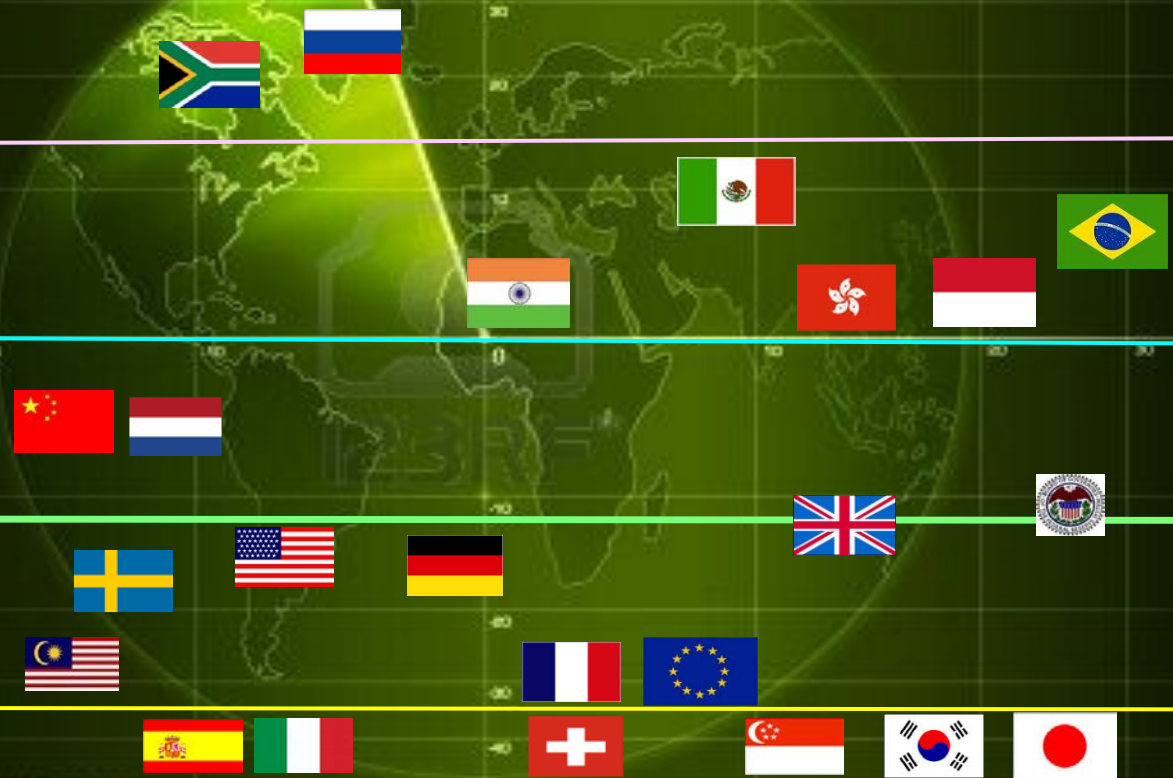
5%

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**

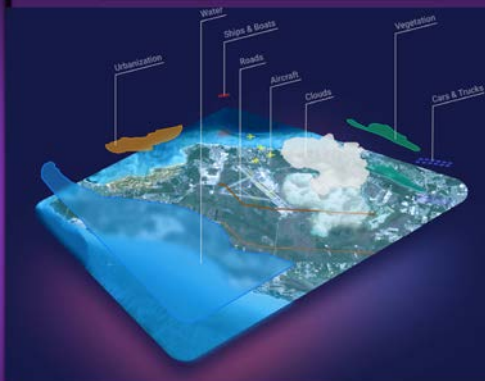


BETTER DATA?

SPACE TECHNOLOGY



SPACE_KNOW

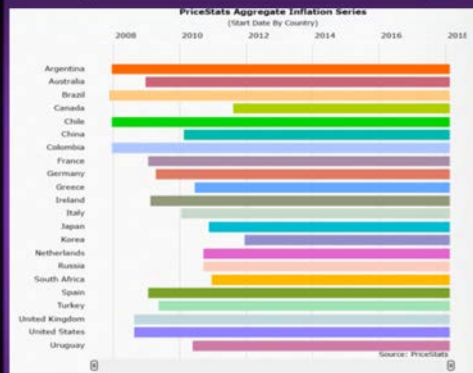


INDEXING THE
PHYSICAL WORLD

ONLINE TECHNOLOGY



PriceStats



DAILY INFLATION
USING ONLINE PRICES



TWO OPPOSITE HISTORICAL TRENDS?

CONSUMER PRICES



WEAKER

ASSETS PRICES



STRONGER



INFLATION: WHAT DOES NOT CHANGE...



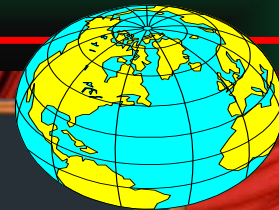
INFLATION IS PAYING
\$30 FOR A HAIRCUT

WHICH USED TO COST
\$20

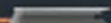
WHEN YOU HAD HAIR...



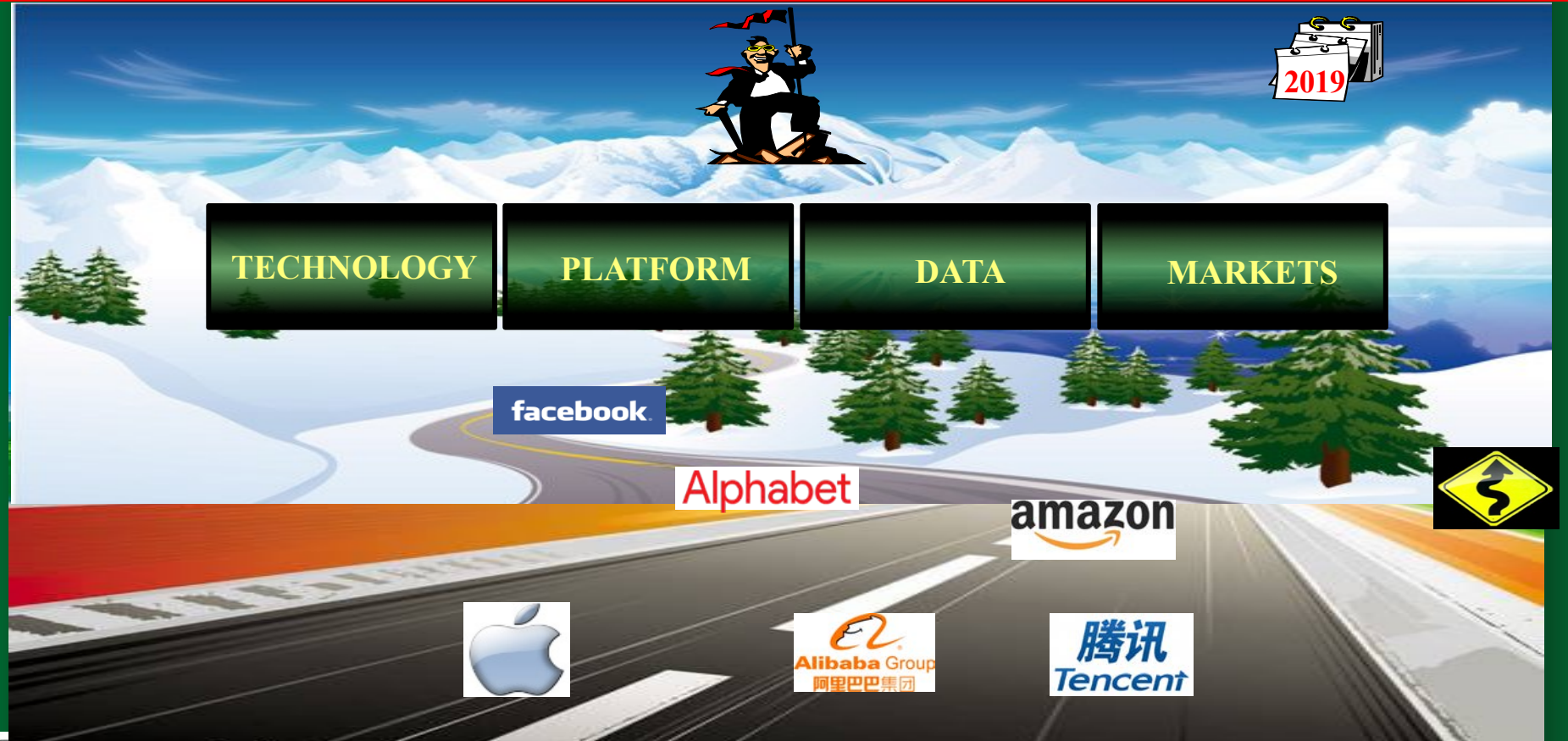
A BURNING PLATFORM?



*TECHNOLOGY
GOES
BEYOND
TECHNOLOGY*



WHO OWNS THE TECHNOLOGY HIGHWAY?





BRANCHING OUT OF THE HIGHWAY?



CLOUD COMPUTING,
RETAIL FOOD, etc.



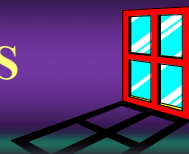
Alphabet

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?

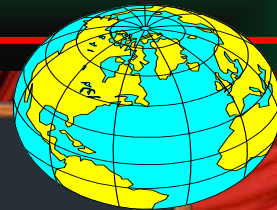




**WHO
WILL BE YOUR
COMPETITORS
TOMORROW?**



**WHERE
WILL
THEY
COME FROM?**



THE NEW BUSINESS MODELS



BUSINESS MODELS ARE TRIGGERED BY TECHNOLOGICAL REVOLUTIONS

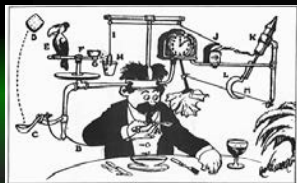


IN ONE LIFE TIME



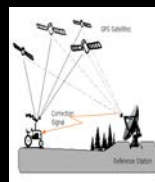
WHAT TECHNOLOGY IS ALL ABOUT?

AUTOMATION



ROBOTS, ARTIFICIAL INTELLIGENCE

CONVERGENCE



AGRICULTURE,
STATISTICS,

CONNECTIVITY



SHARING



UBER



LendingClub



airbnb

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 ~~com~~modity

2. for ~~money~~



THE NEW “BUSINESS” MODELS



NO MONEY



NO OWNERSHIP



PERSONAL DATA

facebook

Google



Microsoft® Office 365

NETFLIX

Spotify®



A NEW TREND?



Uber

N26



(WEWORK)

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

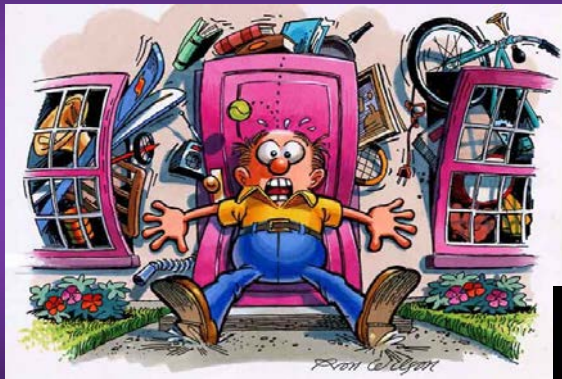


BUSINESS MODELS PRESSURED BY CUSTOMERS

- CIRCULAR



HOW MANY PRODUCTS
IN A HOME?



HOW MANY MORE?



TRASH



LIFE EXTENSION



RECYCLING



RAW MATERIAL / ENERGY

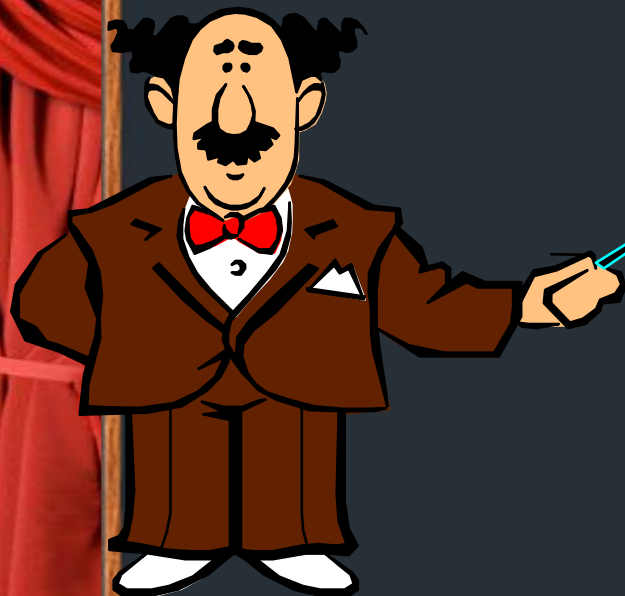


CORPORATE OWNERSHIP

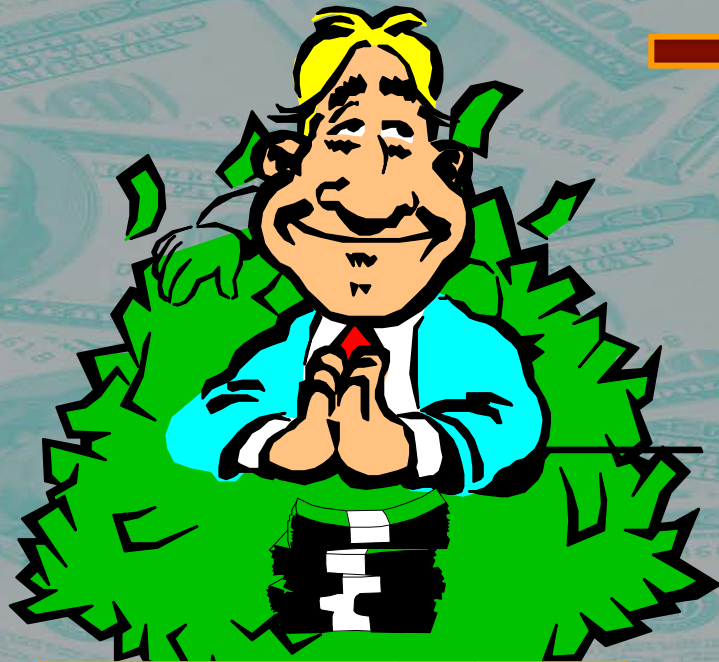
REDISTRIBUTING



THE CARDS...

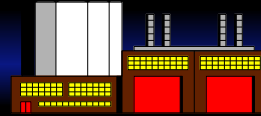


HOW GLOBAL COMPANIES USE THEIR LIQUIDITIES



\$2,200bn
(2018)

INVESTMENTS?



DIVIDENDS



SHARE
BUYBACKS



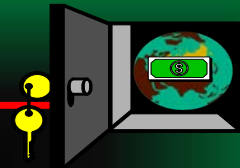
CONSOLIDATION



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



BIG USERS OF MONEY: SOVEREIGN WEALTH FUNDS



OBJECTIVE

- PROFIT ...
and
- CORPORATE
GOVERNANCE
- POLITICAL
INFLUENCE?

 GOVT. PENSION
FUND
\$1'074BN

 ABU DHABI
INVEST. AUTHOR.
\$683BN

 KUWAIT INVEST.
AUTHOR.
\$592BN

 SAMA
\$515BN

 QATAR INVEST
AUTHOR.
\$320BN

 CHINA INVEST.
CORPORATION
\$941BN

 SAFE INVEST.
COMPANY
\$441BN

 HKMA
\$522BN

 GOVT. INVEST.
CORP.
\$390BN

 TEMASEK
\$375BN



ANOTHER FORM OF CONCENTRATION?

INDEX FUNDS



Exchange Traded
Funds

Mutual
Funds

BLACKROCK



STATE STREET.

TOGETHER LARGEST SHAREHOLDERS:

88% of



COMMON OWNERSHIP
IMPACT...

A world map with a red rectangle highlighting the study area in the North Atlantic, specifically between the United States and Europe.



(% ABOVE \$1BN)



19-25%

65%

GULF REGION

35%

AFRICA

40%

CHINA

67%

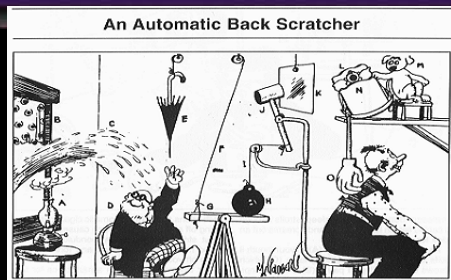
INDIA

85%

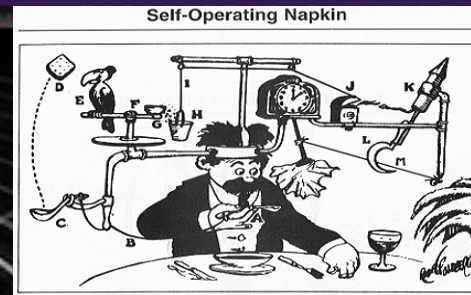
SOUTH EAST ASIA



A BLACK HOLE ECONOMY?



INNOVATION



INNOVATION

TECHNOLOGY

MONEY



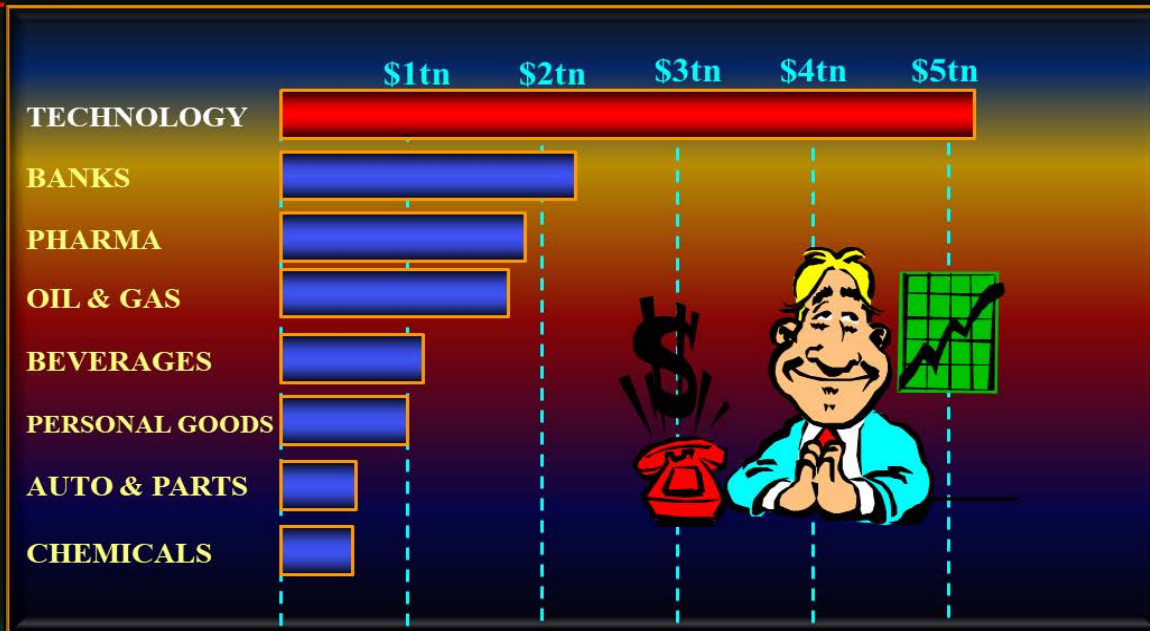
CAN “SMALL” COMPANIES GROW “BIG”?



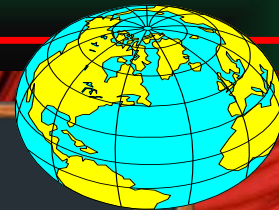
A BLACK HOLE in FINANCE?

MARKET CAPITALIZATION (\$tn)

Top 10 global companies, May 2019



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



MAKING 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

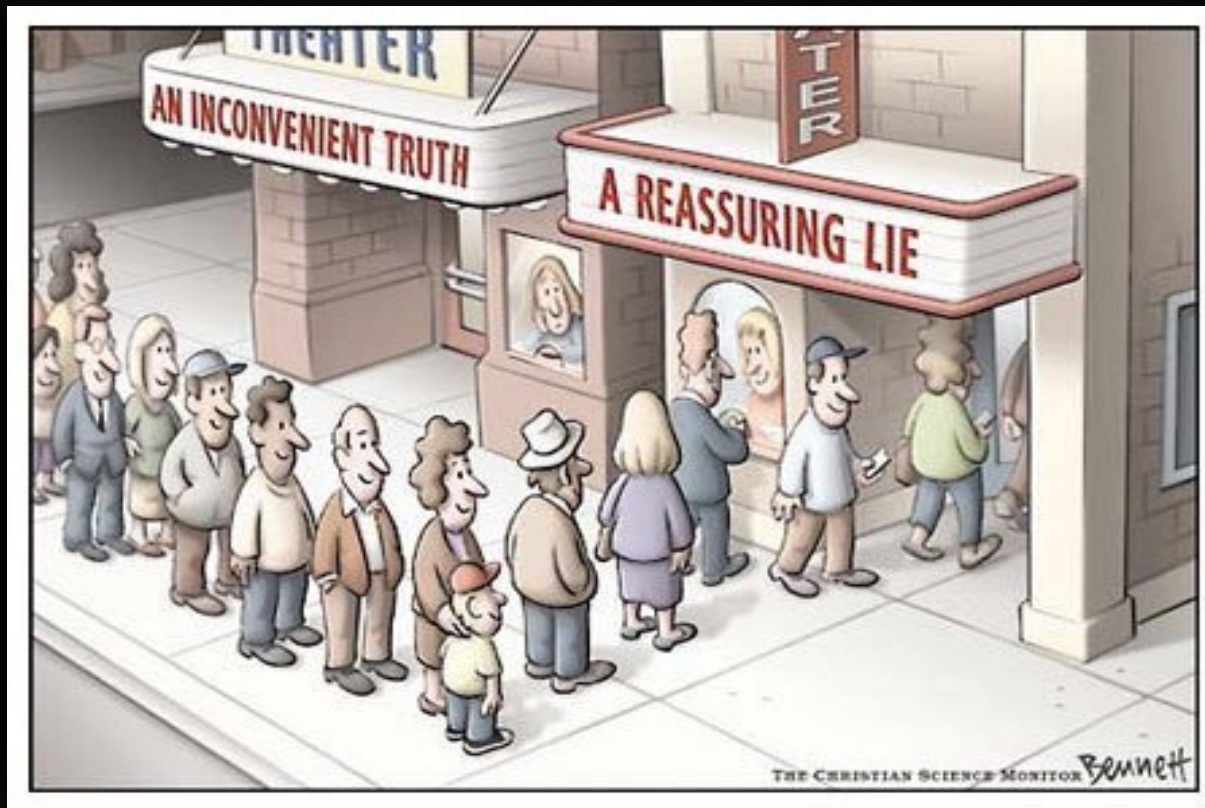
MARKET CAPITALIZATION

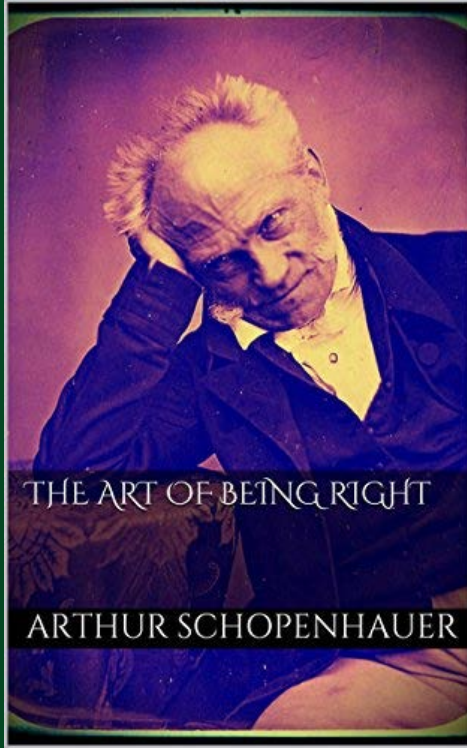
US\$39bn

US\$39bn



WHAT DO PEOPLE WANT?





1788 - 1860

***“FEW PEOPLE KNOW
HOW TO THINK,***

***BUT EVERYONE WANTS
TO HAVE
AN OPINION”***

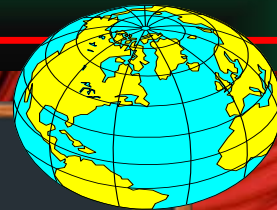


A GOOD EXCUSE...



6,900,000!
entries

ABDUCTED BY ALIENS



BACK TO THE FUNDAMENTALS



THE FRIDGE SYNDROME

IN THE OFFICE



FAST MOVING

HOME



SLOW MOVING



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



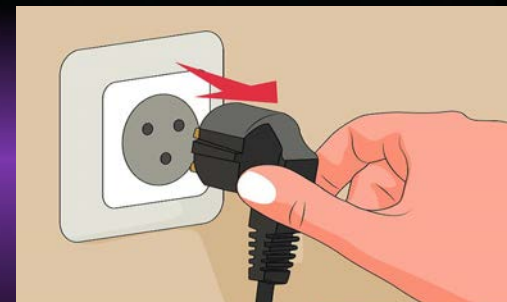
440 kWh



20 Wh



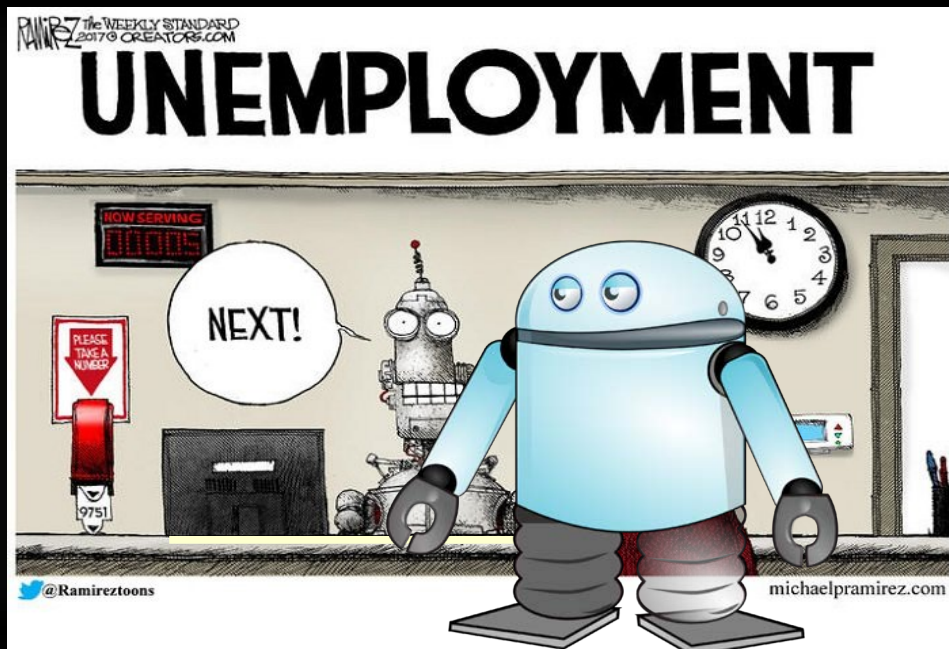
ULTIMATE WEAPON



UNPLUG!



2. THE UNSOLVED ISSUE: UNEMPLOYMENT





STILL A LONG WAY TO GO...

CONCEPTUAL



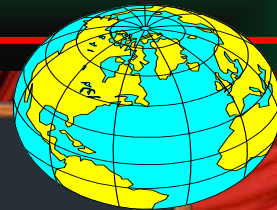
DEXTERITY?

ASSEMBLING AN IKEA CHAIR



20 MINUTES





*CAN IT
BE
CONTROLLED?*

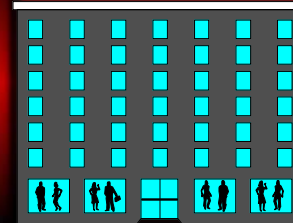


HOW FAR TO REGULATE?

PERSONAL DATA PROTECTION



ACCESS TO DATA



PRIVATE



PUBLIC

© MARK ANDERSON

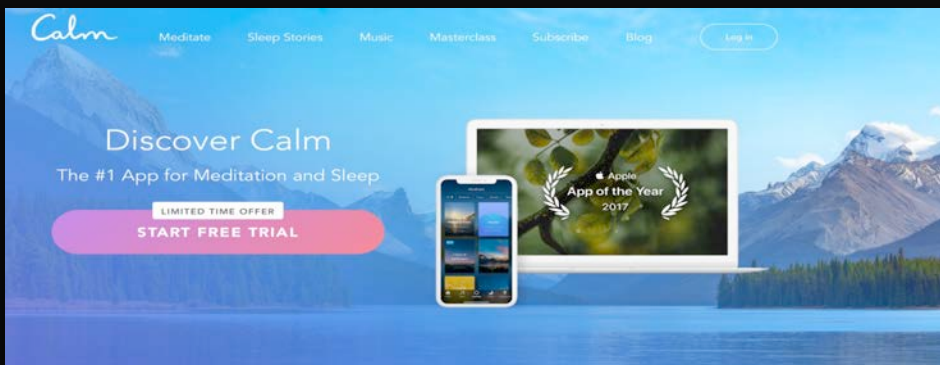
WWW.ANDERSTOONS.COM



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



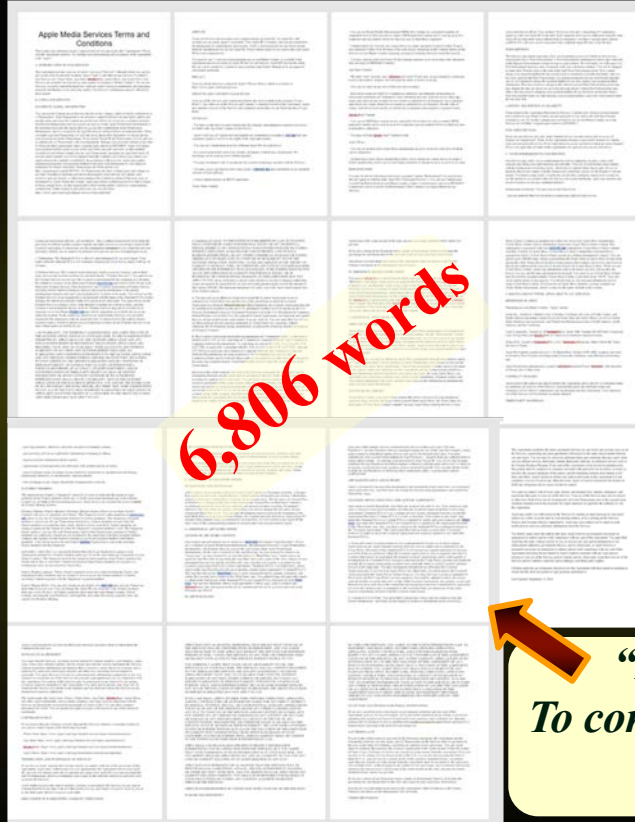
SLEEPING STORIES



DO YOU REALLY AGREE?



APPLE MEDIA SERVICES TERMS AND CONDITIONS



6,806 words

US DECLARATION OF INDEPENDENCE

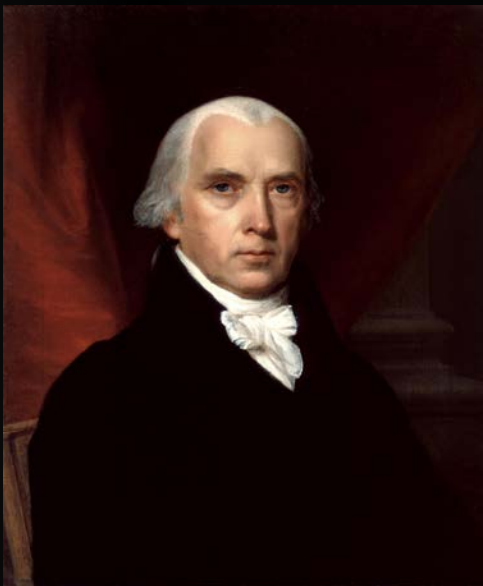


1,337 words

“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!»**



THEN, PEOPLE THINK DIFFERENTLY!



*THE MEANING
OF
A “YOUTHQUAKE”*



UNDERSTANDING MILLENNIALS (age 18-35)



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



**THE “SELFIEs”
GENERATION**



ESCAPING REALITY...

Time spent
with a screen



SMARTPHONE



TV



PC



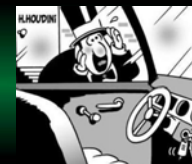
TABLET

90% CHECK SMARTPHONE



WITHIN 15min. WAKING UP

65% PREFER LOSING THEIR CAR



RATHER THAN THEIR PHONE



UNDERSTANDING MILLENNIALS (age 18-35)



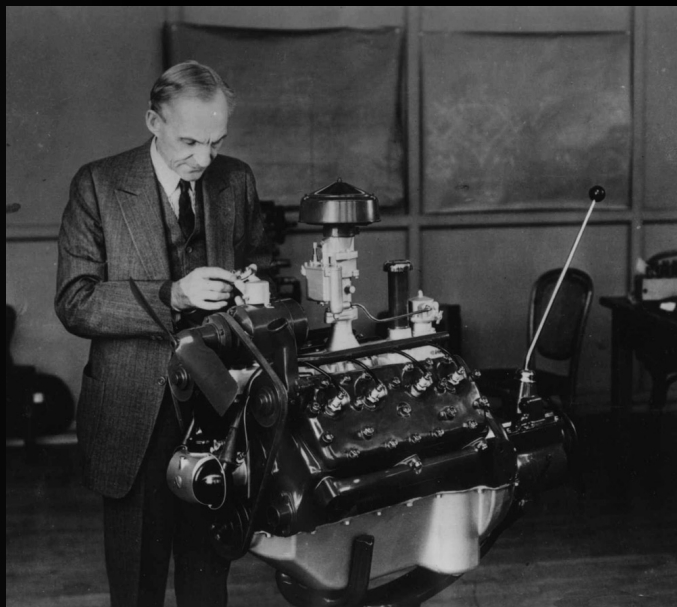
“MEISM”
Self
Fulfillment
and
“Narcissism...”

**LITTLE
AFFILIATION**

Political, Religious...

CONCERNED
State of the World





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





BEING TRANSPARENT?



ALAN GREENSPAN
1926 -

**“IF I SEEM
UNDULY
CLEAR TO YOU...**

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



UNDERSTANDING MILLENNIALS (age 18-35)



MEISM

Self
Fulfillment
and
“Narcissism...”
”

ENTITLEMENT

Demanding
And
Intrusive



LITTLE AFFILIATION

Political, Religious...

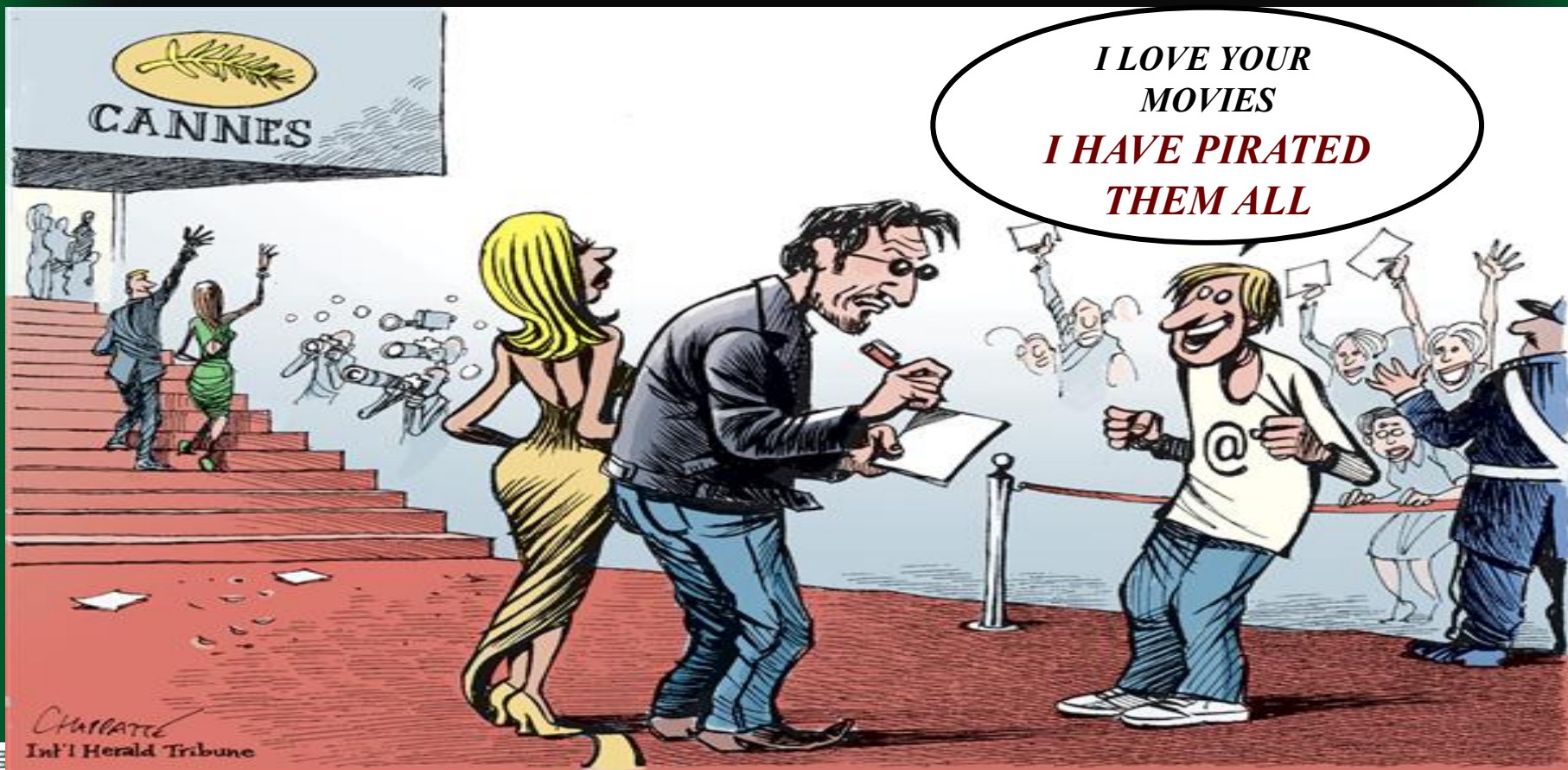
CONCERNED
State of the World



OWNERSHIP (SHARING)

“Free is Cool!”







THERE IS NO FREE LUNCH...



IF YOU THINK THAT A PRODUCT IS FREE

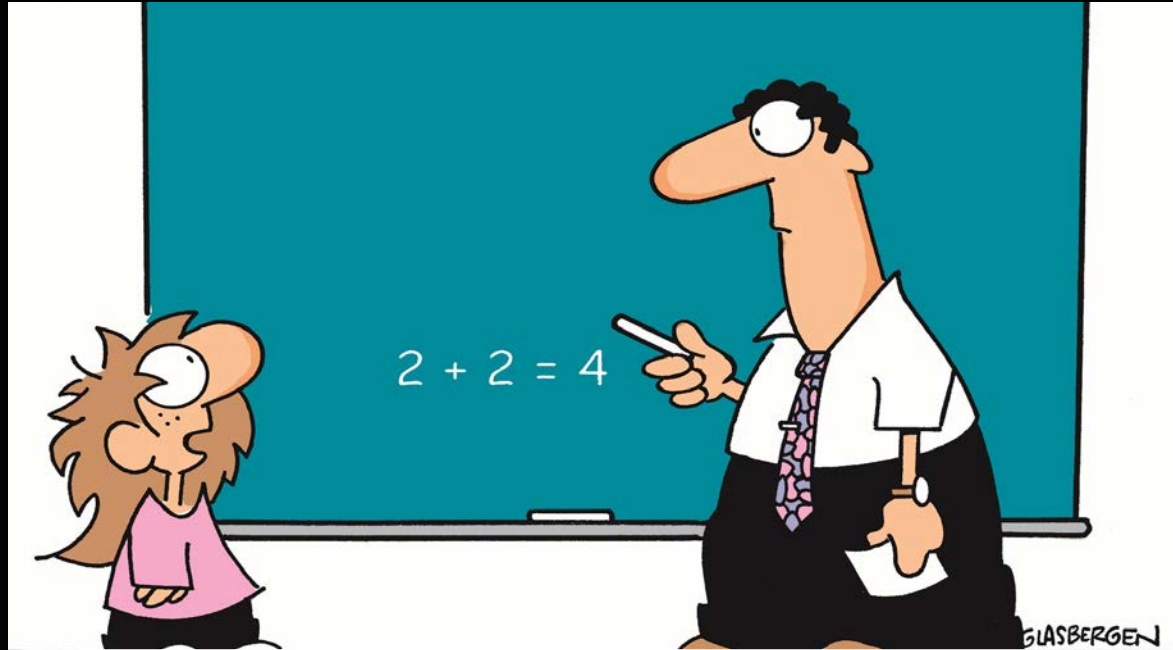
THEN YOU ARE THE PRODUCT!

TIM COOK, CEO APPLE



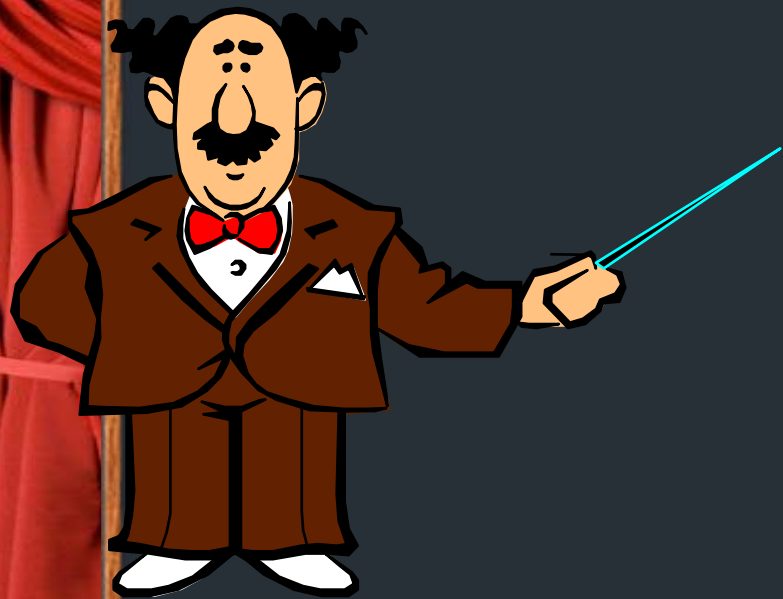
MILLENNIALS LEAD THEIR PARENTS

42% OF **facebook** USERS ARE OLDER THAN 45 YEAR OLD



“HOW CAN I TRUST YOUR INFORMATION WHEN YOU ARE USING...

SUCH AN OUTDATED TECHNOLOGY!



THE RIGHT MINDSET...



RESILIENCE...



EPICTETUS

55- 135

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

**BUT HOW
YOU REACT TO IT!**



CHANGE IS PART OF US...



BRAIN

“QUALITY” CHANGE

NEANDERTAL = 1'600cm³

TODAY = 1.400 cm³



CELLS

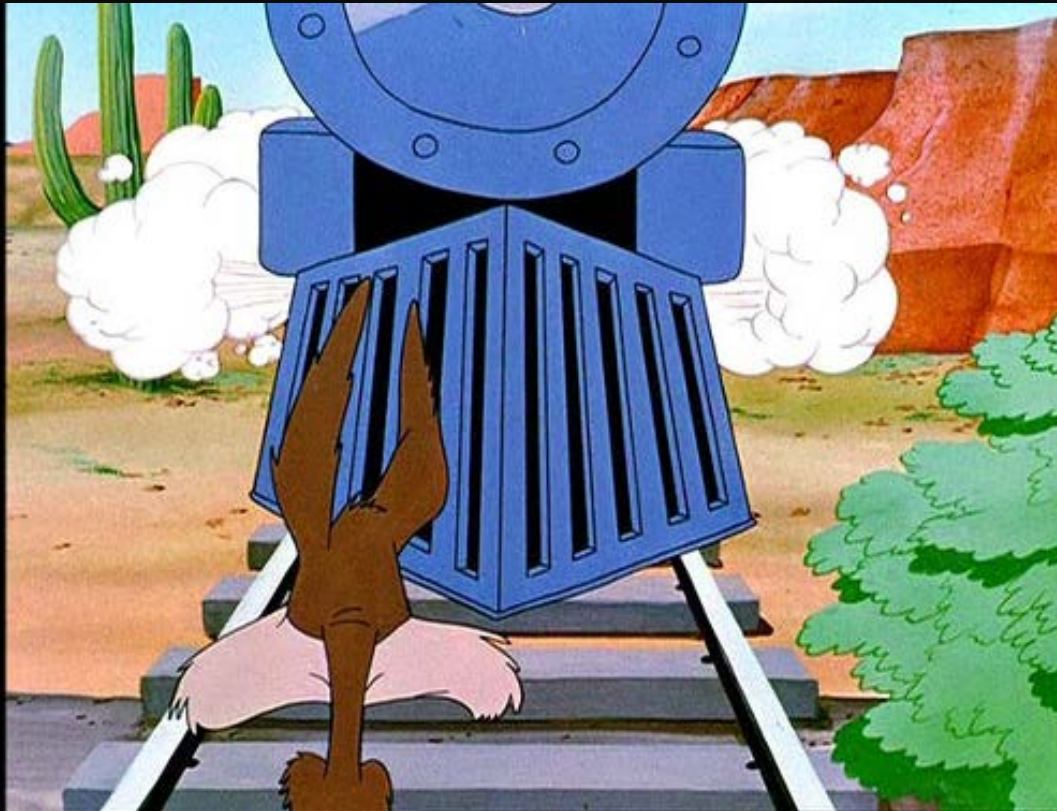
“ONGOING” CHANGE

**MOST OF YOUR BODY CELLS
ARE RENEWED WITHIN**

3 YEARS!



CHANGE BEFORE A CRISIS?



“SO FAR SO GOOD ...”



A TIPPING POINT...

C
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SOPHISTICATION



COMPLEXITY



PETER DRUCKER,
1909 - 2005

« THERE IS NOTHING
SO USELESS
AS DOING
EFFICIENTLY

SOMETHING THAT
SHOULD NOT
BE DONE AT ALL... »



THE RIGHT THING...



***« ON THE OTHER SIDE, THE WATER IS SUPPOSED
TO BE ON THE OTHER SIDE! »***

Robert J. Day, Oct. 13th 1934, The New Yorker



BE POSITIVE...



MARK TWAIN
1835 - 1910

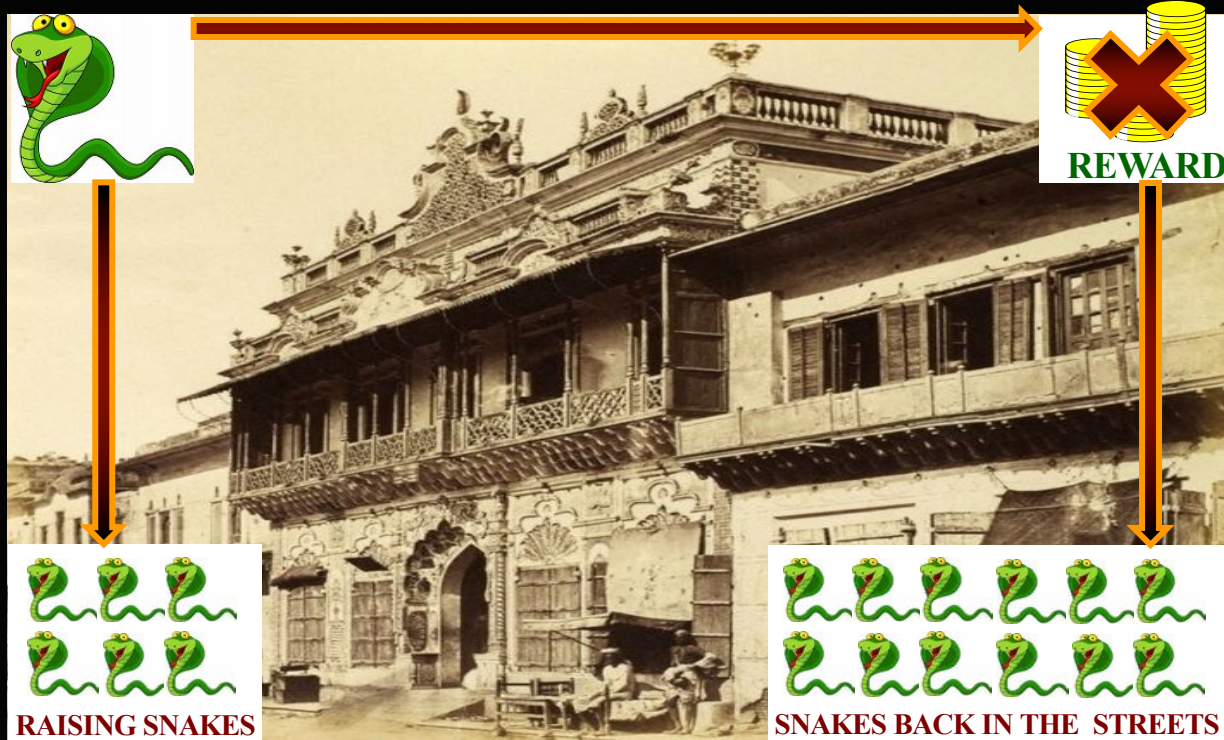
**I HAVE SPENT MOST
OF MY LIFE**

**WORRYING ABOUT
THINGS
THAT NEVER HAPPENED!**



BUT BEWARE OF THE LAW

OF “UNINTENDED CONSEQUENCES”



OLD DELHI – BRITISH COLONIAL TIME



A WORLD OF INTERFERENCE...



**JEAN PAUL SARTRE,
1905 - 1980**

**« IN FOOTBALL,

EVERYTHING
IS COMPLICATED

BY
THE PRESENCE
OF THE OTHER TEAM! »**