

SPOTLIGHT

Sharing insights from Brunswick colleagues around the world on a medley of topics.



THERE ARE (AT LEAST) FIVE reasons many European policymakers see the rise of populism as a key preoccupation for the next few years.

First, the European elections scheduled for May 2019 (a few months following Brexit) may upset the political balance, resulting in a Parliament heavily influenced by nationalist and euro-skeptic forces. The center-right European People's Party will remain the strongest but could be weakened. The center-left Alliance of Socialists and Democrats will be significantly diminished, reflecting the collapse of socialist parties. The core block of these two parties may no longer form a reliable majority, especially if (as appears likely) the liberal pan-European En Marche!

POPULISM TROUBLESOME SIGNS FOR THE EU

FIVE TRENDS bode ill for stability, says Brunswick's Tony Gardner.

underperforms anti-EU political parties like Italy's Northern League and Five Star Movement.

A fractured European Parliament would be a less effective co-legislator with the Council (representing the member states). Some states may seek to diminish

the European Commission's (EC) executive prerogatives by sending euro-skeptic commissioners to Brussels and stalling legislation. Member states may move ahead with their own legislation such as digital sales tax, resulting in greater EU market fragmentation.

Second, Italy has resurfaced as a major source of economic and political instability. Although the Italian Government is highly

unlikely to carry out a referendum on the euro or EU membership, it has shown an eagerness to confront the EU. That threat has reawakened fears in global financial markets about Italy's growing sovereign debt (€2.3 trillion, more than 130 percent of national GDP). Italian banks' balance sheets could once again require strengthening if the sovereign debt value is written down. The tension between Rome and Brussels is also an unwelcome distraction: Italy needs to reignite growth after more than a decade of stagnation. If it fails in that mission, the result may be greater populism and euro-skepticism.

Third, the EU is facing a remarkable challenge to its core values and laws. After the

Parliament censured Hungary for breaches of the rule of law, the nation appealed to the European Court of Justice in Luxembourg (the EU's highest court) and refused to address EC's concerns. Hungary might defy the court, unlike Poland, which agreed to amend a law on its judiciary only after the court upheld the EC's concerns. If Hungary does so, the stage will be set for a conflict that would embolden euro-skeptics and potentially tear the EU apart.

Fourth, Germany's ability to continue providing direction may diminish. Chancellor Merkel's

Christian Democratic Union has weakened in national and regional polls, at the same time that her sister party, the Christian Social Union, has lost its historic dominance in Bavaria. The grand governing coalition of CDU-CSU with the Social Democratic Party faces tremendous uncertainty. Merkel has given up party leadership and some speculate that she may not finish her term.

These trends are occurring at the same time as Brexit and political fragmentation across the Continent. France and the UK have complemented, and

counter-balanced, German power at the heart of the EU. If the UK leaves as planned and French loss of political prestige persists, the European project would become even more unbalanced. Diminished leadership in Berlin, furthermore, may mean even greater unwillingness to make bold moves to secure Europe's future, including partnering with Paris on eurozone reform.

Finally, external factors such as migration, Russia and the US add spice to this witch's potion. Although the flow of migration from Northern Africa and the

Middle East remains under control, it may re-emerge as a potent contributor to European extremism. While Russia has sought for years to magnify Europe's divisions, its interference in European elections is new. And in the US, the White House, abandoning six decades of bipartisan foreign policy in favor of bilateral and transactional relationships with national capitals, now hopes for further member exits from the EU. ♦

Tony Gardner is a Brunswick Senior Adviser in London and a former US Ambassador to the EU.



PLAN for the Unforeseeable



LORD BALFOUR, A CONSERVATIVE Prime Minister, observed that the longer he continued in office, the more he realized that “Nothing matters very much and few things matter at all.” In 1902, with the British Empire at its peak, such lofty indifference may have constituted a sensible, pragmatic approach to almost any disaster which might then have befallen the nation.

In 2018, we have taken the opposite approach. The media would have us believe that there is a crisis every day. “A scared reader is tomorrow’s reader” worked well as a maxim in the newspaper world of print and it has lost none of its vigor as the world has gone digital. The concept of “crisis” has gone into the language of daily routine;

Success boils down to discipline, says Brunswick’s Rob Webb.

..... another day, another crisis, be it for the National Health Service, for the Prime Minister, for Manchester United’s manager, for whoever.

But real crises are still quite rare, at least insofar as they affect the population of the affluent West, where prosperity has grown steadily amid a consistent negative drumbeat from the ubiquitous prophets of doom. In the new volatility of our times, business events that threaten prosperity arise with an increasing frequency and can still properly be called crises.

For example, at British Airways, where I worked from 1998 to 2008, there were several corporate-threatening events: the attacks of

9/11; the SARS epidemic (now largely forgotten – it was worse than 9/11 for many airlines); the 2008 financial crash, which interrupted business traffic; and the physical crash of the Concorde into a suburb of Paris in 2000.

A disaster foreseen is usually a disaster avoided – it is the unanticipated ones that are the problem. No company should spend too much money preparing for the unlikely and the unexpected (snow at Heathrow is debatable as an example), but it must at the very least have a plan to deal with the unexpected, as a general concept. No one can know in advance what shape it will take, but that should not prevent planning and rehearsal to answer certain questions generic to all such events:

- Who does what? What will be the roles of the Chairman, the Chief Executive, the CFO?
- Who will take operational charge of the issues? Who will reassure the markets?
- Who will run the Company in the meantime?

Likewise the risk of certain events can always be addressed.

What happens if:

- The Head Office is blown up or flooded?
- There is a denial of service or other cyber attack?
- There is a fatal injury in a critical plant?

It is a potentially endless list, but unrehearsed means unprepared; too often we see the “nine-year-old football team” spectacle, where no one plays in position and all players crowd the goalmouth in the hope of being the one who puts the ball in the net. Even senior executives find it difficult to resist the desire to join in. Crises are exciting, discipline can be dull. Yet it is imperative that each should play to his or her own, pre-agreed positions.

So to the moral: Crises are not daily events, but in the life of corporations, they happen. The best preparation is to identify, in advance, not the precise form that the crisis will take, but who will manage it and then to ensure that such individuals know who they are and are properly practiced. ♦

Rob Webb is a Brunswick Senior Adviser in London.



WORKPLACE CONDUCT: Wake-Up Call

RESEARCH BY BRUNSWICK found a gap between how leaders view issues of workplace conduct and how non-leadership employees see them. In short, leaders are optimistic—and out of touch. The data, collected from a nationally representative sample of 1,000 US adults in August 2018, also found that workplace conduct issues remain prevalent across industries, and that employee trust is in short supply. Almost one in two workers believed HR would prioritize the company over employees.

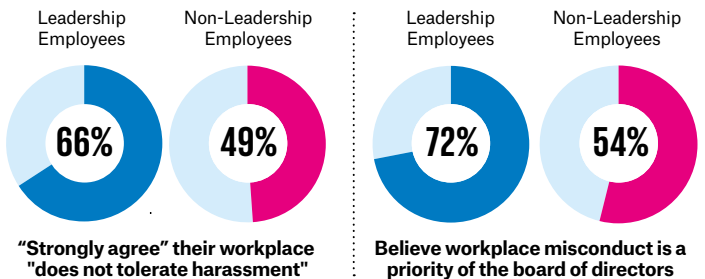
ONE IN FOUR AMERICAN EMPLOYEES have seen or heard of a workplace conduct incident in their firm in the past 12 months.

89% want to hear from their CEO about respect in the workplace, yet only 29 percent have.

THREE IN 10 EMPLOYEES believe discrimination is widespread in the workplace.

PERCEPTION GAP

Leaders are more likely than others to believe their workplace does not tolerate harassment and is focused on addressing misconduct.



BETTER GET A GO BAG

WHEN PETER HAMILTON stored a Go Bag in his office, his colleagues smirked. Then in 2003, midtown Manhattan lost power and Mr. Hamilton, with his Go Bag flashlight, became the office hero as he led those same colleagues down a dark stairwell.

The Go Bag may be the simplest bit of crisis planning that most people ignore. Governments around the world recommend it, but research suggests that only a minority have such a kit at the ready. The US Federal Emergency Management Agency estimates that 60 percent of American

adults are unprepared for disaster. Faced with the need to run from hurricanes, wildfires, terrorist attacks or floods, there is often no time, so a pre-packed bag can be crucial. New York City's Emergency Management website contains an entire section on Go Bags, and makes clear that one isn't sufficient.

"Everyone in your household should have a Go Bag," it says, adding it "should be sturdy and easy to carry, like a backpack or a small suitcase on wheels."

If it sounds like too much trouble for something that likely won't be used, consider that Mr. Hamilton has used his three times. First after 9/11, when his family's home just north of the World Trade Center lost power. Using the flashlight he always carried, Mr.

Hamilton climbed 16 dark flights to grab his and his daughters' Go Bags. That experience was what led him to keep a second Go Bag at the office.

In 2012, Hurricane Sandy left downtown Manhattan and much of the northeast without power. Their Go Bags kept Mr. Hamilton and his family fed, hydrated and armed with flashlights until



power in their home was restored.

Go Bags can be purchased online, with prices from \$70 and to \$300. Or they can be custom made. Mr. Hamilton's self-made bag contains a long-lasting LED flashlight, a multi-purpose tool, a basic first-aid kit, disposable respirators, work gloves, a portable radio, four water bottles, two mylar blankets, two giant black trash bags and separate small bags for carrying batteries and a cigarette lighter.

Other items to consider: a few days' worth of water and non-perishable food, a battery operated radio, toiletries, cash, copies of important documents, rain gear, medication and chargers for basic electronics. ♦

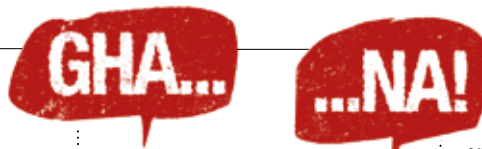
Gabrielle Ouaknine is an Office Assistant in New York.

AFRICA on Speed Dial

Ghana's mobile payments surge offers a lesson.

THIRTEEN PERCENT OF Ghanaian adults owned a mobile money account in 2014. In one sense, that's no real surprise. After all, everyone has heard of the mobile money revolution in Africa. But they tend to think Kenya and East Africa.

But Ghana? Not so much. In 2014, when The Wall Street Journal reported on how banks were vying for a piece of Africa's mobile money revolution, Ghana did not feature in the article at all. Zimbabwe was mentioned. Tanzania was mentioned. Neither of those countries were doing particularly well economically,



politically, socially. Meanwhile Ghana, one of the fastest growing economies in the world ... nope.

To be fair to The WSJ, Tanzania at the time had about 8 million mobile money accounts – over 10 times more than Ghana. Fast forward three years and Ghana (population 28 million) now has 11 million mobile money

accounts, up from less than a million in 2014. Between 2016 and 2017 the value of mobile transactions in Ghana rose by 97 percent to \$34.6 billion. It was \$45.3 billion in Kenya. According to the Consultative Group to Assist the Poor, Ghanaians are now even using their phones to buy sovereign bonds. In short, Ghana came out of nowhere to become the fastest growing and one of the largest mobile money markets in the world.

Berkshire Hathaway recently pumped \$600 million into emerging market fintech companies – the surest signal that fintech is mainstream, ordinary. Ghana, on the other hand, is proof that the technology leapfrog is both possible and plausible.

To understand the potential for Africa to use technology as a developmental leapfrog, one must in part unravel Ghana's rather

curious mobile money experience. How did it go from laggard to mobile banking vanguard? Rather predictably and boringly, through regulatory changes.

Ghana had well-intentioned regulations aimed at financial inclusion, but which proved to be a barrier to mobile money investment. The Central Bank re-examined those regulations and changed them – voilà, revolution.

This serves as a cautionary tale about Africa's development. For economies to grow, to attract investment and enable technologies that will unlock Africa's demographic dividend – rather than doom a continent that will soon have roughly the same population size as Asia – governments must matter, policy must matter and politics must matter. ♦

Itumeleng Mahabane is a Partner in Brunswick's Johannesburg office.

CORPORATE Pre-Mortem

Brunswick Insight's Robert Moran asks, how is your company likely to die?

CORPORATIONS ARE FOCUSING more on risk identification and mitigation than ever before and corporate risk committees are increasingly being used to scan the horizon for emerging risks.

But, are they crowdsourcing these risks with their employees?

Brunswick Insight did this by surveying 601 US employees at large corporations (1000-plus employees). We asked them a range of questions including 1) how likely they think it is that their employer will survive the next 10 years and 2) if their employer were to go out of business, what would be the main cause of corporate death?

What did we learn from this corporate pre-mortem?

First, nearly four in 10 (37 percent) of American employees at large companies aren't convinced their firm will survive



another decade – 63 percent think their firm is “very likely” to live another decade, but everyone else is less convinced. For our study, we divided corporate culture into eight descriptive categories, based on three binary attributes: whether their approach was more proactive or reactive; whether there were many or few decision makers; and whether the time focus for leadership was more short-term or long-term.

As you might expect, cultures with the greatest expectation of survivability were in categories identified to have proactive,

long-term approaches. They were consistently seen as more trusted and resilient. Those with the lowest expectation for survival were both more reactive and relied on fewer decision makers.

But, what do employees think will kill their companies?

Employees are skeptical that a big scandal or crisis, the corporate equivalent of an asteroid strike, will destroy their business. Only 10 percent listed such an event as a likely cause of death. On the other hand, 26 percent identified simple, garden variety mismanagement by leadership as a likely cause –

the accumulation of small, bad decisions. Employees in firms with short-term decision-making by a small group of leaders were more likely to select this cause.

Others saw competition as the biggest threat – 15 percent selected existing competitors and 14 percent new competitors.

New technology followed closely, selected by 13 percent. This was the trend consistently cited as the most challenging over the next decade – more than social change, economic turbulence or environmental issues.

The next most likely cause of corporate death is the sin of omission – “failing to take advantage of new opportunities” at 12 percent. And rounding out the list was lack of demand, a good reminder that this age-old pressure remains our first competitor.

In sum, employees seem to believe that while corporate crises and scandals are common, they are less deadly than bad management, competitors old and new, and disruptive technology. ♦

Robert Moran is a Partner in Washington, DC and Head of Brunswick Insight, the firm's public opinion, market research and analytics arm.