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Key megatrends impacting business and policy decisions around the globe

BY CLINT VINCE AND JENNIFER MORRISSEY

The accelerating pace of disruption and change in the world is presenting tremendous challenges for businesses, but it also offers opportunities to shape the future depending on how leaders respond to the key megatrends, outlined below, that are having an outsized impact on business and policy strategy around the globe.

While some of these trends are headline news, others have been underrepresented. Over the coming years, all these trends will be front and centre for business leaders.

Population growth

The world's population is projected to increase from 8.6 billion in 2030 to 9.8 billion in 2050. Two emerging changes in demographics will have a profound effect

on businesses. First, the dramatic increase in youth as a percentage of the world's population, particularly in sub-Saharan Africa and developing countries in other regions. At the other end of the spectrum, the profound increase in the aging population will also impact businesses. By 2030, more than 1 billion people will be over the age of 65.

These combined trends will result in significant changes in the availability of both skilled and unskilled labour, demand for products and services, education, social imperatives and policy priorities. They also will influence rates of economic growth.

Urban migration

Urban migration has been a trend for several decades, but it continues to intensify

in pace and scale. By 2030, more than 60 percent of the world's population will live in urban areas, and by 2050 the number is expected to exceed 70 percent. Migration occurs as people seek opportunities for employment, higher wages, better services and healthcare, but it is also driven by natural disasters, changing climate and social or political crises.

Even in countries where most residents already live in urban environments, the requisite modernisation of physical, digital and social infrastructure is far behind what will be needed to accommodate these populations. In terms of the implications for business strategies, much like the impact of population growth, the concentration of the planet's population in cities will affect everything from labour

to resource procurement to demand and beyond.

Climate change

The world has just experienced – once again – the hottest year on record. Some models warn that even with the current climate commitments, we will exceed the 2-degree Celsius warming threshold by mid-century. More than a question of hotter summers or extreme weather patterns, the changing climate has properly been described as an existential threat, and the Intergovernmental Panel on Climate Change has issued dire warnings in this regard. This will be a driving force for new energy policies and will challenge policymakers to focus much more deeply on resilience measures and adaptability issues.

Melting polar ice and overheated, expanding oceans are causing sea levels to rise, impacting ever-more crowded coastal cities. Several of the most vulnerable cities are exploring options to keep the rising waters at bay, but the funding piece of the puzzle has yet to be solved. Around the globe, extreme weather – excessive heat and cold, powerful storms, floods, droughts, wildfires – all have significant effects on food and resource supplies, which in turn impact social and political structures.

Related to climate, although trends in their own right, are the deteriorating conditions of the world's oceans and forests. Deforestation is severe, and addressing it is vitally important for stabilising the global climate and repairing ecosystems for critical habitats. We also are failing to give the attention required to the health of the other two thirds of the planet. The world's oceans are critical for climate, food supply, the coastal cities where large portions of the world's population centres are located, and for navigation and commerce, the vast majority of which is transported by sea.

While there is a lot of good work being done to protect these green and blue assets, businesses can help by seeking to understand how their activities are related to forest and oceanic ecosystems and risks that further deterioration may pose to business models.

Water scarcity

Water scarcity is one of the most alarming but underappreciated challenges facing us. Many cities now will continuously be in a water shortage scenario, but the problem is far more extensive. Aging infrastructure is impacting water quality and availability. Ancillary water use is largely taken for granted.

The majority of our critical infrastructure is water-intensive at some point in the production chain, as is so much of the technology that we depend on for daily activities. Eventually, it will affect company credit ratings as it increases risks and costs, especially as technology develops to better value water resources and track consumption patterns.

The World Resources Institute has recently updated its groundbreaking global study on quantitative, qualitative and administrative risks to the world's water supplies. The study finds that more than one third of global GDP is susceptible to risk from the growing water crisis.

Food scarcity

Climate change and population growth are outpacing agricultural developments, which, in turn, impacts global food production. Political crises in major agricultural centres, including Ukraine, have disrupted production and pushed up prices. A global food shortage is rapidly becoming a real possibility. Additionally, supply issues can be exacerbated in agriculture and food production because of seasonal and locational constraints. For businesses, food instability leads to social instability which has a huge disrupting effect.

Widening inequality

Inequality is having a profound impact on geopolitics and is driving social disruption. We know so much about its effect on relationships and political dynamics, yet the problem in each country and in whole regions is worsening to the point that the World Bank has declared it a global pandemic. The equality gap now seems almost unbridgeable. Prior to the coronavirus (COVID-19) pandemic, several sources reported that the wealth

of the world's eight richest individuals was equal to that of the combined wealth of the poorest 50 percent of the world's population. Post-COVID-19, this gap has widened even further, with the richest 1 percent of people controlling over 46 percent of all global wealth.

The increasing concentration of wealth in the hands of only a few individuals has a demoralising effect on the workforce which see nearly all gains going to C-suite executives while they experience flat or negative earning potential with less spending power. At the same time, structural inequalities have eroded decades of social progress. This has a destabilising effect on businesses, limiting growth and creating operational risk. Company policies are under the microscope as consumers and investors demand more in terms of environmental, social and governance (ESG) measures, leaving business leaders grappling with changing expectations of the role of the firm in the community and society at large.

Transparency

The amount of data now available regarding individuals and organisations is already extraordinary, and this will increase by orders of magnitude as artificial intelligence (AI) takes hold. This changing landscape is magnifying concerns about privacy and inappropriate or inequitable uses of that data.

Trust will be an essential component to business decision making as customers demand more information about everything from food safety to ethical sourcing to environmental impacts of activities, and beyond. Expectations must be aligned to these tensions or there is the risk of public and regulatory backlash. Greater standardisation in some areas will address some of these concerns even as it opens up new global opportunities.

Technological advances

Similar to the effect of the industrial revolution in the 19th and early 20th centuries, technological advances are providing new tools that promise transformative improvements to processes and services in every business sector. The

accelerated pace of global technological development is being catapulted by AI, which will create tremendous opportunities and significant threats that must be addressed now. The speed of these developments has outpaced and outdistanced social infrastructure, including regulatory, governance and policy measures and other safeguards for civil society.

Cyber security risks

Cyber intrusion should be a top business consideration for every organisation, regardless of size or complexity. The number of actors and sophistication of approach in this arena has increased exponentially, and there can never be a

moment of inattention or self-satisfaction in terms of defences. Technological advances simultaneously offer solutions and magnify exposure. Human training, as well as digital protections, are essential. The threats of cyber intrusion increase daily, not just from states such as Russia, China, Iran and North Korea, but also from a host of non-state actors.

Geopolitical instability

Globalism has taken a big hit with Putin's brutal invasion and sustained aggression in Ukraine, China's increased autocracy and now disruption in the Middle East. Worldwide, jagged geopolitics continue to interrupt globalised economic systems and

commerce, traditional concepts of rule of law, and longstanding alliances. The impact of these disruptions is especially acute for traditional energy relations, supply chains and delivery structures, and sanctions are having a significant effect on global transactional relationships.

These megatrends will continue to impact business risk in increasing scale and intensity. Business leaders need to factor these trends into their strategies in order to survive and thrive amid growing disruption.



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