

ECONOMY AND ORGANIZATIONS OUTLOOK 2025

FOUR SCENARIOS WITH A GLOBAL AND LOCAL (SINGAPORE) FOCUS

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How the world will look in future is a topic of interest for all of us, whether we want to make smart investment choices, prepare for the unexpected or create art. We understand that the future is shaped by our choices and by the trends and forces that are set in motion today. These are the driving forces. Some driving forces have greater impact, affecting all levels of society and causing substantial changes, while with some others there is a high level of uncertainty as to what their impact and their future relevance may be.



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We constructed four scenarios to investigate how the world might look in 2025, with a thematic focus on the economy and organizations, and with a global as well as a local geographical focus. We started by researching some of the most important driving forces affecting the economy and organizations in the world at large, with a local focus on Singapore and the ASEAN region. We measured driving forces based on impact and uncertainty. Then we chose to focus on two of these driving forces and imagined what the future would look like given certain levels of prevalence of these driving forces. What we ended up with were four vastly different worlds.

description of key driving forces

1 E-CULTURAL SHIFT - GETTING ACCUSTOMED TO REMOTE WORKING

While some jobs can be adapted to remote working much more easily, the transition has been a challenge for other jobs that require workers to be physically present to complete their tasks. The use of new technology and tools and adaptation to new business models have been imperative in this shift. We see the impact of remote working both on the business side, in terms of costs and adaptation of technology, business models and business processes; and at the individual level, in terms of productivity, work-life balance, mental health and socialization¹.

¹ Walsh, M., *The key to building a successful remote organization?* Data, Harvard Business Review, 18 May 2020.

2 NEW ORGANIZATIONAL STRUCTURES RELIANT ON CROSS-COUNTRY EMPLOYMENT

As the economy becomes more highly digitized, companies that innovate and digitize earlier are getting the greater share of the advantages at the expense of the laggard majority². Companies are under pressure to change the way they are structured in order to take advantage of these developments, or risk falling behind. Organizations are reaching beyond their physical locations.

² Sneader, K., & Singhal, S., *From thinking about the next normal to making it work: What to stop, start, and accelerate*, McKinsey & Company, 15 May 2020.

3 THE VIRTUAL WORLD AND THE CREATION OF VIRTUAL COMMUNITIES

Large online communities share common sentiments and ideologies. As technology advances, these virtual communities are gaining a stronger presence. Businesses increasingly need to understand how these communities can influence them and their stakeholders³.

³ The Futures Agency, *Driving forces - 100 trends and developments shaping the path to 2025*, 2020. [Online] ↗

4 CHANGING THE SCOPE AND STRUCTURE OF PUBLIC HEALTH SYSTEMS

The recent pandemic has exposed the flaws in the current structure and scope of public health systems globally. The resilience of nations, and in turn the impact of events on businesses, depends on the strength of public health systems and on the confidence that people have in these systems⁴.

⁴ The Business Times, *Build for the future*, 10 February 2020. ↗

5 IMPORTANCE OF SOCIAL NETWORKS – NOT JUST FOR EXPANSION, BUT ALSO FOR SURVIVAL

As more and more business and social activities occur online, social networks are no longer just a medium for expansion but also a medium for survival. Decisions made through the networks have a high level of impact on every aspect of business, from funding and marketing to product development and recruiting⁵.

⁵ Thought Leadership, *The future of SMEs after Covid-19*, 14 May 2020. ↗

6 REVERSE BRAIN DRAIN AND LOCALIZATION OF KNOWLEDGE

Migration of skilled workers back into a country where there was a previous outflow, or the flow of skill sets into a home country, can have a major impact on the development of business within the country and on the country's overall economic situation. This can have a ripple effect where the skilled ones can train others and this leads to an even larger pool of skilled people within the country⁶.

⁶ McKinsey & Company, 2018. *More than Numbers*, s.l.: s.n. Sneider, K., & Singhal, S., *From thinking about the next normal to making it work: What to stop, start, and accelerate*, McKinsey & Company, 15 May 2020. ↗

7 CHANGING THE EDUCATION-DELIVERY LANDSCAPE

Understanding of why and how people learn, and of the purpose of education, is changing. The education-delivery landscape is increasingly one of the most vital determinants of a country's progress, because it lays the foundation for how the future will play out. With the introduction of new education technologies, and the preference for more applied and hands-on education systems, we are seeing the old systems being slowly phased out. The impact of this is expected to unfold over a long period of time, with moderate uncertainty⁷.

⁷ The Futures Agency, *Driving forces – 100 trends and developments shaping the path to 2025*, 2020. ↗

8 ASEAN INTEGRATION FOCUS

⁸ ASEAN, *Overview: Initiative for ASEAN Integration (IAI) and Narrowing the Development Gap (NDG)*, no date. ↗

Increasing connectivity among the ASEAN and surrounding countries may accelerate economic growth, social progress and cultural development in the region, and an increasing focus on this by member countries will impact how global power is distributed⁸.

9 ECONOMIC RESTRUCTURING TO ACHIEVE INCREASED INVESTMENT FOR EDUCATION AND INNOVATION

Education and innovation are two of the most impactful drivers of the future and they have been the reason for much of the progress in the world. Economic restructuring that places greater focus on investment in education and innovation is having an increasingly positive impact around the globe at large⁹.

⁹ The Futures Agency, *Driving forces – 100 trends and developments shaping the path to 2025, 2020.* ↗

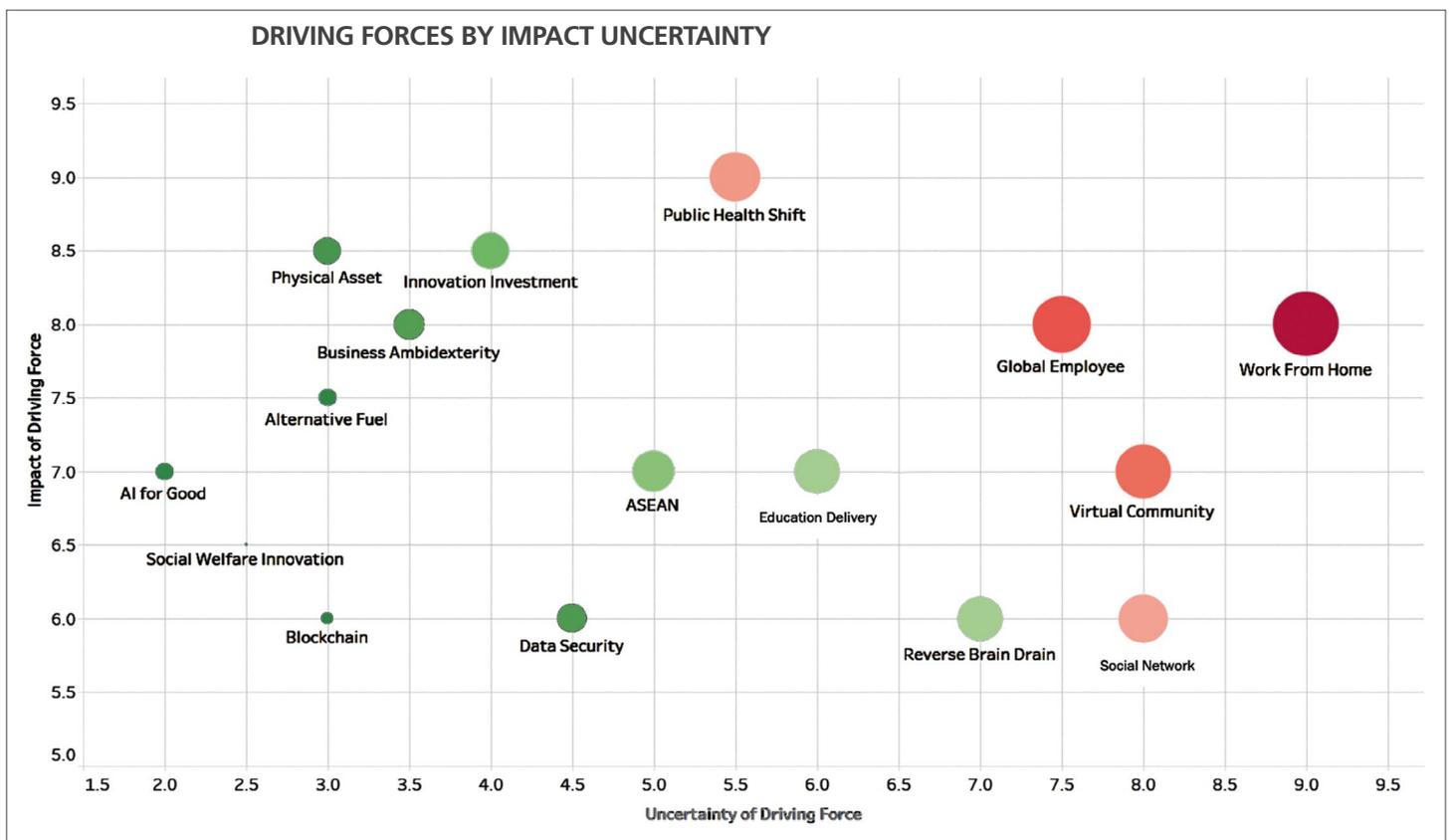
10 THE INCREASED AMBIDEXTERITY OF BUSINESSES THAT HAVE DIGITAL BUSINESS MODELS, SUPPORTED BY LOCAL AFFINITY FOR TECHNOLOGY

With the economy becoming more highly digitized, companies that innovate and digitize earlier are getting the greater share of the advantages. Businesses that successfully experiment and develop emerging technologies such as 5G networks, Internet of Things, blockchains and artificial intelligence are already more ambidextrous and may continue to be¹⁰.

¹⁰ Tan, D., *The future of Singapore: A reading by several consultants in their respective industries*, 29 December 2019. ↗

uncertainty and impact visualization of driving forces

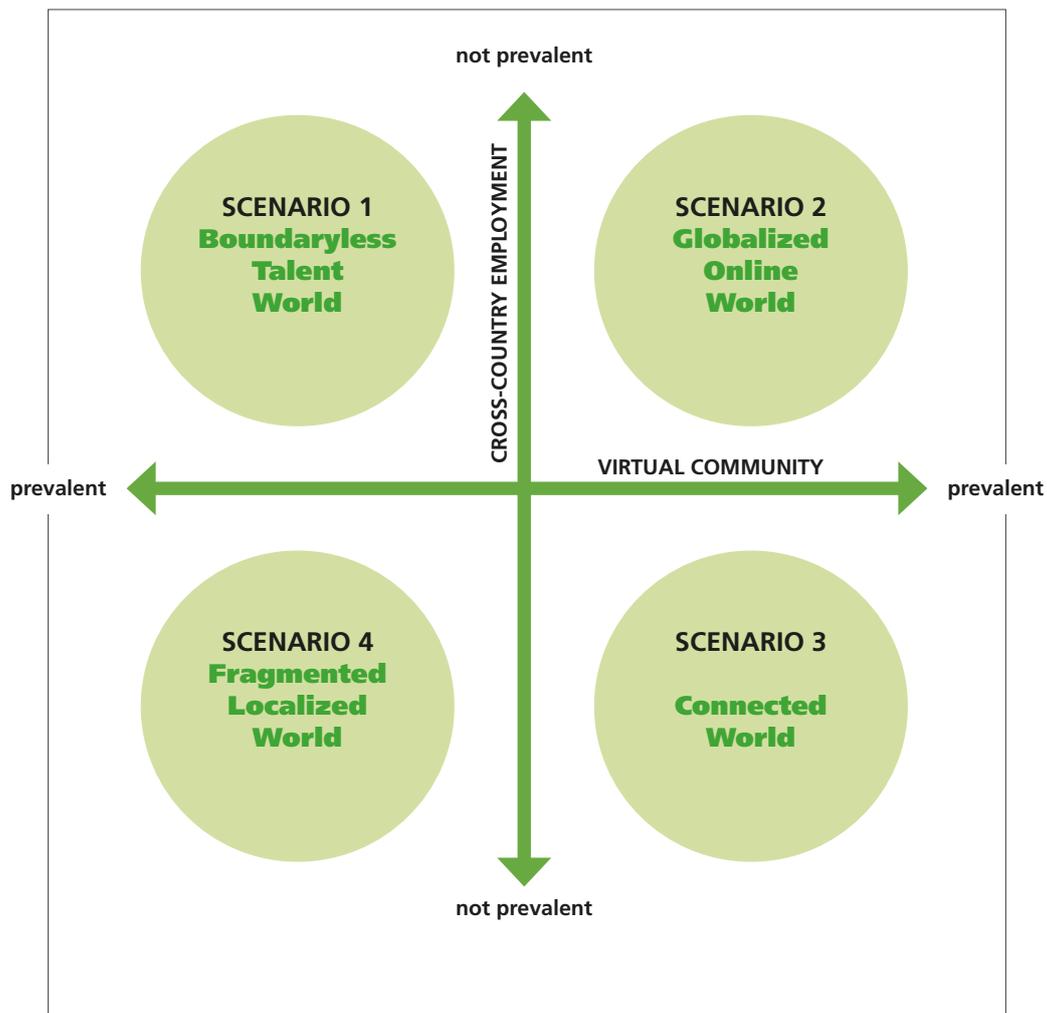
In order to develop scenarios of the future, we scored the driving forces according to two dimensions – uncertainty and impact. The uncertainty dimension scores the driving forces according to how predictable the driving forces are. The lower the predictability, the more significant the driving force. On the other hand, the impact dimension scores the driving forces according to how each one affects the future of the economy. The diagram below summarizes the scoring of the driving forces according to these two dimensions.



1 - SCORING OF DRIVING FORCES BY IMPACT AND UNCERTAINTY

introduction to scenario analysis

For this scenario analysis, we decided to look five years into the future with a focus on two very important drivers: cross-country employment reach and remote working; and virtual community. We formed four possible scenarios of what the world will look like in five years based on certain sets of conditions. The conditions are that the future has a large extent and spread of two phenomena (cross-country employment and virtual community), or either of them, or neither. If cross-country employment is prevalent, it means there is a flourishing system of cross-country employment and companies are employing people from across the world. If virtual community is prevalent, it means that there are large networks of people on virtual and social platforms sharing ideas and common sentiments. If they are not prevalent, it means these will not have much spread or impact in current society (in five years' time). Based on this, there are four possible scenarios: scenario 1 (A Boundaryless Talent World), where cross-country employment is prevalent, but not virtual community; scenario 2 (A Globalized Online World), where both are prevalent; scenario 3 (A Connected World), where virtual community is prevalent, but not cross-country employment; and scenario 4 (A Fragmented Localized World), where neither is prevalent.



2 - FOUR SCENARIOS. AXES BASED ON CHERMACK (2011)¹¹

¹¹ Chermack, T. J., *Scenario planning in organizations: How to create, use, and assess scenarios*, 2011. San Francisco, CA: Berrett-Koehler.

scenarios

SCENARIO 1

A Boundaryless Talent World: in five years, cross-country employment is prevalent, but virtual community is not

There is a cultural shift in the way people work and the way organizations hire. However, people are less aware of cultural norms and the global environment due to the lack of virtual communities and are more dependent on news channels for their information and connectedness. In Singapore, immigrant communities find it harder to socialize and connect. The work environment accommodates for those with disabilities, and employees are hired from across the world; however, there is some friction when it comes to understanding cultural and social norms. Quality of life here is seeing improvements in terms of rent and costs; however, the growth of the economy and efficiency of the companies are comparatively lower as they are unable to gauge customer perception with ease. The ASEAN integration focus progress is underway, encouraging different countries to work together, and Singapore is working to import innovative ideas and individual to develop.

Economic effects are as follows: there is a more competitive job market, and global connectivity has an impact on average wages and employment rates; however, the impact is lower than in Globalized Online World. Productivity faces some friction. Singaporean employers find it difficult to manage the culture of different areas and many employees are unable to start as early as they normally would have preferred to. Data mining and understanding customer sentiment are not as vital and some companies have decided not to invest in them. For Singaporean society, that already faces very low levels of societal problems and obstacles to purchasing, the level of innovation in this segment is even lower. However, there has been a large increase in innovation in connectivity and education, providing technologies that are attempting to teach Singaporeans and foreigners how to interact and understand each other. However, labor laws are an issue and some major violations are unreported or unknown. Collaboration across borders is mainly encouraged by companies and undertaken in formal company settings, and levels of knowledge sharing, and individual collaboration are low. Singaporean companies, due to their high level of technological adaptation, are able to lead the world in cross-country employment models.

SCENARIO 2

A Globalized Online World: in five years, both are prevalent

There is a large cultural change in the way people work and in the people organizations hire. Company employees are spread across the globe, and organizations have a higher level of diversity. Organizations are changing their previous hierarchical structure and are adopting more decentralized, team-based structures, with most of the work and communication being done over online platforms. In Singapore, this has translated into the top social media platforms in the country innovating to facilitate this process. There has been a high level of innovation in communication, knowledge-sharing technology and education-delivery technology. There is a high level of collaboration between countries and companies, and at an individual level as well. We see innovative ideas from abroad that solve





societal problems, and increase efficiency, seamlessly flowing into Singapore, through both employment and social channels. The cultural shift in relation to the nature of work has encouraged reverse brain drain, and more people hold multiple jobs. In Singapore, migrant workers are returning as physical location is no longer important for work. This is allowing employees more freedom regarding movement, as well as a reduction of living costs. Furthermore, freelancing is more common as people and teams operate on their own. Workplaces are more disability-friendly and more diverse; however, there are issues regarding undeveloped labour protection laws. Singaporean companies, that once could operate during fixed hours, have now started to prioritize meeting deadlines, rather than working during specific hours, as employees time zones and punctuality varies, directly translating into more flexibility and goal-oriented work. Companies are, however, more resilient in the event of a disaster. Singapore is seeing an even larger influx of start-ups and companies that are looking into establishing their physical location here due to their ease of doing business.

Social networks are deemed to be among the most important platforms where businesses can operate, and all successful companies have a presence online. The most successful companies are aware of the virtual communities in which they are relevant and collect important customer and sentiment data from these platforms. The top Singaporean platform evolved from being a messaging app, to providing virtual rooms and spaces with avatars, and then creating dedicated virtual services for organizations. There is increased ambidexterity of businesses that have digital business models, supported by local affinity for technology, and a focus on the wants of the customer or target market. Singapore, with its heavy focus on technological development, is leading the world in this area with ideas flowing in from abroad, as well as in the area of communication and cross-country employment.

The job market is more competitive, with companies able to employ people across the world. Global connectivity has an impact on average wages across countries as well as the employment rate. In Singapore, there has been a fall in rent, as there is lower demand for physical space within the country (leading to less overcrowding), as well as a reduction in living costs. Mental health is a large issue of discussion, due to deteriorating work–life balance and the negative impact of increased social media exposure. Overall productivity is higher and is seeing large increases as technology improves. There are large cybersecurity issues and debates around the ownership of personal data. The ASEAN integration focus is making progress, with member countries working together and collaborating.

SCENARIO 3

A Connected World: in five years, virtual community is prevalent, but cross-country employment is not

Companies are good at understanding target markets' wants and interests and are working towards offerings in line with their demands. Singapore's most popular social media platform has evolved into a virtual space for socializing and 'hanging out'. There is a high level of mixing between communities and major discussions are held on the platform. Major debates are taking place online among virtual communities, and businesses are established that have a presence online but also a physical existence. There are multiple startups founded by relatively homogenous group of individuals and mainly focuses on providing Singaporean customers services in the virtual world, such as aesthetically designed virtual spaces or physical goods. Data is very important, majorly collected from virtual communities.

Immigration is a major issue of debate; brain drain is taking place and there is a large influx of skilled young labor into Singapore in order to support Singapore's aging community. However, an unintended consequence of this is that the older segment of the population is unable to afford living costs, and often pushed aside to make space for younger workers. Asian countries are improving based on their large and relatively young populations, which contribute to supporting their growth. In person education is also localized, but because of virtual communities, people across the world are connected and therefore global debates are commonplace. High rent, high living costs, overcrowding and long working hours are major issues of discussion, as well as causes of dissatisfaction in Singapore. Countries collaborate with each other to set policies and regulations. However, at an organizational level, there is a lack of collaboration across countries. On an individual level, due to virtual communities and the sharing of ideas, there is a high level of collaboration in relation to work.

Companies are less resilient and do not have communication technologies in place to prepare for future pandemics. Recruiting is more expensive as companies have to look within their own network.

SCENARIO 4

A Fragmented Localized World: in 5 Years, neither is prevalent

The world is more segregated by borders, and immigration is currently one of the most discussed issues of public concern. There is a lack of trust in online communities. The brain drain from less productive countries increases, leading to slower growth in these countries. There is a shift away from remote work and back to traditional work practices, and education is focused on the local environment. Singapore is seeing this change in the way that various parts of its different communities interact with each other, and there is a growing divide between them. There is less collaboration with outside communities, and the pace of innovation, as well as technological adaptation, is slowing down. In Singapore, the problem of overcrowding has increased further, along with its real estate and living costs.

The threat of not surviving if a company is not able not adapt to social media platforms is much less important and we see many companies without a dedicated social media presence. However, in Singapore, residents still place higher value to well-known brands. Citizens' as well as organization's data is more secure, and companies are able to commend their competitive advantage for longer. However, understanding customer wants is difficult as they are not evident, so some investment is made in inefficient areas. This problem is seen in Singaporean companies, as they are less willing to allow their employees to experiment with foreign ideas. There is an extremely high level of companies' resilience.

In Singapore, SMEs are unable to reach customers efficiently and the business landscape is almost entirely dominated by large companies and brands. Many SMEs had to shut down and others are suffering. Foreign companies are less interested in starting up in Singapore, as the costs of having a presence in the target market has started to outweigh the benefits. Therefore, unemployment and customer dissatisfaction have increased, and overall productivity has decreased. Due to an overall lack of transparency and open discussions, there is also a high level of corruption and mistrust of power structures.

what it all means

The purpose of imagining four worlds, with their four unique sets of features, is not to predict the future. It is, however, to present alternative possibilities of how the world could look in the future so that organizations can imagine themselves in these scenarios and test how well their current strategies would work in them, and possibly think of new strategies. The purpose is to help companies learn to strategize for different scenarios and alternative futures, so that they become more resilient and robust.

Based on these scenarios, it is possible to orient and train business leaders on the details of how the world is changing, and how their business models will be impacted, since the framework laid out here might be applied to different organizations and industries.

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