Global challenges for business in the 3rd Millennium

Keerthan Raj
P.S Aithal
Srinivas Institute of Management Studies

Uncertainty is as old as business itself. The entire focus of business or entrepreneurship is built around the premise of risk taking and uncertain circumstances. Recent developments across the globe have given rise volatility which has ensured that businesses are in a situation of turmoil and uncertainty. Globalization and technology were challenges of the previous decade. Today's business has challenges related around building sustainability and addressing global issues of sustainable development.

Keywords: Business, Uncertainty, Volatility

1. Introduction

Business exists in an uncertain environment. The mere elements of organizing the various factors of production and ensuring a seamless movement towards building a business enterprise and running it on a day to day basis is itself embroiled in uncertainty because it brings with it the challenges of operating in dynamic situations which are contingent on circumstances. Uncertain times call for unique strategies by organizations. When we say uncertain it just does not assume the diverse business environment but also encompasses the complexity of situations. Complexity is a property of the many systems that constitute the environment that we live, work and in which businesses operate. Many researchers have contributed to the understanding of complexity, Kaufman, Holland and many others [1-4]. With the rapid development and spread of digital technologies and the entire world being transformed into a global village, complexity in the political, social, technical, economic and business systems have increased. These complex systems are characterized by certain properties and some of the defining properties of complex systems are their interconnectedness [1-4]. One of the deterministic characteristic of complex system is its nature of co-evolution. Simultaneously we see businesses focusing and leveraging very heavily on co-evolution. Big monolithic corporations are the products of the industrial age and they are characterized by stable markets which had steady demand for identical, mass produced goods and services. Economy of scale was the key driver of success in the industrial age and it was characterized by corporations which had to be rigid and stable in the environment. The key success factor was economy of scale and today the key success factor is adaptability and innovativeness.

2. Characteristics of Turbulent Business Environments

The new uncertain environments are characterized by certain key features which are the critical determinants of how they respond to uncertainty, they are as follows
1. Technology
2. Sustainability
3. Turbulent political conditions
4. Economic instability
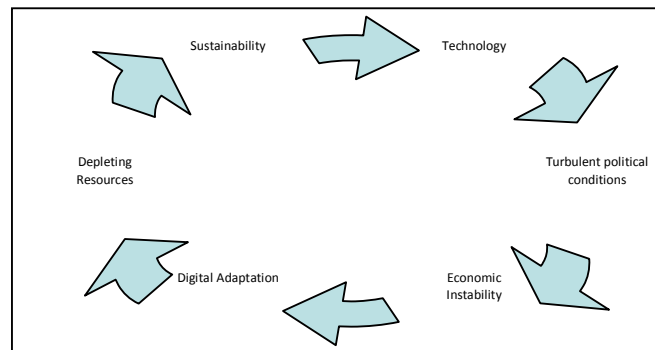5. Digital adaptation
6. Depleting resources

Figure 1 *Challenges to Business in the 3rd Millennium*

It has been seen that during the phases of transition from agricultural economy to an industrial one created a chaotic transition from a social order based on ownership of capital. In the second phase of the transition of the economy from an

industrial economy to a digital one, technology offering unparalleled social connectivity, nation centered industrial markets are dominated by knowledge based services. During the industrial economy phase, money could buy any knowledge needed for business. In the new knowledge economy dominated by digital capabilities for every business, the knowledge of how to solve complex problems can attract investments to sustain an economic activity. Pioneers of the knowledge economy, founders of knowledge-based companies such as Apple, Google, Amazon, Microsoft and Face book, are today's so called economic elite.

Technological advancement coupled with the digital revolution has been at the forefront of global changes in the way businesses are conducted. They have become the major drivers and enablers of change in corporations across the world. Right from the end customer to the sources of production and processing, technology has been phenomenal in forcing companies to relook business strategies and co-create and collaborate backwards and forwards. Alongside with this several countries are embroiled in unstable political conditions and economic situations are not looking too attractive the world over. The US influence of power is expected to wane as power spreads to the east and south, which s creating a multipolar world. There is also a dominant influence of militarization of foreign policy amongst most nations which is greatly shaping the way nations do business and transact with each other. The U.S.-Saudi-Iran rivalry is also going to have diplomatic, economic and military dimensions to world relations. Closer home, the Rohingya crisis in Mynamar, the Yemen war with close to 8 million people on the brink of famine, over 3 million internally displaced and the war ravaged Afganisthan are all issuing waiting to boil over. The dynamics in each place is local, but the governments' lack of authority and inability at times to cope with these situations is accelerating the turbulence.

3. Surviving in the Challenging 3rd Millennium

1. Adaptability
2. Building Sustainability
3. Beyond greening
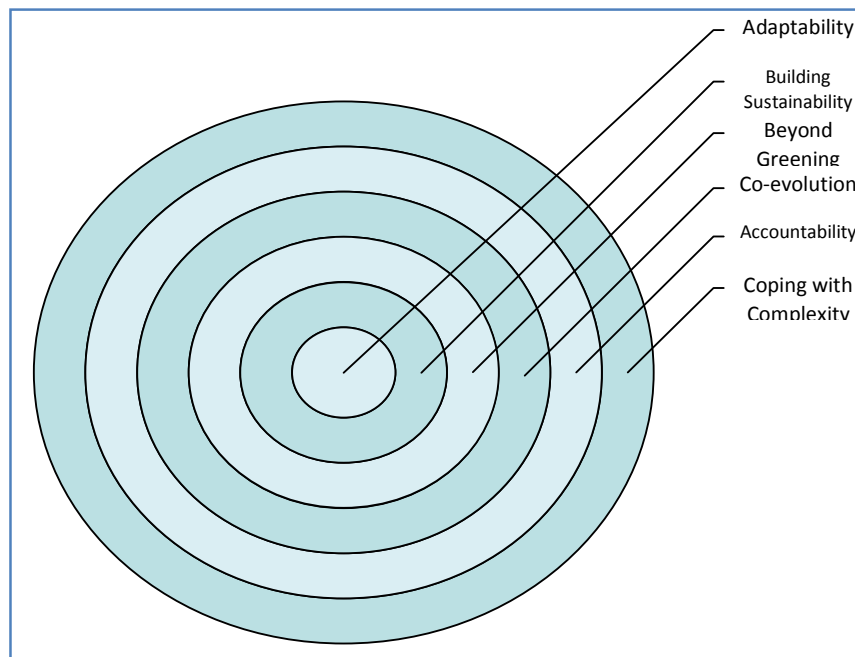4. Co-evolution
5. Accountability
6. Coping with complexity

Figure 2 *Coping with the Global Challenges*

The new complex global market which has moved towards becoming seamless can be seen as the enemy of anything big and rigid. Even big and large corporations that built their successes on scale economies today will be successful only if they are able to build mass around adaptability, the new critical success factor is adaptability, large corporations will not have an easy future, even when companies are into large scale production, they will need to build their strength around creating variability and adaptability to customer requirements. Today, customers today are well connected with technological edge leading the adaption of products, services, communication and all other facets of business. Large corporations have to have a remarkable ability to survive and many will re-invent themselves and continue in a more appropriate format. The organisational structure that is the most suited to deliver to a very perpetually changing market, each having a unique expertise (knowledge resource), is often referred to as Virtual or Digital Enterprise. When we address issues of complexity

and adaptability it is imperative for organizations to develop a mindset of co-evolution, and to co-evolve individuals and organisations have to develop the so-called 'complexity mindset'. The large and uniform are opposites of the diverse and dynamic. Managing Complexity in an ever changing environment contains a growing collection of concepts, principles and methods for businesses to be successful and sustainable [5].

There are two aspects in managing complexity
• Coping with external complexity and
• Coping with internal complexity

• Coping with External Complexity – The external environment is highly susceptible to change having no control over the environment, and therefore, we cannot control its complexity. The strategy for coping with external complexity is to develop the capacity for adaptation, which implies designing complexity into our processes and structures because only complex systems can self-organise and thus adapt. To be adaptive calls for achieving desired goals under conditions of frequent occurrence of unpredictable disruptive events. A novel method of dealing with complexity and successful adaptation is building in accountability into systems. Accountability for effective management as defined and construed by theory of accountability by Aithal et.al. can be an effective tool to devise strategies that ensure success in complex business environments of this 3rd millennium [6]. The four major constructs of Theory A are fixing Responsibility, maintaining Accountability, continuous Monitoring and fulfilling pre- determined target (RAMT).

Key requirements for adaptability based on the theory of accountability are
• Fixing responsibility by distributed rather than centralised decision-making so that decentralised and quick decisions can be made which are contingency based.
• Maintaining accountability in allocation and usage of scarce resources also so that early detection of disruptive events are made and appropriate actions taken up.
• Continuous monitoring to address bottle necks and strategic misfit decisions if any and so as to ensure real-time rescheduling of affected resources
• Setting predetermined targets and ensuring continuous improvement of performance to avoid a drift into failures and improvement of performance to suit dynamic situations.

Businesses operating under complex situations as outlined above have considerable difficulty in planning and managing their internal business processes. Traditional decision-making and resource optimisation approaches will definitely not be able to deliver expected results. The only option here would be to develop capacity for adaptability. Complex systems are characterized by behaviours that is emergent (unpredictable) and these systems have no controllers – they have to be adaptable – and need to self-organise when there is a disruption. Similarly, in the light of fast depleting global natural resources, businesses need to strive to go beyond greening and use technology to create solutions and processes that are converged into the ecological framework of societies and nation's.

The emergent model that we proposed would drive successes for businesses in the complex global world with sustenance and growth as key determinants of success.

4. Conclusion

In today's chaotic business environment, building and sustaining large enterprises, as discussed earlier calls for unique contingent strategies that should be built around the immediate challenges to cater to growing diversity and complexities. Corporations will be successful if they are able to address the identified strategic attention areas for their businesses.

5. References

1. Prigogine, I., The End of Certainty: Time, Chaos and the new Laws of Nature, Free Press, 1997. ISBN 0-684-83705-6.
2. Prigogine, I., Is Future Given?, World Scientific Publishing Co., 2003. ISBN 981-238-508-8.
3. Kaufman, S., At Home In the Universe: The Search for the Laws of Self-Organization and Complexity, Oxford Press. 1995. ISBN 0-19-511130-3.
4. Holland, J., Emergence: from Chaos to Order, Oxford University Press, ISBN 0-19-850409-8. 1998.
5. Rzevski, G., Skobelev, P., Managing Complexity, WIT Press, 2014. ISBN 978-1-84564-936-4.
6. Aithal, P.S. & Kumar, P.M. (2016). Organizational Behaviour in the 21st Century - 'Theory A' for Managing People for Performance.