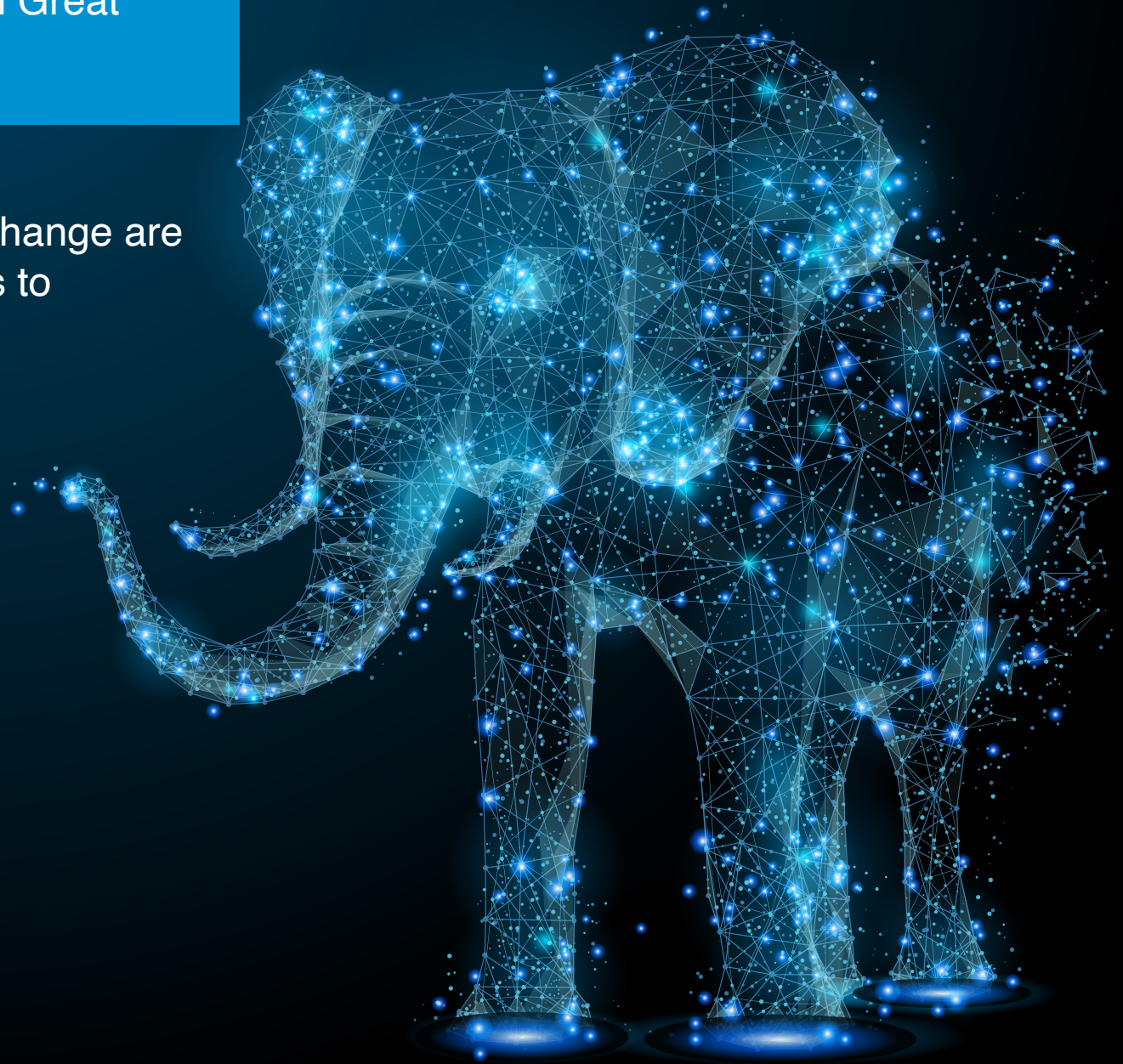


An Introduction to the Seven Great Grey Elephants

How seven mega forces of change are
colliding with the coronavirus to
transform the 2020s



Introduction


“A pandemic is a lot like a forest fire. If caught early it might be extinguished with limited damage. If allowed to smoulder, it can grow to an inferno that can spread quickly beyond our ability to control it” *said President George W. Bush* in a November 2005 speech at the National Institutes of Health. Yet at the start of the pandemic most countries were woefully unprepared, resulting in the narrative that Covid-19 was a black swan — an unpredictable event with severe consequences.

But, for years, people like Bush, Bill Gates and even our own consultants at TomorrowToday had warned of pandemics being a highly disruptive force. The coronavirus is what we call a Grey Elephant: A highly probable, high impact and yet ignored threat. And, the problem today is there is not just one grey elephant. There is a whole herd of them readying to stampede.

This handbook is designed to introduce to you the seven grey elephants sharply transforming the 2020s and to encourage you to reflect, ask questions and offer up answers. Any of the things we can imagine — pandemics, social unrest, political upheavals, water wars, rising food insecurity — might happen.

The key message: If we wait for a grey elephant to appear, it will be too late to prepare. So, expect the unexpected. Promote resilience. Protect the weak. Co-operate globally.

Use this handbook to think about what the future might look like and to stress test your business strategy. Imagine how employees, partners, supply chains and customers will change. Consider how you can satisfy new needs and what your organisation must do today to build competitive advantage in tomorrow’s world.



“If we wait for grey elephants to appear, it will be too late to prepare”

The Perfect Storm of the 2020s

The Perfect Storm is a film starring George Clooney and Mark Wahlberg. It tells the story of the *Andrea Gail*, a commercial fishing vessel caught in the Perfect Storm of 1991, a confluence between several powerful weather fronts and a hurricane. After ignoring repeated warnings and signs, the crew, driven by the confidence of past experience and a desire to profit from their catch, carry on as normal. They are never seen again.

During the 2020s businesses will face the confluence of seven powerful forces colliding with a pandemic which like a hurricane will amplify their impact. Coronavirus is not going away. We will have to learn to live with it. Nor should we be comforted that this is a 100 year event. By the end of the 2020s the world may have to contend with up to three pandemics warns the World Health Organisation.

Like the crew of the *Andrea Gail*, most organisations are making a few adjustments and then carrying on as normal, comforted by the knowledge that what got them here has served them well. They may never be seen again.

Enlightened leaders with their eyes tuned towards change are already striking out and finding new ground. They recognise that the best way to predict the future is to boldly create it and there has never been a better time to deliver value and impact. Using new strategies, leadership mindsets and business models, the leaders are leveraging the perfect storm as an opportunity to build resilience into their systems, and they have an agile and ready playbook.

Coronavirus is the metaphorical hurricane in the perfect economic and social storm. As it collides with seven grey elephants, the change organisations face in the 2020s will speed up and amplify.

The Hurricane(s): Pandemics are the result of two mega trends

From small hunting and gathering tribes to towering cities, humanity's reliance on one another has also sparked opportunities for disease to spread. Studies by the World Economic Forum show that the number of zoonotic viruses jumping from animals to humans has sped up at an alarming rate. Here is why.

By 2007 after 10,000 years of civilisation, fifty per cent of humanity or roughly 3.5 billion people had migrated from rural to urban areas. Incredibly this number will double in just over forty years. By 2050, seventy per cent of the world population or 7 billion people will be urbanised. So, what it took humanity 10,000 years to do will be done again, but this time at warp speed.

Through the combination of rapid urbanisation and the destruction of the wildlife ecosystems, illegal trafficking of exotic animals and wet markets, humans have created the perfect breeding ground for novel viruses.

This degree of migration on steroids combined with environmental destruction means that the probability of future pandemic disruption is extremely high. Don't be comforted by the idea that Covid-19 is a one-in-a-hundred years virus. The WHO predict up to three pandemics by the end of the 2020s. Pandemics are predictable and can and will come from anywhere.

Your strategies must be better prepared.

What it took humanity 10,000 years to do will be done again, but this time at warp speed.

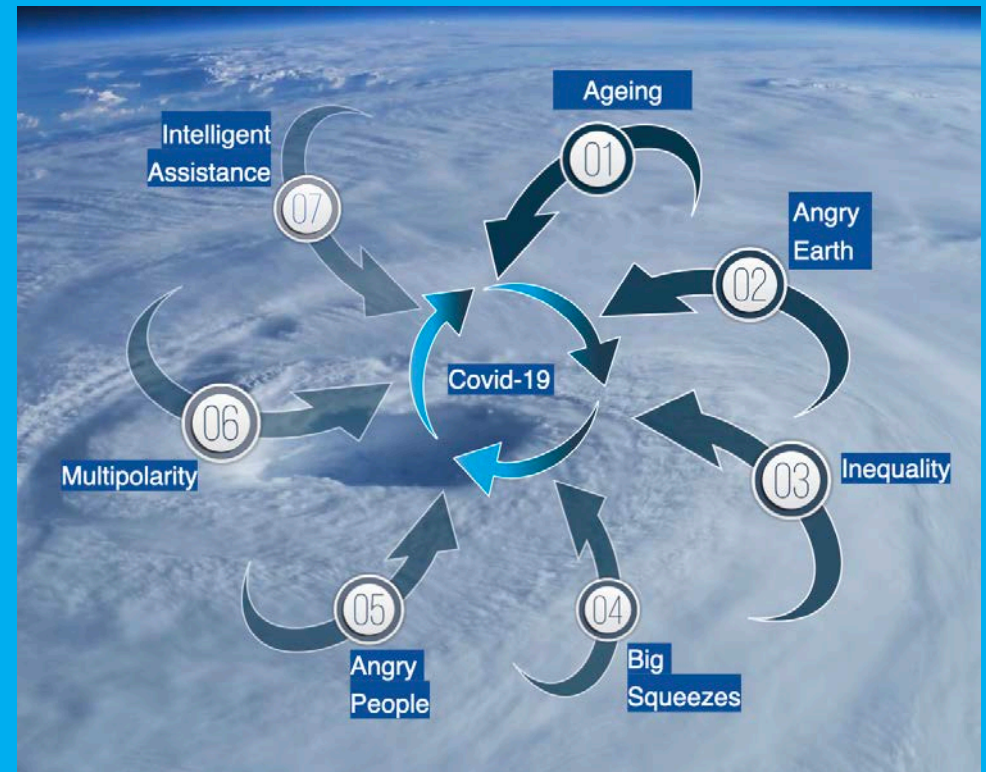
Seven Grey Elephants

In no particular order of threat or magnitude, the seven grey elephants defining this new age of humanity include:

1. Ageing
2. Angry Planet
3. Inequality
4. Big Squeezes
5. Angry People
6. Multipolarity
7. Intelligent Assistance

Combined these seven grey elephants will cause a sharp transformation. If you think the world has been changing fast, hold on to your seat.

Look back over history, there are moments when the forces of progress collide and afterwards a brave new world emerges. The Industrial Revolution, The Renaissance and The Age of Discovery all started with periods of social and technological upheaval that disrupted the landscape transmuting a new age forcing organisations to rethink how they operate in virtually every area. We have already entered the next societal shake up. Understanding the seven grey elephants can help you be better prepared.



Is your strategy robust and resilient enough to contend with a sharp world transformation? What should you be doing to be more strategically agile?

No 1: Ageing

In the next hour, your life expectancy will increase on average by around ten minutes, and over the next year by over two months. This raises some intriguing questions. What will everyone be doing with this extra time? The world is ageing fast. For the first time in history there are already more old people (over the age of sixty) than young (under the age of five). By 2030, older persons will outnumber children aged 0-9 years (1.4 billion vs. 1.3 billion). By 2040, there will be twice as many people over sixty, as there are right now. Already Japan sells more adult diapers than baby diapers. The number of people reaching the age of a hundred is growing at four hundred per cent every year.

China will have a population averaging fifty years old by 2060. Europe and America will hit this milestone a decade earlier. By 2050, there will be more people over the age of sixty, than under the age of twenty (2.1 billion vs. 2.0 billion). Soon, we will have too few – not too many – young people. Humanity has never been here before. Ageing is a tsunami of change, its impact will be massive and yet this is a neglected grey elephant. Very few companies and countries are facing up to the realities of ageing. The implications are vast, complex and not understood nearly well enough.

Think of the economic implications of fewer younger workers and consumers. Who will buy your products and pay the taxes? Some countries in Europe, notably Germany, will lose a third of its workforce over the next ten years. As talent becomes harder to find what role will technology play in augmenting your workforce? What will the impact be on disposable income as an increasing amount is spent on healthcare. The retirement dream will be shattered with workers toiling well into their seventies and eighties. Pensions as we know them will become defunct. Younger generations and older generations will become frustrated – but for different reasons – as one shoulders the burden of funding retirement pots while the other finds the pension promises that were made have been broken.

Remarkable trends

- Fertility is below replacement levels in most countries
- Population growth is slowing dramatically
- World population will peak at around 11 billion by 2100
- The world is ageing rapidly, only Africa remains young
- In Europe, nearly 1 in 3 people will be 60 or older by 2030

No 2: Angry Planet

The late Wally Broecker the iconoclastic guru of the climate debate was fond of saying: “The earth is an angry beast, and we are poking it with sticks.” The beast has only just begun to snarl, humanity must stop poking or the beast will bite.

Front and centre is climate change. Studies show that it is the hottest it's been in a billion years. In less than two decades, Greenland's ice sheets have already shrunk at a rate of 269 gigatons a year. That's the equivalent of melting 50 billion 7 ton grey elephants! And, yet there are still climate change doubters.

It is worth reflecting that “the climate emergency has no nationality, no race, no sexual preference and certainly no political or religious affiliation. The transition we are in will create completely new global tensions,” says Sasja Beslik. The BBC video series on "Life at 50 Degrees" is worth watching to get a broader perspective.

If greenhouse gas emissions are not dramatically reduced, three-quarters of the global population will be impacted by extreme temperatures. The resulting death toll could rise by more than 2,000 per cent within this century.

The World Bank predicts that a quarter of a billion people will be forced to migrate by 2050 as climate change turbocharges severe storms, droughts, fires, hurricanes, coastal storms and flooding. The cost of inaction to the global economy will be catastrophic.

The good news of the year is that public recognition of climate change is rising, particularly in the investment community. ESG funds have outperformed traditional investments by many measures and there is increasing attention to the importance of climate risk assessment and financial reporting. But we are still nowhere near reversing climate change, too few individuals and companies are



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investing in cleaner energy, greener products and supply chains.

Another stick we are poking the beast with is the practice of flaring — the burning of natural gas that is released when oil is extracted from the ground, mainly from fracking. Flaring now produces more air pollution in two days than all the world's motor vehicles expel in an entire year.

North Dakota is the global fracking capital, but because of a lack of gas pipelines to bring natural gas to market, oil companies flare as much as 2.5 billion cubic feet a day. This wasted gas could have powered the heating needs of 4.25 million homes for a year.

The practice of flaring is a major source of GHG. Although illegal in Nigeria, flaring continues to have a devastating impact. Fertile lands are being turning into deserts as flares raise temperatures to unbearable levels. One video, in the BBC's series "Life at 50 Degrees", tells the moving story of Joy and her family who are among 2m Nigerians living within 4km of a gas flare in Nigeria's oil-rich south.

It is worth watching, if only to understand the impact of flaring because the biggest grey elephant associated with climate change is pollution. Vehicle emissions, natural gas flares and forest fires are not just damaging for the climate, they are literally killing people. In 2018, pollution from burning fossil fuels led to over 7 million premature deaths, making it one of the world's top killers.

Greenland's ice sheets have already shrunk at a rate of 269 gigatons a year. That's the equivalent of 50 billion melting grey elephants!

No 3: Inequality

Coronavirus highlighted the growing gap between the haves and have nots, one of the gravest grey elephants of our era. Over half of frontline care workers are paid less than a living wage, and studies show that low-paid workers are more likely to die from Covid-19 than higher earners: “Who cares about the workers’ health, while the rich run away,” says Domenico Marra who works at a factory in Milan. “But then poor people, who need to bring bread home, go out and take risks.”

The globalisation and the pandemic crisis has been good for the elite few. The top three wealthiest individuals have as much wealth as the 160 million poorest people in the US. Globally, the richest two thousand people have more wealth than poorest 4.6 billion and the 22 wealthiest men have more wealth than all the women in Africa.

In the UK, 90 per cent of workers have seen their incomes flatline for the past three decades. Whereas the elite or 0.01

per cent of British citizens – saw their incomes increase by 277 per cent over the same period.

The fortunes of the world’s richest 500 people grew 25 per cent in 2019. The combined wealth of these billionaires in 2019 was \$8.7 trillion, which is equivalent to the total income of the poorest 150 countries.

Increasing inequality is widely associated with rising anger. All this helps explain why so many voters in the US and UK have grown frustrated with the ‘out of touch’ elites. The outcome, Trumpism and Brexit, both representing attempts to disrupt the status quo by voting in populist leaders promising to do precisely that.

Inequality is not a remote or abstract threat. It is a real and present danger. It must be reduced if we are to prioritise the well-being of people and our planet.

Remarkable Trends

- The Industrial Revolution has pulled billions of people out of extreme poverty — living on less than \$2 per day
- At the start of the Industrial Revolution 89 per cent of the world’s population lived in extreme poverty. Today that figure is at under 10 percent. But that is still over a billion people
- For the first time since the start of the Industrial Revolution, younger generations on average can expect to be less well off than their parents
- Africa is expected to account for nine out of ten of the poorest people in 2030
- Inequality between the haves and have nots is growing

No 4: The Big Squeeze

While Christmas was not cancelled, many retailers warned shoppers to be prepared for higher prices, fewer discounts and reduced product ranges than normal this year. With the cost of living rising fast and wages falling behind inflation, most people are experiencing a squeeze on several fronts. Those who can afford stuff, are discovering they can not get cars, furniture, clothing or toys due to supply chain and labour disruptions. The rest are discovering that they have significantly less disposable income. Rising costs in energy, transport and healthcare are depressing consumer spending as people are forced to divert spending from other goods and services.

The big squeeze is systemic and more complex than pandemic-driven supply disruptions and HGV driver shortages alone. Wages have stagnated for decades, Adjusted for inflation, many workers are poorer in real terms than they were forty years ago and this despite record corporate profits. Health and pension

benefits have grown stingier, and job security has shrivelled.

The big squeeze is starting to take its toll. Here is a breakdown of its major impact:

China squeezed

The spreading omicron variant, energy shortages and rising transport fees — costs from China have soared to nearly seven times what they were twelve months ago — are hampering factory activity which contracted for the first time since the pandemic began. As a result manufacturers of everything and retailers across the world, are grappling with a logistics squeeze and this is having a dominoes effect globally.

The food supply squeeze

Whilst we have enough food to feed everyone on planet earth, we have too much of the wrong types of food (High fat, sugar and salt — HFSS) in the wrong places. Food wastage has also become a

massive grey elephant. The UN estimates that each year, 1.6bn tonnes of food worth approximately \$1.2tn, goes to waste — A new study warns that unless urgent action is taken food loss in 2030 is set to have increased by a third to 66 tons of food thrown away every second.

Nonetheless, today for the first time in human history more people die from eating too much rather than too little. Obesity has tripled worldwide since 1975 and by 2030 half of humankind will be overweight. In addition the industrialised production of food such as palm oil, soy beans, and beef is resulting in the extinction of millions of wild mammals, fish, birds and insects.

The bottom line is that the global food system is unsustainable. Changes are inevitable and as this shift happens supply shortages and higher food costs will add to the big squeeze.

The fresh water squeeze

The future of Himalayan glaciers is bleak. If global warming is limited to 1.5 degrees over the next two decades, a third of all Himalayan glaciers will disappear. If temperature increases above 2 degrees Celsius, two-thirds of its glaciers are doomed. You may be wondering why this matters especially if you live thousands of miles away. The simple answer is it matters massively. Directly or indirectly, 3 billion people rely on the ten big glacier-fed rivers. That's 40% of the world's population in an economic region that drives at least 20% of the global economy.

But like a trickling stream, the impacts of melting glaciers won't all be felt at once. Rather it will come in increasing waves of disruption. At first, melting water will flood rivers and dams. The next wave will be crop failure as rivers dry up. This will also hamper hydroelectric power plants starving industries of crucial energy. The great water squeeze will hit the poorest the most, especially subsistence farmers in Bangladesh and Nepal. The result, mass migration and social unrest. As water availability evaporates, tensions between geopolitical rivals such as China, India

and Pakistan could boil over into water wars. Other regions in Africa and the Americas are also under threat. In parts of Mexico the mighty Colorado river has dried up. As global warming intensifies the risks of water wars erupting over access to fresh water supplies are highly probable, high impact yet neglected threats.

The energy squeeze

Gas, coal, carbon and electricity benchmarks are hitting records. The price of oil passed \$80 a barrel for the first time in three years and natural gas is the costliest in seven. TotalEnergies CEO Patrick Pouyanne has said the energy crisis that's affecting Europe is likely to last all winter. Bank of America analysts are saying it could get even worse with predictions of oil reaching \$100, spurring on an economic crisis.

As the big squeeze is felt we will witness the rise of very angry people.

Remarkable Trends

- Centre for Economics and Business Research (CEBR) data shows a family of four facing a squeeze of £1,800 extra in costs
- Consumers face a triple-blow of rising energy bills, soaring food prices and tax hikes
- Panic-buying consumers are already stockpiling for Christmas as supply chain crisis threatens the festive period
- Only 127 foreign HGV drivers have applied for THE 5000 emergency visas under offer from the government scheme

No 5: Angry People

“It is not enough for people to be angry,” said Martin Luther King; the “supreme task” of a leader “is to organise and unite people so that their anger becomes a transforming force.”

The cost of anger and resulting violence is not just told in wars. It may come as a surprise, but every year far more people are killed outside war zones than in them.

From doomscrolling — the act of consuming an endless procession of negative online news — to violent unrest — South Africa’s civil unrest sparked by the imprisonment of populist ex-president Jacob Zuma in July is an example — Anger is on the rise globally and from ageing, climate change, rising inequality and the big squeeze there is no shortage of fuel to stoke the fires of peoples’ anger.

Cycles of violence are not uncommon or necessarily unproductive — think of the suffragette movements. Nor is the anger remarkable in itself, but as it becomes widespread it can become a dominant societal force of change. This is why *Angry People* has the potential to be the most damaging and frightening of all the grey elephants.

Indeed, everything comes back to economics — unless you’re part of the elite because economics is about shortages and access to capital or the lack thereof. Shortage anxiety turns very quickly into contagion anger and scapegoating. The wealthy should not

comfort themselves. The last time these levels of inequality were seen was during the French Revolution and back then heads rolled. The elite, of which business is their vehicle for change, have an important role to play in countering this grey elephant. The pledge by the Business Roundtable that the purpose of a corporation is to promote “an economy that serves all”, must not become an empty promise. The time to act and make a visible difference is fast dwindling.

Populist activists are using sophisticated production capabilities to spread anger virally. From anti-vaxxing rhetoric, to stirring up hatred against politicians, the neoliberal democratic system is under attack. Neither Trump nor Trumpism has gone away and the populist fire is on the rise across the world, a study warns.

With violent riots flaring up in the US and globally, this grey elephant’s impact is highly visible. George Floyd’s murder at the hands of American police has become more than a tragic death, it’s the unravelling of the social contract between government, the economy and people.

The politics of the pandemic and economic turmoil are now more variable than the virus. In the long run, populism and the angry people could also be a far more dangerous disruptive force than coronavirus itself. On the flip side this could also propel the kind of new thinking required for a radical redesign of the global economic system to something fairer and more inclusive.

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Remarkable Trends

- More people are killed outside of war zones
- Armed conflicts are harder than ever to resolve
- New military technologies are difficult to regulate
- Up to 60% of all absences from work are caused by anger and stress
- The UK has the second-worst road rage in the world, after South Africa
- Capacity for emotional contagion of anger has increased 400% over the past decade
- If the world's major powers suspended military spend for just 8-days, we could educate all the world's youth for 12 years, for free





No 6: Multipolarity — Why companies must plan for geopolitical volatility and global rebalancing

The pandemic is politicising travel, immigration and entrenching a bias towards nationalism and self-reliance. As the US slowly emerges from a period of absent without leave, China has continued to use the crisis as an opportunity to set new global rules and gain allies. The result, is an accelerating shift from ever-expanding globalisation toward rising regionalisation of the global economic and political systems.

We are discovering just how dramatically the pandemic is reshaping world power. Many express concern that the virus will be the tipping point for China to overtake its superpower rival, the US.

China worked hard to turn Covid-19 into a success story. In essence the pandemic has become a battle ground for a face-off between the ideologies of authoritarianism and democracy. By offering assistance to badly affected countries — Who would have imagined, pre the pandemic, pictures of Chinese doctors and nurses being sent to Italy on humanitarian missions — China has used the crisis to further reinforced its credentials as the go-to global leader, especially in countries who view the west as having abandoned them.

China has also gained dominance in strategic industries from 5G telecoms to battery technology. According to the Benchmark, a London-based agency, in 2019, “China accounts for 23 per cent of

the global mine-output of battery minerals. Yet its chemical companies churn out 80 per cent of the world’s processed battery-grade raw materials and 66 per cent of the global production of cathodes and anodes for Li-ion batteries.” In terms of battery factories, China now dominates. In 2020 China led the world’s battery cell production with a 63.2 per cent share, while the US was in second place with 14.2 per cent.

None of the western powers want to live in a world where China controls 90 per cent of the active ingredients for antibiotics and dominates battery and other strategic technology. Climate change activists and consumers are also demanding more sustainable and locally produced supply chains.

As globalism unravels companies will pull back with attempts to manufacture locally. But building back capabilities long handed to the East will be difficult and costs will rise. Stagflation beckons and the era of easy money will come to an end.

No 7: Intelligent Assistance

Advances in robotics, artificial intelligence, and machine learning have ushered in a new age of automation. Technology was reshaping the future of work even before the pandemic amplified the need for new workforce skills. Automation will change the daily work activities of everyone, from miners and lawyers to commercial bankers, fashion designers, retailers, and CEOs. We are seeing the emergence of machines that can diagnose cancers as accurately as pathologists, detect fraudulent financial transactions in a matter of milliseconds, produce coherent news stories for media outlets, shuttle goods and pallets within complex distribution warehouses, trade stocks and shares in financial markets, and perform case research for the legal industry. The breadth and depth of accomplishments expands by the day.

It is therefore unsurprising that fears have grown in tandem about what AI and robotics might mean for workers. Research by McKinsey, shows that trends like remote work, e-commerce, and continuing automation could mean

more than 100 million workers might need to find different occupations by 2030. And, up to 800 million jobs will be disrupted over the same timeframe.

The challenge is how to encourage the innovation and economic growth that the robots promise while making sure they don't cause new divides and further inequality in society. The lag between technology adoption and new job creation will be highly disruptive. The impact for business is not only how automation changes the way people work, but also their ability to afford what's being sold, especially if automation means fewer or lower paying jobs. Robots, after all, do not buy goods and services and angry people may choose to boycott companies that place automation before people.

The good news is that the companies who are successfully implementing automation, make being bionic a strategic priority. Building a bionic organisation means focusing as much on people as on technology. A bionic



organisation seeks to seamlessly blend human prowess with AI and data-driven technologies to deliver personalised customer experiences, improved operations and new products/services. But the real power of being bionic lies in further unleashing human creativity, ingenuity and intent.

Technology is only the enabler in delivering superhuman performance. This will require developing the connective tissue that allows the people and technology parts of the organisation to work seamlessly together. It can be achieved by:

- Placing purpose at the centre; this ensures that technology is used as an enabler for a better world and not just to deliver cheaper and faster outcomes
- Using AI and other technologies to automate all repetitive and predictable processes
- Empower people to build relationships rather than operate and manage process
- Moving from a product business model to a relationships business model

Cyber security and the surveillance society — a ubiquitous system of sensors and facial recognition technologies threatens to track and manipulate our actions — will also have a profound impact on people's behaviour and politics.

In the end, AI and automation should be a blessing for workers rather than a curse. Implemented in the right way, productivity levels could rise, mundane work be eliminated, flagging living standards could be raised and inequalities reduced. New jobs will emerge that allow for more purposeful and human-centric careers. Equally, however, the onward march of technology could put downward pressure on wages, lead to greater surveillance in the workplace, and exacerbate further biases and inequalities. Humans, however, create the future, so it is up to the choices we make as to whether or not AI and robotics helps or hinders the future of workers.

In the end the age of automation could be a blessing to workers rather than a curse.

Adapt or perish

Our research reveals that the 2020s will be a decade of disruption. We face enormous challenges. From accelerating climate change to the battle against inequality in all their manifestations. These are just two out of the seven leading grey elephants we've identified in this paper, and all seven are colliding at the same time with a hurricane-like pandemic. This is creating the perfect storm which is amplifying and speeding up change.

But we also have better technology and insights than ever before to help identify problems and deliver solutions. Great opportunities exist for leaders who are tuned towards change. We just need more confidence to lead courageously. Because, the greatest risk of the 21st Century is that we fail to think boldly enough to make this century great for everyone.

Grey elephants are not novel. They represent the world and the decade we are living in. What can save a business during a grey elephant? A culture of exploration, being bionic, strengthening ecosystem, diversity and inclusion and being a force for good. Our research shows companies that thrive during grey elephants reshape their business models.

The lesson we can learn. Adapt or perish.

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ABOUT TOMORROWTODAY CONSULTING

TomorrowToday Consulting is a specialist consultancy partnering with leaders to do well by doing good. We excel in the business of releasing human potential, this is where true strategic and competitive advantage exists. At the heart of everything we do is the optimisation of both social and business impact. This is the CEO's ambition in a new age of business.

We partner with middle market and progressive big business globally, helping them grow, deliver remarkable results and have a positive societal impact.

We are part of TomorrowToday Global which since in 2001 has helped leaders take advantage of a changing world.



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