

# MULLED

## Whine

A recipe for prosperity in 2015.



By Nigel Lake

If an alien researcher tuned in to a terrestrial media broadcast, it could be forgiven for concluding that planet Earth was controlled by a particularly malevolent and vicious master species. Nearly every news broadcast is filled with acts of cruelty and wickedness, punctuated by reports of human suffering in the poorer parts of the planet that could all too easily be alleviated by the resources and capabilities of richer nations. If the researcher looked a little deeper, however, it would also find acts of selfless kindness, extraordinary courage, and compassion that offer a much more optimistic insight into our society.

Attention would surely turn to the complex organisational and commercial structures that have developed on this jewel planet. Investigation of the business world would highlight many of the same nasty characteristics as seen in the daily news reports, not to mention a widespread preference for short-term commercial profit rather than long-term social prosperity. Meanwhile, in the government sphere, the careful investigator would note a similar short-term mindset, reflected in the way that enormous wealth has been appropriated from future generations—particularly in the older economies of the West. As an example, national debt is now higher in the US than at any time

other than at the end of World War II, and in Japan it is at all-time record levels.

Against this rather tumultuous background, the pace of current scientific and technological development would seem extraordinary, particularly if it were judged in comparison with the previous centuries. And herein lies the most critical of all questions for many major economies. As life expectancies increase, will ongoing innovation improve living standards and reduce costs fast enough to allow the younger generations of today to have the same quality of life in the twenty-first century as their parents and grandparents enjoyed in the twentieth? And if it does, at what point will governments adapt to the reality that absolute GDP growth may no longer be attainable, particularly as populations in East and West peak and then begin to decline?

These significant challenges face many countries. Nations are ageing, leading to accelerating healthcare costs exacerbated by a widespread lack of adequate private retirement savings. Environmental sustainability looms larger with every year that passes, as the physical constraints on the global ecosystem that were explained more than 40 years ago in the seminal book *Limits to Growth* are shown to be real. The prices of fossil fuels, which have powered the

Earth for hundreds of years, continue to escalate—both financially and in terms of the tremendous damage they are doing to the environment in which our children and grandchildren will live and grow old. So as CEOs and business leaders around the world reflect on the year that has passed, and the mountains to climb that lie ahead, they could be forgiven for complaining that the decisions they face are more complex than ever before.

In all of this, the diligent extraterrestrial observer might reach one rather surprising conclusion—that the world's most successful large, developed economy of the past two decades appears to have some of the least confident business leaders. Australia's growth statistics are extraordinary. The country has seen 23 years of uninterrupted economic growth since the last recession in 1990–91. Meanwhile, since 1990, Australia has grown twice as fast as the US, and faster still compared to other major economies. To put this in perspective, in 1990, Australia's economy was approximately one-third the size of the UK economy. In 2015, it will be nearly two-thirds its size. Both Australia's national debt and annual government deficit remain low when compared with most other major Western nations. And despite its tiny population, the country is

home to some of the world's largest companies (by market value) in key sectors such as banking, insurance, retailing, and resources.

Through the major upheavals of the Asian crisis, the tech wreck, and the global financial crisis, the land down under has powered ahead. So when you hear suggestions that the whingeing poms of the twenty-first century might just live in this same nation, and editorial commentary continues to be filled with references to a perilous fiscal position, you know something must be very wrong.

Over the past decade, many large Australian businesses have become increasingly cautious—perhaps explaining why so few seem to have taken advantage of the greatest period of relative strength compared to their international peers. Indeed, it seems as if some national icons are suffering from some type of corporate dysmorphia, as if today's success stories somehow mean that they may rapidly become yesterday's heroes. Like other forms of dysmorphia, the biggest obstacle to treatment is to fail to recognise that you are suffering from any sort of affliction at all. In metaphorical terms, it will certainly help to get outside, smell the proverbial roses, and take some more exercise. For companies, this means re-basing expectations on a truly global view, and finding ways to re-focus positively on the opportunities that are available.

In the meantime, no matter how tough the challenges companies may face around the world, the whining simply must stop. No matter what burden of previous decisions you may have inherited, as 2015 commences it is time to remember how to lead positively and how to win. These home truths apply as much to governments as they do to corporations—and politicians around the world who want long careers and strong legacies will need to set a bold long-term agenda.

In the past 12 months, I have worked with companies from most

No matter what burden of previous decisions you may have inherited, as 2015 commences it is time to remember how to lead positively and how to win.

### 'To Mull Wine'—Mrs Beeton c. 1860

Ingredients—To every pint of wine, allow one large cupful of water, sugar, and spice to taste.

Mode—It is very difficult to give the exact proportions of ingredients like sugar and spice, as the quantity that might suit one person would be to another quite distasteful. Boil the spice in the water until the flavour is extracted, then add the wine and sugar, and bring the whole to the boiling point. The spices usually used for mulled wine are cloves, grated nutmeg, and cinnamon or mace. Any kind of wine may be mulled, but port and claret are those usually selected for the purpose; and the latter requires a very large proportion of sugar.

major economies. Among them, I have seen three characteristics which I am certain will differentiate the winners of tomorrow from the heroes of today.

First, the winners of tomorrow are spending a disproportionate amount of their time and resources understanding what the world will be like in 10 to 20 years time, and are actively re-imagining their businesses from a zero base. In other words, the opportunities they seek are not limited by where they stand today.

Second, these future leaders recognise that the world has changed in a profound way. They have seen the rules in some of the world's most powerful and profitable industries completely rewritten by innovators. They know that the status quo is no longer the safe option, and they have learned that base-case forecasts are nothing more than one possible future out of tens of thousands that they need to explore.

Finally, they have recognised that some of the world's largest and most successful businesses in the year 2025 will be companies that are founded in 2015. Thus, to win in this fast-changing world, they will need to act now to innovate, embracing uncertainty, change, and radical innovation, or they too will become a footnote in corporate history.

Of course, none of this means the end of every business as we know it. Nor does it mean the end of every industry as we know it.

Happily, there are some formulae that stand the test of time remarkably well. As demonstration of the enduring success that can be achieved if you dare to be different, and with one eye on the rapidly approaching holiday season, I thought I would share my favourite Christmas recipe. It is taken directly from Mrs Beeton's extraordinary *Book of Household Management*. First published in 1859, it was written by a woman in her early 20s and sold some two million copies in under a decade. The thousand-page tome provided guidance on every possible aspect of running a household, whether you had one scullery maid or a full-time staff of 40—an amazing achievement for someone so young in the middle of the nineteenth century.

105 years later, Mrs Beeton still offers by far the best guidance on brewing mulled wine. As with the future, please enjoy it responsibly. ●

#### About Flashpoint

Very few businesses can rely on incremental growth to ensure long-term success. The safety of the status quo has been consigned to history by technological innovation and the accelerating pace of change. In Flashpoint, we explore potential disruptions and inflexion points in major industries, and provide tools to help leaders guide and support their teams through this environment.

#### About Nigel Lake

Nigel is Joint CEO of global advisory firm Pottinger and is an entrepreneur with a passion for diversity, innovation, environment, and action. He is author of *The Long Term Starts Tomorrow*. Follow him on Twitter at @Nigel\_Lake.