

At a glance

# 75%

of the global workforce will be millennials by 2025 — and 70 per cent have, or want to have, their own business.

Source: Deloitte Millennial Survey 2017

## FUTURE SHOCK MARK II

As millennials increasingly take the reins, smart directors should prepare to ride a new wave of change, writes Phil Ruthven AM FAICD.

**It is approaching** 50 years since Alvin Toffler wrote the best-selling *Future Shock* (1970), followed by *The Third Wave* and *Powershift*. Toffler was prescient in his forecasting of the rise of computing power, information and the service industries in the early post-industrial age of the mid-1960s. His analysis was equally devoted to the psychological “shock” brought on by too much change in too short a time, coining the term “information overload”. The shock was far less for the younger generation, who embraced the new order. So it will be in coming decades. By 2030, millennials (1981-2001) and generation Z (born after 1995) will account for 51 per cent of Australia’s population (IBISWorld). The 2007 emergence of the Digital Era (Stage 2 of the information and communications technology revolution), social media and big data, and the ever-growing service sectors don’t scare these younger generations. Here are six key “shocks” directors need to be across.

### 1. International business invasion

If we aren’t good enough to expand overseas in terms of world’s best practice and uniqueness, we aren’t good enough to resist foreign competitors taking our business away. Retailers are one obvious example. Ours weren’t good enough to expand overseas and now foreigners like Aldi, Costco and Amazon are taking chunks out of the domestic players’ shares. Here’s hoping Bunnings is an exception in the UK. Where we don’t have the economy of scale due to population size, we should aim to be a niche or ultra-niche specialist on the international stage – or leave the industry completely.

### 2. Digital everything

The advent of fast broadband, big data, AI software and analytics is equivalent to the second revolution of power in the industrial age when electricity and production lines supplanted power sources such as steam, wind and water. In this case the digital era is turbocharging the information, communications and technology (ICT) utility. The impact on retailing – the online revolution – is a visible collision, but it goes well beyond retailing to virtually all Australian industries.

### 3. The IR revolution

Union membership has declined from half the workforce in 1970 to 15 per cent (ABS) today. The private sector membership is down to 10 per cent, with remaining unionisation concentrated in government-dominated industries (education, health, utilities, public service) at 38 per cent. It is likely the union movement will vanish in the decades ahead, as will the term “employee”. We are moving to a contractual system where workers will be treated as fellow businesses on a b2b basis (payment by outcomes) rather than a b2w basis (payment by inputs such as hours); assisted in the process by contractual advisers.

### 4. Generational power transfer

Already, generation X (born 1961-81) is beginning to take over top management and directorships from the baby boomers. They are the quiet-achiever generation, more practical than the reformist baby boomers and less inclined to political correctness. However, gen X supremacy will be short – a decade or so – as the more numerous, innovative, tech-savvy and globally focused millennials take charge. They will lead Australia into another Golden Age of wealth creation, not anticipated by many of today’s directors who often regard them as monosyllabic, irreverent and unsettled. But although millennials are not into starting families yet, they do plan on living to be 100, so what’s the hurry?

### 5. Growth and dying industries

Only about 15 or so of the nation’s 509 classes of industry are actually dying (car manufacturing, video stores, music stores, newsagents), but many are being mechanised, metamorphosed (department stores into digital platforms) or shrunk. The fastest-growing include health, information, AI software, inbound tourism, clean energy, the new agricultural industry, hospitality, outsourced non-core business functions, outsourced household chores and more.

### 6. The imminent Asian Century

The world is witnessing the slow but inexorable diminution of American power in favour of China and the coming Asian Century. The GDP of the East overtook that of the West in 2016. ■



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