GLOBAL GIGATRENDS AND THE SILENCE OF STRATEGIC MANAGEMENT

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INTRODUCTION

Despite its overwhelming salience, there are other, far more daunting developments looming on the horizon than challenges stemming from the GFC. We refer to these developments as **gigatrends**.1 These include various dislocations linked to climate change; energy depletion; the ascension of the BRIC nations; the genome revolution; and the rise of a ‘surplus humanity’ in (mostly) Southern megacities. Our position is that these shifts, potentially epochal in their impact, will largely structure the future organizational fields within which corporations must operate; that corporate actors are not only passive reactors to these developments, but also in many instances *active shapers* of market, industry, and sector evolution operating at various geographical levels; and that, by and large, these developments have not been explored by strategic management researchers publishing in the field’s leading journals.2

We would argue that these gigatrends are directly relevant to strategic management (SM) in two ways. First, they are in some cases (at least partially) the result of corporate activities which were short sighted and self-serving at best, ethically corrupt or even illegal at worst. Second, each gigatrend will require some form of effective strategic management response going forward in order to realise opportunities and/or mitigate the risks stemming from that trend.

In this paper we will review the gigatrends that will shape the future global business environment, and comment on the specific challenges they each represent for strategic management theory and practice. Our general conclusion is that positive theory needs to be

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1 The term ‘gigatrend’ is inspired by Naisbett (1984), which introduced the term ‘megatrend’ to a broad public audience in a memorable bestseller. We would argue that the gigatrends are even more significant than megatrends in that dealing with them – or not – will necessitate fundamental transformation of the very foundations of contemporary civilisation.

2 This paper is concerned with the ‘heartland’ of strategic management research as defined by academic journals such as the *Strategic Management Journal*, *Long Range Planning*, *Academy of Management Review*, and *Academy of Management Journal*. 
more institutionally aware, historically informed, and critical. Normative theory needs to take responsibility for moving business in a sustainable direction – which means acting as a change agent in the debate concerning the political economy of global capitalism.

THE GLOBAL GIGATRENDS

The first and preeminent gigatrend facing not only economic actors but all of humanity is that of climate change. The overwhelming judgement of the scientific community is that global warming is a fact, and that human industrial activity (based on fossil fuels) is a major contributor to the process (IPCC, 2008; Stern, 2007). Sea levels are already on the rise, fostering “climate refugees” (Klein, 2007); weather patterns appear increasingly unstable in comparison to historical norms, undermining agricultural productivity; and recent estimates of temperature increases suggest we are approaching a ‘tipping point’ which could be sufficient to trigger positive feedback loops which will drive runaway temperature increases in a catastrophe scenario (Guardian, 2009). Scientists from the Global Carbon Project state that the most likely scenario is for a 6 degree (Fahrenheit) rise by 2100, due to the manifestation of feedback loops through the failure of natural ‘carbon sinks’ to absorb greenhouse gas emissions, which have increased 29% over the 2000-2008 period (Independent, 2009). Other consequences of such a radical increase in global temperatures would include the release of methane from Siberian tundra and sea level rises of approximately 14 metres as the Greenland and Western Antarctic ice shelves melted completely (Lee, 2009). This combination of circumstances could trigger a ‘mass extinction’ event such as that which last occurred during the Late Pleistocene Period, during which an estimated 95% of Earth’s existing fauna perished (Lynas, 2007).

The second gigatrend is that of continuing (and accelerating) energy depletion associated with “peak oil” (Greer, 2008; Guardian, 2010), its consequences for energy security and,
ultimately, the sustainability of the model of technologically advanced, energy intensive civilisation that emerged first in the West during the 19th century. The relevant science indicates that we are at or near the point in time in which known global petroleum reserves exceed consumed reserves (the definition of “peak oil”), meaning that we are in the early stages of an extended decline in which first oil, then other fossil fuel (coal and natural gas) reserves will be run down to minimal levels. Meanwhile, alternative energy sources and technologies (e.g., geothermal, hydro, solar) will not come near to offsetting the energy deficit left by fossil fuels because their net energy yield – the difference between the amount of energy one unit of a substance generates and the energy that has been expended in producing it – is only a fraction of that typical of fossil fuels (Greer, 2008). Significantly, these developments will be unfolding in a world in which 80% of the world’s natural resources are consumed by only 20% of its population – a key factor both emblematic of as well as driving chronic inequality between nations (Breman, 2009).

The third gigatrend driving large scale structural change in the world is the rise of the so-called ‘BRIC’ nations and the consequent (at least relative) decline of the West (and Japan) in terms of their role and status in the global economy. Inevitably, with rising economic power also comes political clout – witness the recent morphing of the G-8 into the G-20 as the world’s most important international forum on economic affairs, along with China’s major role in scuppering the recent climate negotiations in Copenhagen (Lynas, 2010). Perhaps most significant from a longer-term perspective, however, will be the eroding value of the Western narrative of development through markets and democracy so celebrated in the “end of history” thesis (Fukuyama, 1992) and manifested in the neoliberal policies of the Washington Consensus (see Panitch and Konigs, 2009).

The extent to which the Western (i.e., Anglo-American) development model has been discredited should not be underestimated. Some observers trace a growing conflict regarding the global ‘rules of the road’ back at least to the aftermath of the Asian Financial Crisis of
1997 (Aglietta and Berribi, 2007). Conversations within key international institutions going forward will likely take on a much more pluralistic tone where multiple varieties of capitalism with differing roles for market, state and democracy will compete for policy influence over the institutional architecture of the global system. The BRIC nations can also be expected to compete with the West for access to key global resources such as energy, strategic minerals and arable land (see Klare, 2002), a contest which is already evident in the neo-colonial ‘race for Africa’ between China and the United States (Financial Times, 2010). Significant here is the fact that for China and many other emerging nations the benchmark development model is not the United States or Western Europe, but rather Singapore. With its effective mix of strong state, political stability, attenuated democracy, and social ‘harmony’, the success of Singapore puts into question the robustness of the Western formulation of democratic-capitalism as the modal institutional framework for developing countries (Kagan, 2009).

The fourth gigatrend impacting future history relates to the potentially vast implications of the genome revolution, particularly with respect to life extension technologies. While some scientists believe that we are within reach of living up to 1,000 years (c.f., de Grey, 2008), more widely held opinions expect a significant percentage of children born today to experience life spans considerably in excess of 100 years. Yet technological possibilities need to take into account political, social and cultural factors. The impacts on superannuation systems, labour markets and occupational structures are only the most obvious areas of disruption, but there are even more fundamental issues at stake. For example, in a world of vastly unbalanced distribution of life chances due to chronic inequality, it is entirely likely that only those who can afford it will get to live longer – just like today, only MUCH more so. A plausible scenario would depict a predatory global minority of ‘elders’ being serviced by masses of much younger and less healthy (due to eroding public health infrastructures [Greer, 2009]) people working in factories, on farms, in retail establishments, and in retirement communities and rest homes – a kind of Logan’s Run in reverse! Already, in fact,
social commentators such as the novelist Martin Amis have written of the coming ‘generation wars’ and advocated voluntary “euthanasia booths” for seniors as one means to dissipate the rising tensions between young and old (*Guardian*, 2010).

The final gigatrend shaping the global business environment is the rise of massive slums in the megacities of the South. This trend is largely a consequence of globalisation, as rural populations are forced off their land through contemporary ‘enclosure’ measures aimed to open up formally subsistence acreage for agro-industrial production of specialised crops for export. Davis (2007) notes the linkages between global neoliberalism, the increasing urbanization of world poverty, and the rise of a *surplus humanity* which is excluded from formal networks of production and exchange, forced to survive by any means necessary in the midst of increasing resource scarcity and environmental degradation. He argues that the state’s capacity to create formal jobs and housing has been sacrificed to the goal of monetary stability imposed by neoliberal regimes. This is consistent with a United Nations report which observed that “The collapse of formal urban employment in the developing world and the rise of the informal sector is seen as a *direct function of liberalization* (italics added)…Urban poverty has been increasing in most countries subject to structural adjustment programs, most of which are deliberately anti-urban in nature” (UN-Habitat, 2003). *Foreign Policy* (2006) noted that by 2015 almost all of the 21 global megacities will be in developing countries (Tokyo and Seoul are the only exceptions) and will be wracked by pollution, inadequate services, and crime. Significantly, the ‘southern’ megacities’ unfolding development represents a *reversal* of the classical (and functional) labour-intensive countryside/capital-intensive industrial metropolis couplet. We now witness capital-intensive hinterlands and burgeoning deindustrialised cities with shrinking formal economies, with few linkages between the two save for a one-way flow of urban migration (Davis, 2006).

The gigatrends associated with climate, resources and development are, to a greater or lesser extent, interlocking. So what are the fundamental institutional actors and processes driving
the gigatrends, and what are the links to strategic management? The most powerful causal
driver of the gigatrends is the capital accumulation process itself as it manifests across time
and space through globalisation, embodied most effectively in the institutional forms of the
TNC and the dense networks of financial capital. This process is not static but dynamic, not
tending towards equilibrium but rather expansionary (if cyclical) in terms of both intensive
(deepening within sectors) and extensive (colonising new sectors) aspects in addition to its
geographical incorporations of China (since the late 1970s) and the ex-USSR and its
satellites (since the end of the Cold War). The key actors at the international level which any
TNC interacts with include other TNCs, states, the media, and (increasingly) NGOs such as
Greenpeace and Amnesty International; at the national level other entities such as local firms
and labour unions may also be salient features of the TNC’s organisational field.

With respect to climate change, clearly there is a direct causal connection between the
globalisation of the capital accumulation process and ever-increasing levels of production,
consumption and waste as societies shift from subsistence to consumerist orientations. As
noted by Heilbroner (1985), capitalism isn’t only about producing goods and services at a
profit, it’s also about producing people, by which he means forms of consciousness and
worldviews dominated by instrumental economic rationality. To the extent that there is no
stable ‘equilibrium point’ at the individual, firm, or any other level of analysis in practice,
capitalist globalisation necessarily represents an increasing scale of economic activity which
can only add to global warming. While the immediate environmental impacts of this
economic activity have shifted in recent decades from the North to Asia and parts of the
South as Western and Japanese TNCs have restructured their supply chains (Dicken, 2007),
the aggregate amount of environmental degradation continues to increase with the volume of
industrial activity, despite improvements in productivity which allow more outputs from
fewer inputs.
The gigatrend of energy depletion most directly impacts TNCs and state-owned enterprises active in the oil, natural gas and coal segments of the energy sector, as these organisations are even now confronting the realities of “peak oil”. Yet since industrial (and postindustrial) economies are based fundamentally on an ample supply of cheap energy from fossil fuels, the ramifications of energy depletion are totalising – think, for example, of the rapidly rising levels of electricity needed to power Google’s servers! Unless there occurs an as yet unforeseen technological breakthrough which leads to some alternative energy source taking up the slack as fossil fuel stocks wind down, the type of civilisation which developed in Western Europe and the United States in the 19th century, extending itself throughout most of the world in the 20th century, will be literally unsustainable. That is, available energy resources will not be able to generate levels of electrical and other forms of energy necessary to power the built environments and transportation grids integral to an advanced technological civilisation.

Greer (2008) argues forcefully that existing and foreseeable alternative energy sources cannot begin to fill the vacuum created by the exhaustion of fossil fuels. Rather than expect a sudden catastrophic ‘end of days’ scenario, Greer instead posits a long decent through a process of “catabolic decline”. Somewhat ironically, the USA will be among the worst impacted advanced nations, largely due to the fact that it was the global first-mover in terms of exploiting the energy potential of fossil fuels on a vast continental scale. The American model of development was based on an endless supply of cheap energy. As these supplies are drawn down, the structural inefficiencies of the U.S. economy are contributing to the declining status of the United States as the global hegemon.

The rise of the BRIC nations is a gigatrend in which the TNC is directly implicated as the key agent behind the ‘global shift’ (Dicken, 2007) that has witnessed the world’s manufacturing belt moving from North America, Western Europe and Japan to countries in Asia (South Korea, Malaysia), Eastern Europe (Poland), Latin America (Mexico, Brazil),
Africa (South Africa), and (above all) China. And it is China which poses the greatest challenge to the hegemony of the Anglo-American development model of democratic-capitalism. This is because China has managed — that is, directly managed — to generate faster sustained economic growth than any other country in history. It has accomplished this without in any way having the Communist Party release its grip on political power, thus falsifying the teleological ‘modernisation thesis’ (Moore, 1967) that linked the articulation of an economic system based on market exchanges with the development of a democratic political system and the rise of a civil sphere in which ideas and information could be freely circulated (Anderson, 2010; Jacques, 2009).

As noted earlier, the development model for China is not the United States but Singapore, which has reached very high levels of development through a long period of authoritarian-capitalism administered by a regime characterised by nepotism, a nationalistic orientation, and the foresight that increasing wealth and prospects for the few depended on achieving a degree of material improvement for the many (Jacques, 2009; Whitley, 1992). A challenge for ‘democratic’ countries going forward will be their structural disadvantage in dealing with chronic long-term challenges such as the gigatrends of climate change and energy depletion due to their preoccupation with short electoral cycles and reliance on market forces, both of which tend to discount the future heavily. It may well be, then, that only some form of authoritarian-capitalism has any hope of surviving the 21st century and dealing effectively with the gigatrends.

Proceeding to the next gigatrend, the most starkly apparent characteristic of the genome revolution — in great contrast to the ‘open-sourced’ spread of the internet — is that it is unfolding in an overwhelmingly privatised organisational field composed of research labs (often spin-offs from public universities), biotech and pharmaceutical firms, medical equipment manufacturers, healthcare delivery providers (hospitals and clinics), insurance companies, and regulatory agencies. The trajectory of technological development and
commercialisation of basic research will likely mean a profound skewness in the direction of treating those illnesses (e.g., diabetes, obesity) that afflict relatively well off citizens/customers in wealthy countries, rather than dealing with age-old maladies (e.g., tuberculosis, malaria) which torment hundreds of millions of poor people across the globe because, after all, a functioning market requires not only that a demand exists but that potential customers have the means to make payment. As noted by John Sulston, who led the UK branch of the Human Genome Project, “The fact of the matter is that many human genes have patent rights on them and this is going to get in the way of treatment unless you have a lot of money” (Guardian, 2010). This unequal access to life preserving and extending technologies for the global minority, while the global majority experiences shortening life spans as the ravages of climate change and energy depletion undermine states’ ability to fund public health initiatives (Cecchetti et. al, 2010; Greer, 2008), raises issues of fundamental justice which clash directly with the ‘ethics’ of property rights.

The final gigatrend, the rise of global slums, is directly linked to the globalisation of agriculture and the integration of developing countries into global circuits of production and consumption. Formally self sufficient nations have become in many instances net food importers as their specialty crops fall victim to cyclical demand patterns and international competition from both developing and (heavily subsidised) advanced economies in North America, the EU and Japan. Indeed, since the food riots of 2008 across large parts of the developing world, ‘food security’ has become a central issue for policy makers in national and international institutions (Brown, 2005). The massive influx of rural peasants to urban areas is thus largely a consequence of the articulating global division of labour fostered by neoliberal trade policies enforced by the WTO. The governance of this system is characterised by massive asymmetries of power between individual states, especially in cases where small states bargain with powerful blocs such as the EU or NAFTA.
The rapid growth of megacities such as Sao Paulo, Jakarta and Lagos also catalyses the ‘weaponising’ of urban space noted by Sassen (2006), as police and private security organisations experience similarly explosive growth to cope with the challenges of keeping the expanding underclass in check so that key flows of people, goods and information can continue to interact in a functional manner. We would argue that this aspect of the phenomena will be particularly significant in driving the institutionalisation of de facto authoritarian-capitalist regimes (justified through narratives based on ‘law and order’, ‘border control’ and the like) throughout most of the democratic-capitalist West over the next few decades as fears of ‘barbarians at the gates’ intensify.

THE SILENCE – AND RESPONSIBILITY – OF STRATEGIC MANAGEMENT

We would maintain that the effect, if not the intention, of SM scholarship supports the “will to ignorance” referred to by Zizek by avoiding almost completely fundamental structural issues inherent in the capitalist political economy. Most SM research is based on a problematic set of very simplistic assumptions about the way markets, organisations, and individuals function. Issues of the social and economic efficiency of capitalism, the corporate form, hierarchy, and managerialism are all entirely ignored because these are reified in the SM discourse – literally part of the conceptual landscape – and thus outside of the realm of analysis and critique.

Unfortunately, given the economic bias, methodological reductionism, and ahistorical perspective of mainstream SM scholars as interiorised through doctoral training (disciplining) processes, issues such as these are prevented from ever appearing ‘on the radar’ as legitimate topics to investigate. While gigatrends would be at the hub of a critical research agenda, they are literally invisible within the SM paradigm if we consider the published content of its core journals over the past several decades as a relevant indicator. In the discursive landscape of the SM world, primary contours are defined by constructs such as property rights, managerial prerogative, efficiency, productivity, wealth based on material
accumulation, flexible labour, and competition. That in use these constructs frequently ‘slip’ from positive to normative applications evidences the substantially unreflexive nature of SM scholarship.\(^3\)

An example of this ‘selective’ perspective can be found in recent work by Ghemawat (2007). Although the subject of TNC-state relations has been neglected by strategic management scholars until quite recently, Ghemawat has articulated a conceptual model intended to assist TNCs in optimising their organisational architectures and competitive advantage through actively arbitraging differentials in labour rates and regulatory standards – that is, putting workers and governments in competition with each other for TNC investments. Clearly such arbitraging efforts could be generative of ‘race to the bottom’ dynamics under particular circumstances, yet such issues are outside the scope of Ghemawat’s analysis. Conspicuously absent from this work, or indeed from strategic management research more broadly, is any discussion of the \textit{ethical} problematic of TNC activities which sometimes drive highly skewed distributional outcomes.

A fruitful area to begin to address this ethical deficit would be with respect to issues of portfolio composition and evolution, for at least two reasons. Firstly, there are huge ethical and materially impactful differences between companies producing land mines, cigarettes, sports cars, organic foods, hearing aids, or children’s books. Are not the strategic choices of \textit{what} to sell, \textit{where} and \textit{to whom} all properly within the domain of a socially relevant SM theory as is, most saliently, determining the \textit{material conditions} under which the good is produced through locational and supply chain decisions? Secondly, the major strategic choices involved in managing an existing portfolio of businesses – how to allocate resources

\(^3\) Clearly, major changes to the curricula of SM doctoral programs would be required to ‘open the eyes’ of future researchers. Likewise required would be a reformulation of the mission/scope of core SM journals to allow for and foster space for socially relevant research that would be aligned with career incentive structures for ambitious scholars. This would probably necessitate a substantial turnover of senior editors and reviewers in these journals, as incumbent ‘gatekeepers’ would be unlikely to alter longstanding norms of what constitutes ‘proper’ SM subject matter.
among SBUs, which businesses to sell, which new areas to invest in – all have ethical and normative dimensions which remain almost entirely ignored in SM theory and research.\footnote{Perhaps – finally – we can see some early movement in this direction as evidenced by Porter and Kramer’s (2011) call in a recent Harvard Business Review article for SM scholars to be more aware of the ethical and normative aspects of their research programs. It will be instructive to see if this call generates any impact in the fields’ core academic journals in coming years.}

In the meantime, by at least implicitly underwriting the normative desirability, if not \textit{inevitability}, of a social and economic system dominated by large corporations, the academic field of strategic management has served as a functional element of hegemony (in a Gramscian sense) and thus been anti-democratic in its impact. That is, by laying the groundwork for an expanded role for the corporate sector, SM has undermined the logic of stakeholders aligning themselves with countervailing institutions, as these are deemed unnecessary at the least, or even ‘inefficient’ obstructions to the ability of national economies to compete in a globalised world.

It is high time that SM scholars ‘got normative’ in terms of acting as change agents on behalf of a sustainable capitalism. Frankly, this means that they need to study more ‘weighty’ topics than those which have preoccupied them in the past – including but of course not limited to the gigatrends discussed in this paper. They then need to translate their insights into prescriptions that practicing strategic managers can understand, value, and act upon. Only then will the field have justified itself as constituting something more than a careerist discipline in service to the hegemony of a fundamentally unsustainable (and unjust) social and economic order.
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