

THE MANAGEMENT GURU PETER DRUCKER SAID

mankind's greatest technological revolution was irrigation, 7,000 years ago, because it led the way to the civilisation of cities along with specialisation of labour that is still the foundation of how we live. He also believed that technological revolutions bring on great political and social changes. They don't just create them but almost force them into existence.

It feels as if we are in such revolutionary times, like the industrial age or the railway age, both driven by tech jumps. Our age is defined by the technology of connectivity. While it probably began with the invention of the telephone, global connectivity in its current form came to life less than 40 years ago with the creation of the internet. The Duke of Wellington was concerned that railway technology would have a serious social impact because it would "connect the discontented masses." Imagine what he would feel about WhatsApp, Weibo, Instagram or the coming metaspaces.

Technology transformations seem to accelerate. Orville and Wilbur Wright, and their team of bicycle enthusiasts, got up the first powered flight in 1903. Thirty years later we still had biplanes. Thirty-some years on and we had Apollo 11. Now we are flying helicopters on Mars. It seems pretty clear though that in the age of connected technology we are only a few decades in.

The power of our new tech has already shown us that, as William Blake said, "What is now proved was once only imagined." Mr. Musk and Co. epitomise that thought—but we must surely be ready for an enormous amount more happening even faster and, importantly, we now see more and more of those political and social changes coming.

These are the challenges for which leadership has to be ready. In a few short years we have felt the seismic shift from purely shareholder to stakeholder capitalism and everything that is beginning to bring. With the new technology powers so widely distributed in the world and the energy behind so many challenging issues, I believe there is nothing short of a revolution coming for leadership in business.

GAME CHANGERS

The technology drivers of the coming revolution are already ubiquitous in our lives. Information sharing, in every form, and data processing, in every form, are two of the meta game changers in the world. They not only bring change, they enable the acceleration of it and the societal and political impacts Drucker described.

The business of sharing data for people everywhere leapt forward in 2007 when the iPhone put smartphone technology in everyone's hands. It powered up the likes of Facebook, which had launched only three years before, and once it went mobile, social

media began its development as a truly global activity. Fifteen years later these two companies combined are worth over \$3.7 trillion. So we can quantify their value and user numbers, but it is much more difficult to quantify societal and political impact or to predict how these breakthroughs will continue to impact the role of business and therefore leadership.

Social media has not only changed where conversations are taking place and who has a voice in them, it has changed the dynamic of conversations. The energy with which views are expressed—with a vehemence at the extremes that appears to dominate the public sphere—has changed the nature of conversations, not just their content.

There is no longer a singular public opinion, but a galaxy of views, beliefs, opinions and facts that surface and swirl on every topic. They may be billions of individual dots but the way we are all connected to single events live, as they happen, intensifies and amplifies those feelings through the echo chambers of modern media. Almost as it happens billions of people all see the baby lifted over the barbed wire of the Kabul airport and feel the emotion of that. So it is not just sharing information or data, it is creating kinetic waves of emotion that washes up all over the world, changing our social landscapes.

The connectivity of people and ideas is directly connected to the second transformative power—the business of capturing data and using analytics at scale. The sheer volume of data that can be captured is multiplying by the billions in the internet of things.

It is arguable that virtually every business is a data business. Certainly, every part of business activity is informed and changed by data and analytics. The amount of data shared and the transparency it creates on so many issues is changing the process of decision making. Whether it be climate change or inequality, the data is transformative, and more and more is available more widely all the time.

For many businesses this has coalesced around demand for the evolving ESG metrics. As a revolution it is interesting because it is not just bottom-up; there are pitchforks in the hands of the aristocrats as well. Asset owners are pushing asset managers to be, at minimum, more cognisant of the externalities of their investments. ESG is still fundamentally a set of risk metrics for investors—but they are being used by investors to push for and permit change in corporate behaviour. And the money is already moving fast. In the space of a single quarter—from Q4 2020 to Q1 2021—the value of assets under management committed to achieving net zero jumped from \$9 trillion to \$32 trillion.

This is just the start. The next generation of data will enable a much fuller and more detailed analysis of any organisation's total

# The Coming Revolution

external impacts. This will influence fund managers' decision-making even more significantly.

## THE ACCELERANT

Leadership has adapted to these changes in a manageable way over the last decade. Then COVID became a massive accelerant.

Throughout the pandemic we have seen so many deep societal issues surfacing and with increasing intensity. All over the world people are finding their voice and amplifying it through new media. There is a long list of critical and sometimes painful issues on which demands for change are growing stronger.

In some cases, we have seen a call so strong it aims to bring down the current system because it seems as though it is failing too many people on too many issues and incremental action is not enough. Capitol Hill, Belarus, BLM, CO2, gender ... it is a long list. The issues and places may be different, but it is as if the light shone on a familiar scene has changed. So many things are now, or are becoming, quite simply unacceptable.

The pressure is growing partly because of the massive growth in data bringing them to life and partly because it is being shared so effectively with individuals and communities that will mobilise to deliver change. The perceived failure to deliver progress creates a bottleneck of pressure that is concentrating energy even more.

For businesses, these new dynamics impact all stakeholder groups. Many institutions, as well as even regulators and politicians, are becoming more animated or activist. Every stakeholder group is seeking to define itself more powerfully by taking a stand on a much wider range of issues.

For leadership, it has now become essential to be clear on your corporate position. But the new demand is not just a point of view about what you want to say; it is for action, which is a big change in itself.

The above speaks to the social revolution, but what of the impact on politics?

Sadly, politics has been woefully ineffective in dealing with so many of these major problems. So an erosion of public trust that started decades ago continues to grow.

Politicians are seen not to have delivered solutions on climate change or the environment, on the huge inequalities of race or gender. Amid the pandemic few politicians or administrations have been seen as successful; instead they have looked overwhelmed, bungling or outright dangerous.

Historically, these pressures for societal change remained in the political arena and rarely crossed into the business world. In many ways business was happy to stay in a different world and politicians, for their part, could blame them from afar.

Who will the world turn to for solutions?

## NO LONGER ON THE SIDELINES

The focus is naturally turning to the people who are seen to have vast resources and great competence to deliver. Business was already being more directly linked to the major societal issues because of the world's increasing ability to better understand and

measure their externalities. Just as businesses are seen to have played a role in creating the issues we all face, now they are increasingly also seen as a potential part of the solution. It is businesses that have created the lifesaving vaccines, it is businesses that have kept food stores open, and delivered goods and services to our houses and screens. The ratings for business and business leaders have gone up for the first time in decades.

It isn't just that business has shown during the lockdown that it can cope effectively with sudden and dramatic change. It seems that business people are the ones actually bringing so many of these changes into our lives. They are doing the unimaginable. It may well be in partnership with academia or it may well be partly funded by government, as Apple was originally. But business is most likely to create the new greener energy. It will create new jobs in new industries, the next set of wonder drugs to deal with cancer and Alzheimer's. So it can create change through transformational applications of new technologies but it can also create significant social change just through its way of doing business.

All of us know that virtually any company can create some degree of greater diversity and inclusion if it really commits to it. We can all lighten our carbon footprint even if only a few of us can create a greener energy. We can improve the communities we work in and through our supply chains the quality of life for the people around the world we rely on to make our products. We can create jobs to lift women out of oppression and children out of poverty. We can create the wealth and taxes to fund health, education and our security.

Recognising that business is ceasing to be a separate and purely financially driven exercise in our societies is a big jump forward. So many companies we work with are now past the phase of mitigating or handling the impact of these changes; they are seeing the opportunities in this era of transformation.

Much of this shift has started quite recently but already Milton Friedman's free enterprise philosophy looks quite outdated in a world of cataclysmic climate change, growing inequality and nationalism re-emerging. There seems no doubt that the new order of stakeholder capitalism is here to stay.

This plays out in very different ways in different parts of the world, European capitalism is still different from UK, American or Asian capitalism and now the new Chinese capitalism is a major factor in all our lives. All of which now has to be factored in and all of which keeps moving.

In a number of markets, we are already seeing a response to the scale of business and its social influence. In the tech sector the politicians and regulators are clearly challenging the major platforms, not just on their market dominance but their role in being the guardians of the internet, a role the regulators clearly feel that they should play. In the same way, we are seeing increasing legislation on producer responsibilities, so self-regulation and neo-liberal views of Friedrich Hayek are clearly on the wane. So business is now also seeing the arc of popular sentiment playing out in the increasing activism of its staff, its regulators and the whole raft of its stakeholders.

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SIR ALAN PARKER

CHAIRMAN,  
BRUNSWICK GROUP



## STEPPING UP

Leadership has always needed to see what customers, suppliers or investors see or even feel. It is a new thought that a CEO has to not only understand but empathise with an NGO, an employee's or a regulator's point of view. We now see leadership having to process all these different, and often conflicting, views into their decisions in order to carry the necessary support of their stakeholders.

The shift to being required to take a position on issues outside of your organisation is dramatically different. These are usually topics with a lot of passion around them, from BLM and gender, dreamers to human rights, and more. To speak out and take a position has to be rigorously thought through, as it will invite challenge and must be robust enough to withstand it.

However, if speaking on such hot societal issues is a big change, the game has moved further, accelerated by COVID. What is now called for is not just vocal support but credible action that will make a difference, not just in your organisation but in the wider world. You may be part of the wider problem, but can you actively be part of the wider solution?

So the call has moved beyond individual company change, to

addressing broader issues in society and, in many cases, systemic change. The actions of many leading companies are showing what is possible.

Business has visibly risen to many challenges; through the pandemic we have seen how agile and effective corporate engagement can be. It has responded on many fronts with inspiring examples of creativity and positive action. We are seeing that business, at its best, is one of the greatest forces for progress on the planet. But we have to be at our best to meet today's challenges. In many cases this means urgent action. The call for climate action is no longer about *setting out plans* for 2030, it is about what can you *do* by 2030.

Peter Drucker pictured a well-educated Sumerian, who had worked on those transformative irrigation canals, looking at where we are now and saying to us, "A time such as was mine and such as is yours, a time of true technological revolution, is not a time for exultation. It is not a time for despair either. It is a time for work and for responsibility."

There are some very testing times ahead for all companies' leadership. The biggest shift is still to come. This repositioning of business and its role in society is a coming revolution. ♦