

CRISIS MANAGEMENT:

8 Dangers for 2023

New Business Opportunities

8 Dangers for 2023, New Business Opportunities



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Geopolitical Crisis

The perspective of a new international order brought by the Russian invasion of Ukraine

- The end of “Wandel durch Handel” (change through trade): with the invasion of Ukraine, Russia has challenged the foundational security arrangement in Europe built on legal, political, and economic treaties, and therefore ends the long-held belief that economic integration prevents war
- The war is likely to continue throughout 2023: there is no sign of a potential peace treaty
- Towards a new world order by 2040: these geopolitical events bear the potential of creating a new world order in the coming decades. One where no single state will dominate all regions or domains and a broader range of actors will compete to advance their ideologies, goals, and interests in various fields, and where national borders will have less meaning for actors with imperial ambition



A revolution in the defense paradigm

- Increase of military budgets around the world as a direct consequence of the war
- Armies, especially in Europe, face the urgent need of restructuring, modernization, and digitalization to be able to face a full-scale war. They will need to conduct changes in all strategic domains, as well as the organization of their services

How to ensure business resilience amid geopolitical crises

- Global companies will have to adopt resilient strategies to survive these geopolitical shocks and continue to grow and efficiently serve their clients
- Companies will have to build resilience across 6 dimensions: business model, reputation, organization, operations, technology, and finance



The end of **Wandel durch Handel**

€100 billion mobilized by Germany for the defense budget

The **splinternet** – the new challenge for global companies



Covid-19 Pandemic

The Covid-19 pandemic has highlighted the healthcare system's lack of readiness:

- 7 million deaths worldwide in two years and long-term effects on physical and mental health
- Lack of hospital beds, nurses, and doctors
- Lack of clear leadership globally and locally; science and politics are at odds
- 25% increase in anxiety and depression worldwide triggered by the pandemic
- Negative consequences on education and decline of social learning

The Covid-19 crisis has had numerous implications in the professional environment and public policy:

- Businesses have been challenged to quickly adapt and comply.
- New Ways of Working (NWW) have become much more prevalent, involving remote, part-time, and flex-time models.
- Anticipation response in healthcare (bed management optimization...)
- Government action increased (EU Recovery Plan)



7 million deaths worldwide in two years

25% increase in anxiety and depression
worldwide triggered by the pandemic

16% of companies now **fully remote** globally



Economic Disruption

Stagnation of global GDP in the second quarter of 2022, and decline of the G20 economies' output.

Ruptures in the supply chain

- Lowest cost locations, Just-In-Time (JIT) production and distribution
- Procurement issues stop manufacturing
- Transport issues create logistic logjams
- Scarcity of basic goods and services (food, gasoline, heat...) are compounded with rising costs and social anxiety

New galloping inflation

- After 30 years of historically low inflation, a sudden spike over the past year (global inflation rate close to 9% by the end of 2022) with rising interest rates

Economic instability increases pressure on business

- Inflation affects consumers and companies, triggering efficiency and cost reduction needs



Stagnation of global GDP in the second quarter of 2022, and decline of the G20 economies' output

Global inflation rate close to **9%** by the end of 2022

FDI flows to developed economies decreased by 22% in the 2nd quarter of 2022 (compared to the average quarter of 2021)

Climate Emergency

Climate crisis includes all the recent phenomena of the planet's climate transformation:

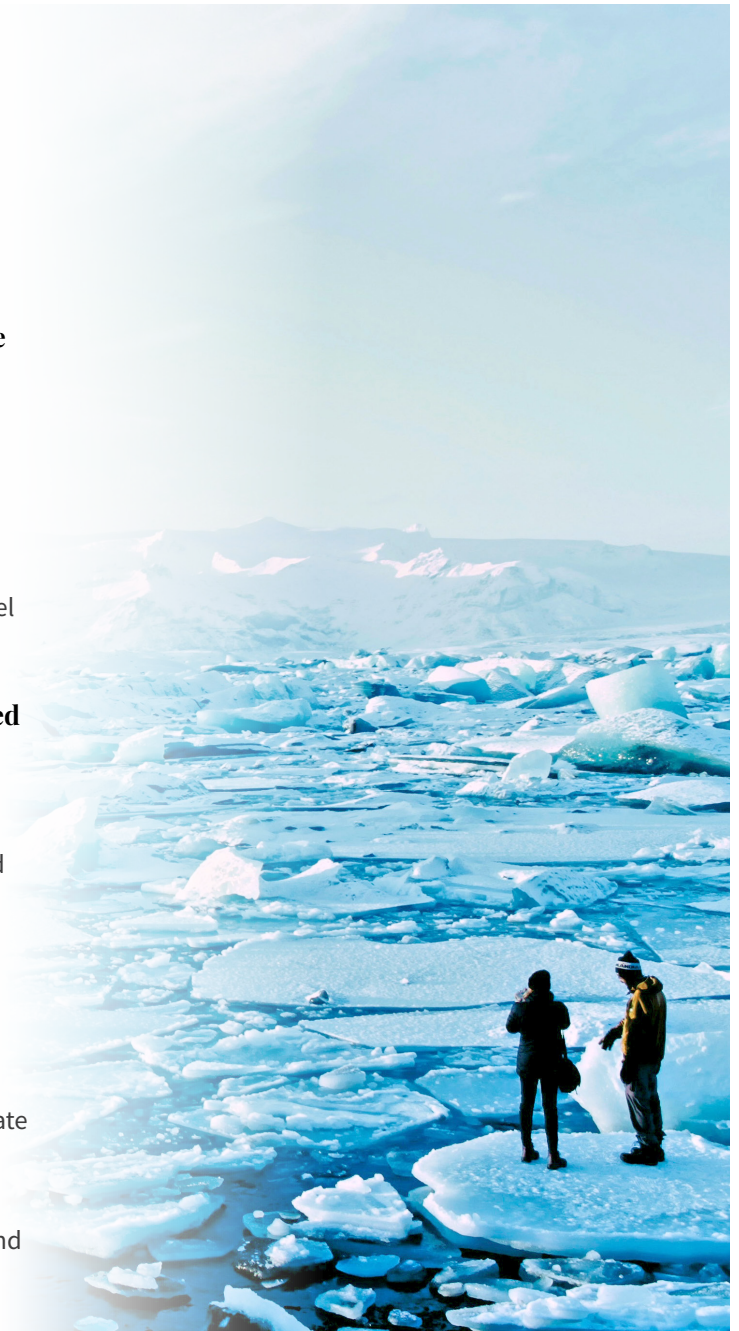
- Climate change disrupts and degrades the planet's ecosystems due to the emission of greenhouse gases
- Impacts on our food security and the planet's biodiversity
- Gives rise to a water crisis: drying up of lakes, rivers, and seas; melting of glaciers and polar ice caps; rise in sea level

Energy crisis: Russia's invasion of Ukraine has reshaped the energy world

- Extreme price volatility and raw material cost inflation
- Rising costs in energy-intensive industries lead to reduced use or closures

Creation of new markets and implementation of sustainability projects:

- The crisis is spurring new investments: new paths to climate resilience
- Industries are striving to decarbonize their businesses
- ESG standards are increasingly important, and sobriety and restriction are at the heart of concerns



The rate of warming since 1981 **more than doubled:** 0.32° F (0.18° C) per decade

45% of the EU's natural gas exports come from Russia

The global ESG and sustainability consulting market will reach **\$16 billion** by 2027

Deglobalization

Deglobalization driving forces

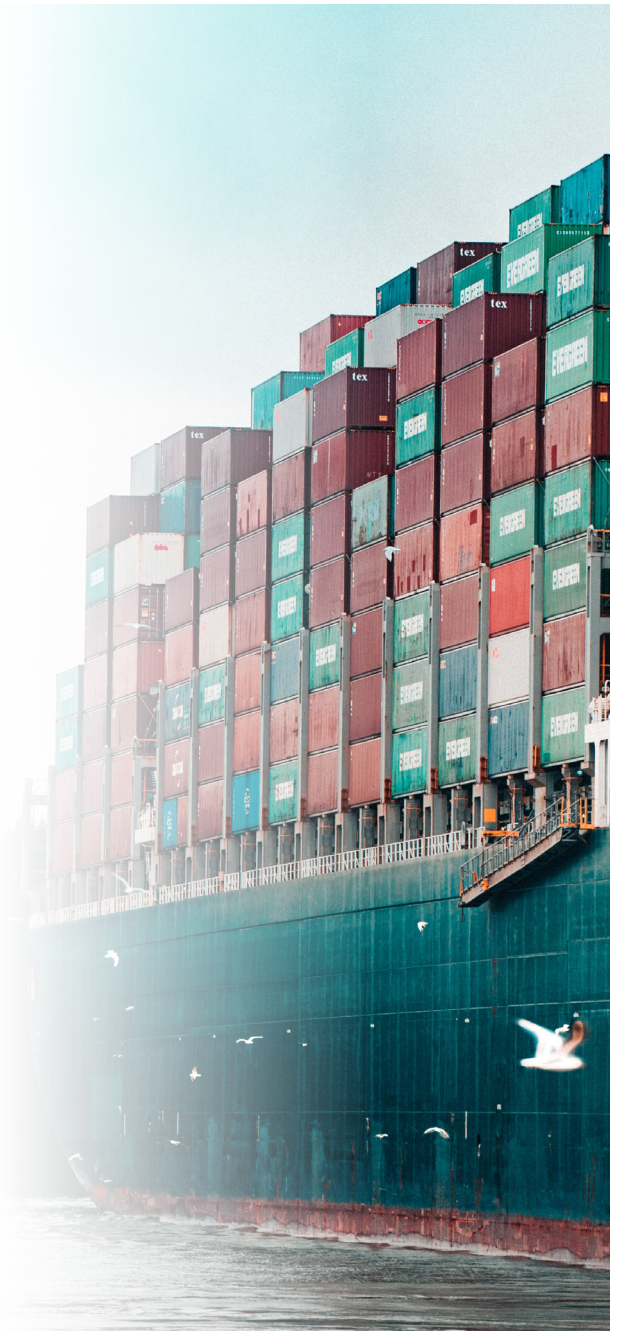
- COVID pandemic, geopolitical tensions, economic disruption, climate-induced shocks
- Decreasing influence of global governance institutions (WTO, UN) in a world split into various antagonist groups that no longer respect the rules set by these organizations (nondiscriminatory policy/ free trade). This split is contributing to complex geopolitical challenges, which are slowly leading to changes in trade partnerships & regionalism over globalization

Some trends of deglobalization

- Tariffs, closing of barriers, protectionism (Inflation Reduction Act)
- Increase of the transports and logistic costs
- Change of paradigm: growing emphasis on the imperative of technological self-sufficiency as matter of national security & friend-shoring as a new way of production

What's next? A shift towards global and local collaboration

- A new path to choose between physical and virtual fragmentation - or integration - across different areas and markets
- Companies will have to become more resilient and agile in terms of their production re-localization and supply-chain re-organization



The World Trade to GDP Ratio decreased from **61%** to **52%** between **2008** and **2020**

85% of critical semiconductor products for business & governments are produced in Asia

Turkey, Serbia, India and **Vietnam** represent friend-shoring alternatives to China

Technological Threats

Dependence on technology: we are all increasingly connected and our activities are progressively digitized

- Digitalization, new technologies, and artificial intelligence bring real benefits to companies working to adapt to their market and better meet their customers' needs
- Sectors such as transportation, energy, healthcare, and finance have become increasingly dependent on digital technologies to conduct their core business
- Omnipresence of technology: on-site IT management is being replaced by off-site cloud-based servers and software as a service (SaaS)

Digitalization also exposes the economy to cybercriminality

- Cybercriminality refers to criminal activity carried out through cyberspace and the Internet
- Major risk for all growing countries and organizations, as more and more companies fall victim to cyber hackers
- Digitization exposes the economy and society to cyber threats and results in significant financial losses

Implementation of cybersecurity & AI projects as a response to external technological threats:

- Cybersecurity projects address threats that may or may not exist in cyberspace, such as protecting social media accounts and personal information
- All companies should be able to fully benefit from reliable and trustworthy digital services and tools: European Cyber Resilience Act (CRA)
- Certification plays a key role in ensuring high cybersecurity standards for ICT products, services, and processes



A company that fails to adapt to digital will lose **20%** of its operating income

A hacker attack takes place **every 39 seconds**

25% or fewer companies follow basic cybersecurity best practices

Crisis of Confidence

Institutional crisis has crept into our global and local politics, instilling doubt and anger

- Trust is an essential ingredient for social and economic progress. It cements the social contract between governments and the public, and allows public bodies to successfully plan and execute policies and deliver services
- But the OECD reports that there has been a worldwide decline in trust in public institutions in recent decades
- The current crisis of confidence in public institutions is contributing to, amongst other things, support for extreme political views, increasing public discontent, protests, and in some cases violent conflict
- Rising inequality and economic disillusionment are accelerating public distrust



How to sustain public trust in government?

Governments will have to enable citizens—especially those from traditionally marginalized or underserved groups—to participate in the decisions that affect their lives, while communicating policies regularly and in plain language.

- Tackle the “infodemic” crisis (Edelman trust Barometer 2021) by addressing misinformation, disinformation, and fake news through various initiatives
- Expand civic participation: digital tools and platforms can be used to enable citizens to climb the “ladder of participation”
- Define data strategy in a way to ensure more transparency: allow citizens to control and revoke access to personal data



The confidence or trust in Governments fell **10 points** between **2006** and **2019**

Fake News & Deep Fakes as major threats to modern democracies

57% of the population worry that **government & business leaders** are purposely trying to mislead people

Future of the Enterprise Model?

Crisis of the traditional model and the enterprise model?

- Companies are disrupted by many external and internal factors: remote working, Covid crisis, digitalization, high turnover
- New models of governance are emerging with collective decision-making methods that flatten hierarchies and aim to establish a new balance of power between all the company's stakeholders (horizontal hierarchy, etc.)
- New perspectives in terms of organization with the rise of the extended enterprise, which extends to external partners, experimentation of the 4-day week, development of cooperatives
- Rise of platform economies and new business models with flexible jobs, freelance, contractors

Introducing new ways of working into enterprises is becoming increasingly relevant:

- Companies are faced with many challenges including the need to respond to the new environment
- Need for innovation in management, especially in the fields of ecosystem design, organization, human resources, training, engagement, upskilling



80% of workers surveyed claim that they are 'as productive' or 'more productive' when not in the office; their managers say the opposite

79% of people believe a four-day week benefits companies and employees

Employment of management consultants is expected to grow by **11%** between 2021 and 2031

Who We Are

We are a major international network of consulting firms that we like to call *Citizens*.



12 **citizens:**
diverse, independent
consulting firms

30 **countries:**
in Europe, Americas, Asia,
Oceania and Africa

71 **offices:**
in most major cities in the world

3,000 **consultants:**
professionals in the global
Nextcontinent network

Vision

Who do we want to be in 5-10 years?

We will be competing successfully in the top tier of the management consultancy market as a big, broad, strong international network of independent consulting firms, having aggregated all our strengths.

We will be known for maximizing results for clients through local and global expertise.

- Recognized as an attractive, alternative model to traditional global consultancies — differentiated by being more pragmatic, outcomes-focused, people-centred, tailored in approach, and attuned to local client cultures
- Seamlessly collaborating to innovate and deliver the results that matter most to our clients — unlocking value through synergy of worldwide expertise and local market knowledge
- Stronger together — each Citizen's independence strengthened through our global reach, blending world-class teamwork with agile, flexible, personalized service to local clients

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Thank you

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