Six ways to future-proof your business

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EVERY year, leaders from across the globe gather in Davos, Switzerland to discuss the most pressing issues facing the world and plan for the future.

But thinking about what is coming next is not just the preserve of multinational chief executive officers; every good business leader thinks about future-proofing their company.

They spend hours thinking about how and when to expand or diversify and where the next opportunity lies.

This kind of horizon-gazing is hard: time is precious, information is plentiful but not always accessible or reliable, and big change is notoriously difficult to manage.

And here are the top six ways to future-proof one's business:

Watch out for Gen Z

Now 70 million strong, Gen Z'ers were born between the mid-1990s and the mid-2000s and are the first generation of true digital natives.

They are known for their strong sense of community and desire to positively influence the world through their work.

The eldest of this cohort are starting to enter the workplace and are likely to be managed by millennials, another group with strong views on job satisfaction.

Successful brands will respond by developing strategies to address these groups, as employees and as consumers.

And those companies which live up to their values and understand how to do business in the digital age will be at a competitive advantage.

For instance, it has been shown that ethnically diverse companies are 35 percent more likely to outperform their peers.

From 'Like' to 'Buy', we are social shoppers

More people are buying via social media platforms. When these consumers see a product that they like, they want to be able to buy it then and there.

While social shopping is still in its infancy, research suggests it could generate revenues of $165 billion globally by 2021.

Brands seeking to attract these consumers will need to dialup their social media strategies and move from "Like" to "Buy" buttons, putting their products just a click away from savvy shoppers.

Green is the new black

Consuming ethically has become more important in recent years. Many people today say they are interested in ethical and environmentally friendly products.

It follows that if brands want to be commercially successful, they will have to meet these new consumer expectations.

Big companies are acting on this. Smaller firms, too, are looking at their ecosystem of buyers and suppliers to make sure everyone meets their standards.

This is not surprising, because if just one company fails consumers, it puts the reputation of all parties at risk -- just like a domino effect.

Trade skips borders

Services such as tourism, finance and education are expected to account for 25 percent of global trade by 2030.

Digital technology makes new markets more accessible and more and more small firms are expanding overseas virtually, without ever setting foot abroad.

This is a game-changer for trade, with expansion now being as much about a click of a button as bricks and mortar.

Blockchain

Today, just 0.5 percent of the world's population use blockchain (or distributed ledger technology), but adoption is so rapid across so many industries that experts predict the market will be worth $20 billion by 2024.

While some firms are already pioneering the technology, every leader should know how blockchain is being applied to their sector, what proof of concepts have been developed and if there are any collaborative ventures they can join.

The AI march continues

Another tech buzzword, Artificial Intelligence (AI), continues its march into "business as usual".

It is predicted that AI bots (applications performing automated tasks) will underpin 85 percent of customer service interactions by 2020, and that this technology could increase productivity by at least 40 percent by 2035.

The most promising uses for business include customer segmentation, in which advanced analytics can be used to identify new customer trends, and segments or clusters of people who are more likely to be interested in a particular product.

Business leaders who not only understand these trends but act on them are more likely to find competitive advantage.

That is because by future-proofing your firm over the long-term you win new customers, attract the brightest talent and anticipate where the best opportunities lie.

And that is something common to every successful business, from the smallest startup to the largest multinational.

The writer is the chief executive of HSBC Global Commercial Banking.

Canada budget breaks down gender barriers

AFP, *Ottawa*

CANADA'S finance minister unveiled a budget Tuesday that looks to boost the number of working women to head off a looming labor shortage.

It underscores the need to knock down barriers that prevent women from fully participating in the workforce, coming as a large segment of the population heads into retirement.

Finance Minister Bill Morneau proposed legislating pay equity and offering parental leave to fathers "to make it easier for women to return to work sooner, if they so choose."

This is in addition to Can$7.5 billion ($5.9 billion US) previously earmarked to create 40,000 new daycare spaces over the next three years.

"For the first time in our history, there are now more Canadians aged 65 and older than there are people under the age of 15," Morneau said in a speech to parliament.

"Who will step in to fill the gap left as more and more seniors leave the workforce? We believe that Canada's future rests on making sure that every Canadian has an opportunity to work, and to earn a good living from that work.

"And that includes Canada's talented, ambitious and hard-working women."

The gender gap in Canada's labor market has already seen a dramatic shift in the last 40 years. In 2017, nearly 83 percent of women aged 25 to 54 were working, up from less than 54 percent in 1977, according to the government statistical agency.

But women on average still earn just 69 cents for every dollar earned by men, a situation the government's initiatives seek to change.

Morneau cited studies that show eliminating the gap between female and male participation rates in the labor market could increase growth by four percent, or add Can$150 billion to the economy by 2026.

"When I draft budgets, I fight for every decimal point of growth," Morneau said.

"Even reaching half that goal -- boosting the size of our economy by a further two percent -- would be a truly significant gain."

The government will confront sexual harassment in the workplace by increasing legal aid funding to support victims.

"Movements like the #MeToo and #TimesUp have shed light on disturbing situations and behaviors that too often go unreported," Morneau commented.

The budget offers a mere Can$7.6 billion in new program spending and puts off new major initiatives -- such as national pharmacare -- until the next election cycle in 2019.

Canada's economy surged after Liberals took office in 2015 and unleashed a massive fiscal stimulus. But growth is now forecast to slow from 3.0 percent last year to 2.2 percent in 2018, and 1.6 percent in 2019.

Under the government's plan, the fiscal deficit would fall to Can$18.1 billion, or 0.8 percent of Canada's gross domestic product.

The budget includes Can$323.4 billion in revenues, and Can$338.5 in program spending and public debt charges.

The federal debt is forecast to rise to Can$669.6 billion (or 30.1 percent of the economy) and keep going up, with no end in sight.

There are monies earmarked for cybersecurity, conservation, additional emergency measures to deal with an opioid crisis, indigenous communities and housing.

The budget also includes the single largest investment in fundamental research in Canadian history -- Can$1.7 billion over five years.

Missing from the budget, however, were actions to address business concerns about recent US tax cuts undermining Canada's competitiveness and the fate of the North American Free Trade Agreement, which US President Donald Trump has threatened to void if it cannot be revamped to his liking.

Morneau said he would monitor impacts "in a responsible and careful way, letting evidence, and not emotion, guide our decisions."

REUTERS

Canada's Finance Minister Bill Morneau is interviewed in the House of Commons foyer after tabling the budget on Parliament Hill in Ottawa, Canada on Tuesday.

A question of interest at the heart of debate over GM Korea rescue

REUTERS, *Seoul*

FOR years, General Motors resisted calls from South Korean officials to cut interest rates it was charging on nearly $3 billion in loans to its loss-making South Korean unit, according to three sources and documents seen by Reuters.

The US automaker, which has announced plans to close one GM Korea plant, last week proposed swapping its debt for equity in exchange for financial support from the South Korean government to keep operating in the country.

But the interest charges remain a bugbear for Seoul, which wants an audit of what it calls GM Korea's "opaque" management before deciding whether to spend taxpayers' money to help the unit.

South Korean officials and politicians blame GM's high interest rates for exacerbating losses at GM Korea, which was already struggling with slumping exports to Europe.

"Board members asked for interest rate cuts at almost every meeting, but GM turned a deaf ear," a GM Korea board member told Reuters.

"From a South Korean perspective, it is not right for the biggest shareholder to receive such a high interest rate when lending money to its affiliate," said the board member, who declined to be named citing the confidentiality of the matter.

The US parent company told the board it had to apply equal rates to loans extended to its affiliates and couldn't give GM Korea "preferential treatment", the board member said. A spokesman for GM in Detroit said the company does not disclose specific details of its internal financial practices.

GM has lent its South Korean unit nearly 3 trillion won ($2.79 billion), charging interest of 4.8 to 5.3 percent per annum, GM Korea's latest regulatory filing shows.

That has riled some lawmakers who are now being asked to step in and help save GM Korea, and who say other automakers are paying much less in interest.

South Korea's Hyundai Motor borrowed money at interest rates of 1.49 percent to 2.26 percent, and Ssangyong Motor, a smaller player than GM Korea, paid 3.51 percent, lawmaker Ji Sang-wuk said, citing regulatory filings.

Over the past four years, GM Korea has paid GM 500 billion won in interest, according to GM Korea's filings. The South Korean unit has racked up a total of 1.9 trillion won in net losses in the three years from 2014 to 2016.

Some of the loans stem from 2012 and 2013, when GM Korea borrowed the funds to buy back $1.2 billion in preferred stock from former creditor and now No.2 shareholder, state-run Korea Development Bank (KDB), officials at GM Korea and KDB said.

"This has made GM Korea bear the financial burden from its borrowings from GM Headquarters, which was able to take interest," a former KDB executive involved in the matter told Reuters. He requested anonymity due to the sensitivity of the matter. The buyback was made ahead of a 2017 deadline to reduce rising dividend obligations on the preferred stock, cutting GM Korea's costs.

"We made an early redemption to improve our financial structure and reduce our payments burden," a GM Korea official, who declined to be identified due to the sensitivity of the matter, told Reuters. "Local banks were reluctant to lend money because of our weak financial position."

A former GM Korea board member with direct knowledge of the matter said GM Korea's board had asked KDB for loans with lower interest repayments but KDB also refused to lend to the loss making firm.

REUTERS/FILE

A worker checks cars made by GM Korea in a yard of GM Korea's Bupyeong plant.

Economists see stability in Xi supremacy, Chinese eye exit

AFP, *Beijing*

AS Xi Jinping marches toward presidency for life, economists are lauding the stability of his continued rule but the move has caused some Chinese people to consider moving assets, or themselves, abroad.

The Communist Party's move to scrap presidential term limits is the latest indication Xi is returning the country to strongman rule, undermining the consensus of technocrats that has governed China in recent years.

But a lengthy period of stability under Xi, whose second term would normally end in 2023, will give him time to push through the much needed reforms he has championed, analysts say.

Xi and his economic team have pledged to tackle China's ballooning debt, move the economy towards sustainable consumption-based growth and taken aim at corruption endemic in the Communist Party.

The "measures are more likely to be successful with a strong and steady leadership", said Robert Carnell, chief economist at ING Bank.

"The ability to get stuff done is something that the weak coalitions that govern, for example, most of Europe, would give their eye-teeth for," Carnell wrote in the note to investors quoted by Bloomberg News.

At Davos in January, Xi's top economic advisor Liu He told the crowd of global elites China would get financial risk under control within three years.

"This reform agenda would last for decades," economist Raymond Yeung at ANZ Bank wrote in a note to investors, which was largely positive on the raft of proposed constitutional changes.

Liu, who analysts believe could be in line to become the next central bank chief and also hold the title of vice premier, is in the United States this week dealing with the thorny trade issues rocking relations between the world's two largest economies.

A firmer grip on the country for his patron Xi may give him greater leeway to bargain with Donald Trump's administration, analysts say, though others caution it could harden China's positions.

The United States and Europe have also complained that Beijing has repeatedly failed to keep its word on opening up its market to foreign firms, which still face many obstacles.

History shows one-man rule can hamper effective economic decision-making, though.

The horrors of Mao Zedong's Cultural Revolution and Great Leap Forward are still remembered by many in China.

Following the disastrous policies, the Communist leadership sought to prevent further chaos by tempering presidential power through a system in which major personnel and policy decisions were hashed out by the powerful Politburo Standing Committee.

Economist Andrew Polk of Trivium Research said in a newsletter that the changes will strengthen Xi's hand in implementing his policy agenda but invoked Deng Xiaoping to question the long-term wisdom of the moves.

"To build the fate of a country on the renown of one or two people is very unhealthy and very dangerous," Polk quoted Deng, the reformist leader who began the opening up of the country in the 1970s.

China is increasingly susceptible to "key man risk", Polk warned.

That fear -- and memories of Mao's rule -- is giving some Chinese pause about the direction of their nation.

Discussions of emigrating abroad and ferreting out assets are seeping into conversations in the capital and in chat groups online -- until censors find them.

One real estate agent selling to Chinese buyers in the Silicon Valley city of Palo Alto, California, said on social media he had seen a flood of new interest since the changes were announced.

Some agencies that help Chinese emigrate abroad say they have received a higher level of inquiries in recent days.

"We've been getting more calls than normal," said Kitty from Globe Visa, which helps Chinese emigrate to the US and Canada.

"It has to do with the government."

An employee at immigration consultancy Qiao Wai said they too had been receiving more calls than usual in recent days.

Data from China's search engine -- Baidu Analytics -- showed searches for immigration skyrocketing in the hours after the announcement on Sunday.

By Tuesday, Baidu was no longer releasing the data to the public.

"We temporarily provide no data for the keyword 'emigrate'," a search on its analytics platform returned.

Likewise, posting about immigration was blocked on Twitter-like Weibo and the Quora-like question website Zhihu stopped displaying related questions.

REUTERS/FILE

A man rides past a cartoon depicting Chinese President Xi Jinping with the Chinese characters reading "Dream of China" on a street in Shanghai.