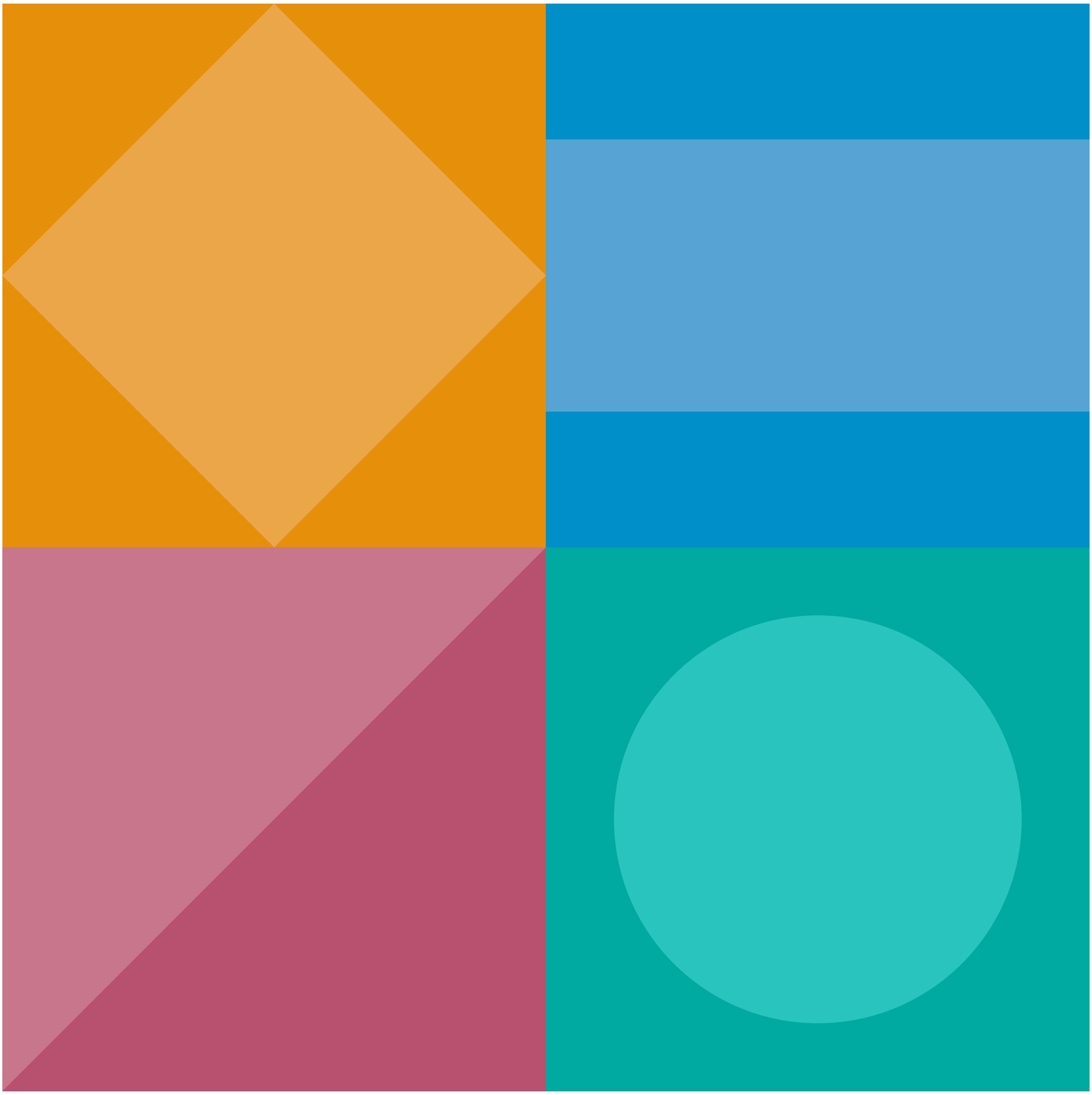

The Business World in 2025

Four scenarios to stress test your strategy

GLOBAL CENTER FOR DIGITAL BUSINESS TRANSFORMATION
An IMD and Cisco Initiative

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Foreword

The future is a common topic of discussion among the 8,000 executives who visit IMD each year. While they are certainly occupied by the challenges of today, they maintain a healthy interest in the opportunities of tomorrow. They often seek our advice on how to prepare their organizations to compete in the future. Our typical approach has been to conduct an analysis of the relevant trends that affect a particular company, and then help the executives to come up with the best strategy to compete in the most likely future scenario. This approach has worked well in the past, but there is increasing evidence that it is losing its effectiveness.

At Cisco we have been shaping the future of the Internet and leading the IT industry for more than 25 years. We have been creating unprecedented value and opportunity for our customers, employees, investors, and ecosystem partners and have become the worldwide leader in networking. Although we are more than ever committed to innovate and transform how people connect, communicate, and collaborate, the future is becoming harder and harder to predict.

In today's fast-paced world and hypercompetitive environment, the variety and speed of change in most industry segments and markets is quickly making strategies obsolete. If you are not sure of the destination, it is hard to make a plan to get there. As the future becomes less certain, scenario planning becomes more useful. The goal of scenario planning is not to accurately predict the future; it is to stretch your thinking and planning across multiple plausible futures. It is designed to stress test your organization along the critical dimensions that will influence the future, even if we cannot precisely predict in which direction it will move.

In the fall of 2015, we decided to conduct a scenario planning exercise at IMD by assembling a team of the best and most diverse minds we could find. They included strategy, leadership, sustainability, and innovation professors, management researchers, economists, leadership coaches, business writers, lawyers, and corporate executives. We brought them to The Global Center for Digital Business Transformation, an IMD and Cisco Initiative, where they worked together to identify the trends that would most likely affect global business in 2025. The insights from this day were then taken by a dedicated group of researchers from Cisco and IMD, combined with external data, analyzed, and used to build the four plausible scenarios for 2025 that you will find in this report.

This report – *The Business World in 2025* – identifies catalysts for change and analyzes how their interplay could lead to remarkably different future worlds. The report gives a set of four possible yet divergent scenarios, which were developed as a toolkit to help organizations navigate the future.

We are now using these scenarios at IMD to help executives prepare their organizations for the future, and very much hope that they can do the same for you.

Michael Wade
Cisco Chair in Digital Business Transformation
IMD Professor of Innovation and Strategy
Director of the Global Center for Digital Business Transformation – an IMD and Cisco Initiative

Stephan Monterde
Cisco Systems
Chief Strategy Office
Director Corporate Development

Executive Summary

Since the turn of the millennium, change has been relentless for businesses across all geographies and industries. The year 2015 was a tumultuous year, and by most indications instability and uncertainty will continue over the next decade. Several factors are contributing to this, ranging from an increasing pace of innovation and technological change, to the rise of new digital players and shifting consumer preferences. The uncertain macroeconomic environment further complicates the picture, as enhanced globalization is making countries more interconnected but also more exposed to global crises and financial shocks.

In this context, irrespective of their geographic playground or industry, business leaders are facing similar challenges. What is the right strategy to stay ahead of change? When should they react to new innovations in the market? What are the actual challenges to their business versus new ventures just making noise? How should they respond to changing regulation? To answer these questions and navigate ambiguity, business leaders need to think about what could happen next and how the current landscape might evolve.

This report is a step in that direction.
It focuses on one central question:

How will the business world evolve in 2025?

By engaging with experts and thought leaders from different backgrounds and industries as well as leveraging analyses from multiple lenses – economics, technology, geopolitics and consumer behavior – we have developed a set of independent scenarios about the world of business in 2025. The scenarios do not intend to predict the future, but rather to set out possible evolutions of the world that we know today. Each scenario is a plausible, challenging, and rigorously constructed story.

The scenarios focus on the external driving forces over which individual organizations have little or no control. Among the multiple pressures impacting the business landscape, we have identified the three most important ones that, in our opinion, will create the greatest uncertainty and change:

Shifting geographies

How will the global economy's operating system look by 2025?

Blurring industry boundaries

How will companies organize around new ecosystems of value in 2025?

Evolving digital behavior

How will the consumer react to Internet ubiquity in 2025?

The interplay of these factors leads to different futures, depending on how the chosen driving forces play out. Among several possible combinations, we have explored four.

Use of the scenarios

We have developed these scenarios to provide organizations with a toolkit to understand the complex landscape surrounding them. The scenarios are intended to raise questions; challenge thinking and help decision makers test their strategy and underlying assumptions.

The answers will come from the reader. By placing their own organization in each of the depicted scenarios, every business leader can assess threats and opportunities, raise awareness of the environment and foster the organization's business agility in navigating today's uncertainty.

Note

The characters, interviews and case studies developed in the report are fictitious and do not refer to any real-world example. They were developed to create challenging, plausible, and relevant stories of possible futures.

Global Bazaar

Global Bazaar is a scenario of fundamental business transformation and continuous change, where new revenue streams are unlocked due to technology, new consumer preferences, business-friendly regulation, and an open geopolitical environment. However, corporate volatility remains extremely high, which means guaranteeing stable business results is challenging because of fluid markets and hyper competition.

The scenario is depicted as an interview in a business journal. It reviews the opportunities and challenges that the CEO of a global industrial manufacturer has faced over the period 2015-2025.

Cautious Capitalism

Cautious Capitalism describes a global and open business landscape challenged by a distinct shift in consumers' digital behavior. They take back control of their data and turn to privacy-friendly companies. This triggers new competitive dynamics, challenging digital players and restrained opportunities from cross-industry digital platforms. To keep up new revenue streams, companies need to collaborate and create secure ecosystems that their customers can trust.

The scenario unfolds as a business school case study and provides an overview of the challenges faced by the Chief Technology Officer of a fintech start-up from 2015-2025.

Territorial Dominance

Territorial Dominance describes an increasingly difficult international environment, where many countries step back to protectionism. Local industry regulation tightens, creating little room for cross-industry innovation. Given the stagnant economic growth, companies focus on efficiency gains. Big regional companies dominate the business landscape and entrepreneurship is scattered and marginal.

The scenario is written as a blog by the ex-Chief Digital Officer (CDO) of a healthcare company. The blog reviews the career development of the CDO in the last ten years (2015-2025).

Regional Marketplace

Regional Marketplace is a world divided into regional clusters, each following its own rules in trade, business policy, and Internet governance. The common denominator across regions is the strong push of governments towards creating a local innovative environment, by fostering local disruptive ventures and protecting regional players from international competition. In such a landscape, innovation is local, products are regionally tailored and multinational companies are strongly challenged.

The scenario is presented as an article extract from the Business Leader Perspectives and highlights the issues confronting the Chief Operating Officer of a global IT player in 2015-2025.

Drivers of change to 2025

Several factors, expected and unexpected, are shaping the future of business ranging from socio- economic forces to political and technological headwinds over which the business stakeholders have little influence. To imagine how the business world might evolve 10 years from now, we have chosen three drivers of change:

Shifting geographies

Blurring industry boundaries

Evolving digital behavior

By exploring these factors, it becomes apparent that their interplay leads to remarkably different outcomes, each of which will have profound consequences on businesses of the future.

Shifting geographies

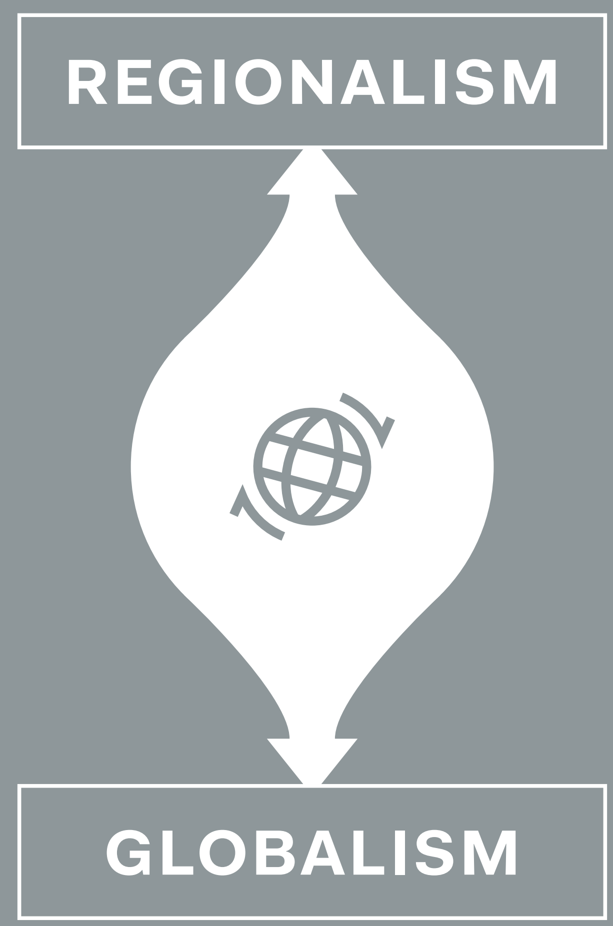
How will the global economy's operating system look by 2025?

Decades of globalization have created a more interconnected, interdependent and complex world. Currently, there is consensus that globalization is in transition but the debate as to whether it will progress or regress continues. Two contradictory trends are at work re-writing the world economy's operating system.

On the positive side, multinational corporations are promoting economic convergence and integration through globalized manufacturing, just-in-time production and integrated supply chains, thereby creating the central nervous system of the global economy. Combined with this is the shifting locus of economic activity to emerging markets in the East and South at a speed never seen before. The shift is being enabled by disruptive powers of technology in terms of scope, scale, and economic impact. More specifically, the Internet, social media, and data flows across international boundaries are supporting economic growth and new-age innovation.

On the negative side, the acceleration in global integration is causing unprecedented fragility and vulnerability to global economic shocks – experienced during the 2008 global financial crisis, the Eurozone's migrant and debt crises and China's slowdown and financial instability in 2015. As a result, an opposing trend has come to the fore in the form of economic crisis policy responses that portend a destructive spiral of protectionism, xenophobia, nationalism and consequent disintegration of globalization. Moreover, in the wake of Snowden's revelation of US surveillance practices and the Arab Spring revolution, fundamental shifts are occurring in Internet infrastructure, control over internal/external communications, and governance policies that could bring about a Balkanization of the Internet, i.e. the creation of a national/regional Internet working under different sets of principles.

In this new world that is upon us, governments, global institutions, businesses, executives, policy makers, and individuals need to scrutinize their intuitions and boldly reset them to take on the future. How will multinational companies operate in a regionalized world? How will executives find new business opportunities without access to global markets? Differently, in an open and highly integrated economy, how will governments protect the local economies from global shocks?



Will openness and integration endure in the next years? Or rather, will we witness a return to regionalized and protected economies?

Which countries/regions will drive global economic growth?

How will Internet and data flows be regulated across countries? Will competing models of Internet governance arise?

Blurring industry boundaries

How will companies organize around new ecosystems of value in 2025?

Industry boundaries are blurring – companies' value propositions and business model innovations are increasingly cutting across traditional barriers. Since the turn of the new millennium, this trend has been attributed to factors such as globalization, advances in computing hardware and software, fundamental breakthroughs in information and communication technologies, and more recently, enhanced digitization of products and services. This progress has been matched by evolving consumer awareness, needs and behaviors.

The outcome is increasing product and service complexity combined with changing business models for value creation/capture and disaggregation of supply chains. Most importantly, technology has enhanced market transparency, undermined entry barriers and given life to entirely new breeds of competitors that are disrupting the inherent nature/structure of multiple industries.

Today this shift seems mainstream. However, the future looks highly uncertain.

First, start-ups are moving faster than regulation. They are able to skirt constraints, exploit unseen possibilities, and rewrite the rules of "fair" competition leading to an incessant tussle with incumbent players. How will regulation react to disrupters? Which "level playing field" will emerge in the coming years to balance competition with market stability and consumer rights?

Second, the peer-to-peer sharing economy has become a force to be reckoned with, especially in the last five years. For start-ups with disruptive business models, venture capital (VC) has emerged as a powerful funding mechanism. That said, VCs have been underperforming in the stock markets for a decade. While the number of unicorns has increased exponentially, most of them are burning money. Critics contend that their growth will hit a bottleneck and remain fragmented due to challenges in scaling up to a critical mass on both supply and demand sides; higher-than-expected operating costs and uncertain cash flows; as well as democratization and governance of these platforms. If this happens, the blurring of industry boundaries might come to a sudden stop.

Are we at a tipping point? To what extent will business model innovation and value creation (as exemplified by start-ups in the collaborative economy) succeed if stringent regulations are enacted with a heavy hand? In contrast, if the regulatory landscape continues to lag, such companies might succeed in the short term but how will they continue to deal with a stronger wave of even more innovative disrupters? Their sustainability and existence itself will hang in the balance.

Will regulation create new frameworks to cope with disrupters and rapid technological change?

Will the sharing economy become a key driver of market growth?

How will the role of venture capital evolve as an innovation funding mechanism?

Evolving digital behavior

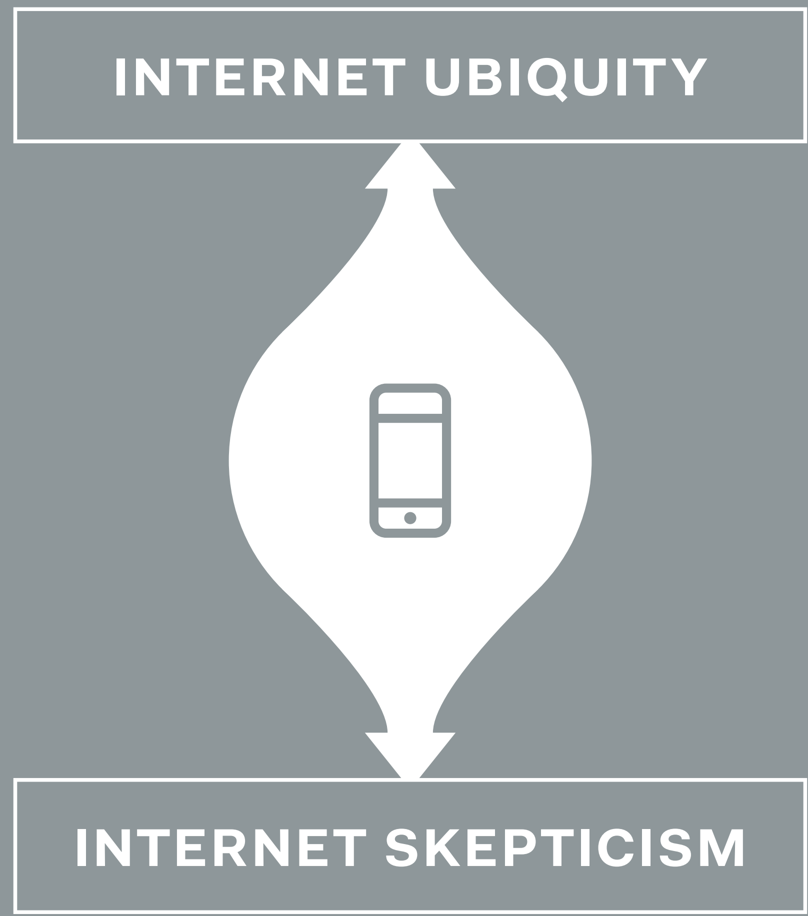
How will consumers react to Internet ubiquity in 2025?

Today, nearly every consumer activity has shifted to the digital realms of mobile, social media, video, advertising, search and e-commerce. Most companies are building business models for the connected era as evidenced by the escalating number of connected devices – health and fitness monitors, home security devices, connected cars, household appliances and so on.

This trend is also raising numerous concerns. Consumers are certainly aware that companies are collecting information to create a window into their personal data, behavior and preferences. However, they remain at a loss about what and how much data, as well as the usage of that data by companies themselves or by third parties. Furthermore, consumer confidence is being undermined by ever more frequent instances of identity theft, personal privacy breaches, and financial loss, even as legislation remains ill-equipped to deal with such issues. The same is true for businesses that are facing a profound impact of cybercrime. As Internet adoption becomes ubiquitous, cybercrime is becoming automated, and in the near future it is expected to enter the third dimension, i.e. the physical world, due to the highly networked nature of computer chip-embedded devices that are connected insecurely to the Internet.

Herein exists the greatest uncertainty for 2025. How will consumers react to the risks related to Internet ubiquity? At one end of the spectrum, consumers will curtail their involvement in the digital space claiming control of their personal data throughout the lifecycle of a product/service. They will have the final say on the use of this data with recourse to the law to uphold their rights. At the opposite end, consumers will keep embracing the digital wave, ceding their rights to the corporates who will become custodians of vast amounts of consumer data – a double-edged sword – making them highly successful financially but, at the same time, even more vulnerable to security and privacy risks.

As consumers' digital behavior evolves, how will companies engage with them in the future? Which channels will ensure the best engagement in a world where consumers are Internet skeptics? Differently, which strategy will be successful in a world where consumers are digitally savvy?



Will consumers embrace the Internet in a pervasive way?
Will the perceived benefits of the Internet outweigh the risks?

Will consumers give up their privacy to fully benefit from product/service personalization and Internet ubiquity?

Will services and resources keep moving steadily and massively online?

How will the future look?

Four divergent yet plausible views of the business world in 2025

The interplay of the three drivers of change that we selected – shifting geographies, blurring industry boundaries, and evolving digital behavior – can lead to remarkably different future worlds. Among the possible worlds emerging from the combination of the three uncertainties, we developed four stories that challenge our thinking, question our assumptions, and help us think broadly about the future. The choice was based on an attempt to provide plausible, novel, yet divergent views on how the business world might unfold in 2025, rather than on how probable each scenario might be.

Global Bazaar

Global markets
Blurring industries
Internet ubiquity

Cautious Capitalism

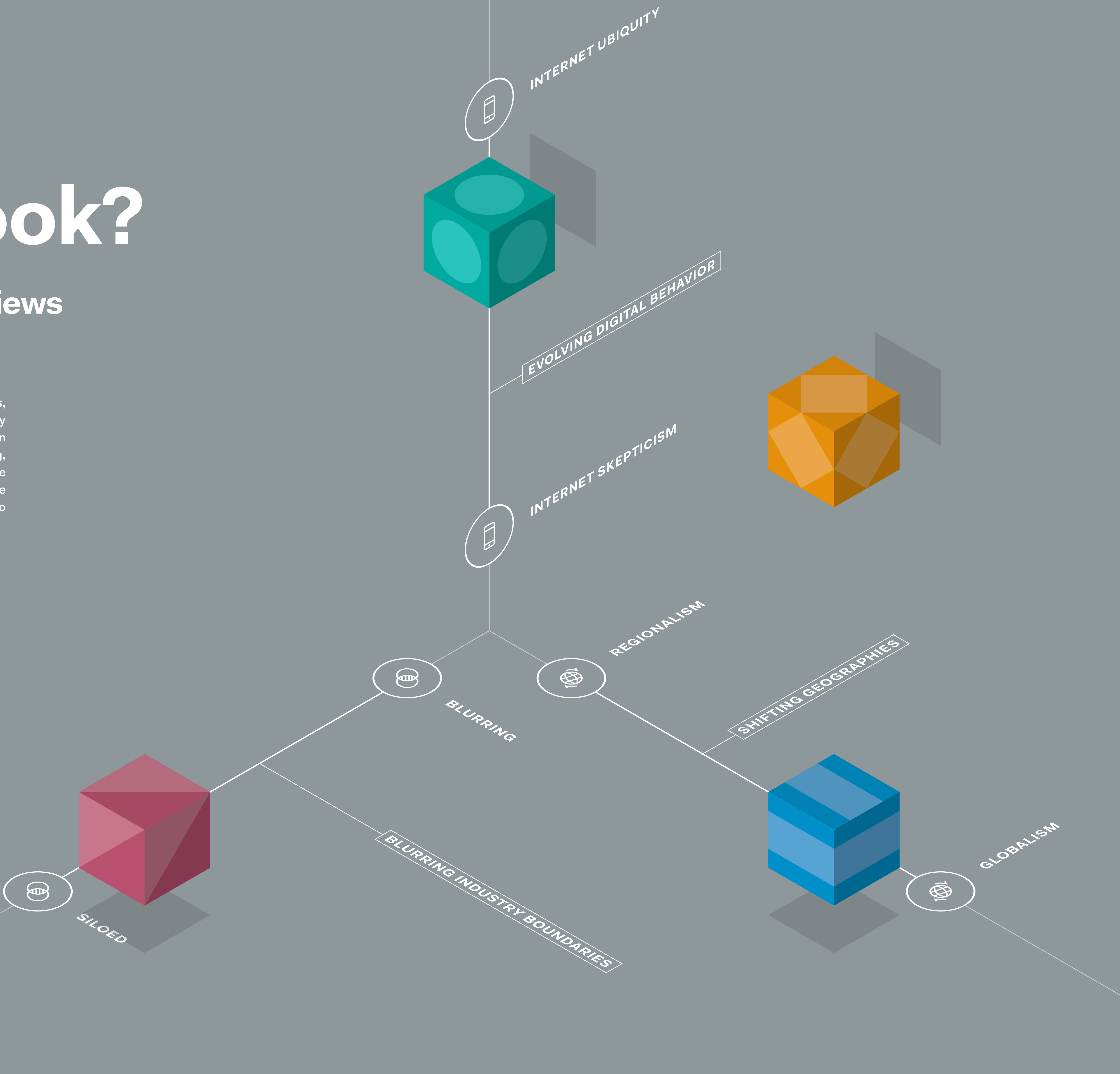
Global markets
Blurring industries
Internet skepticism

Territorial Dominance

Regional markets
Siloed industries
Internet skepticism

Regional Marketplace

Regional markets
Blurring industries
Internet ubiquity



Global Bazaar

Change is the only constant

Global Bazaar is a scenario of fundamental business transformation and continuous change, where new revenue streams are unlocked thanks to technology, new consumer preferences, business-friendly regulation, and an open geopolitical environment. However, corporate volatility is extremely high, which means guaranteeing stable business results is challenging because of fluid markets and a hyper competitive environment.

Global markets
Blurring industries
Internet ubiquity

Global environment

Global geopolitical **stability**, **openness** and international cooperation.

Harmonization of trade and engagement rules on many topics: data flows, cyber security, Internet governance.

Business landscape

Fragmented business landscape with small and large companies competing from within and outside reference industries.

Digital business models unfold their full value.

Asian and Latin American companies enter Fortune 500.

High rates of **corporate mortality**.

Market regulation

Business-friendly regulation favoring industry convergence: finance, telecom & e-commerce; energy & automotive; post & e-commerce.

Innovation trends

Asia becomes the largest R&D investor.

Digitization, Cloud, IoE, Big Data are mainstream.

Consumer engagement

Consumers/companies have an **Internet always-on approach**.

Personalized products at the expense of privacy & security.

Leading in the Global Bazaar

The scenario is depicted as an interview in the business journal *Digital Vortex*. It reviews the opportunities and challenges the CEO of a global industrial manufacturer has faced over the period 2015-2025.

SIGNPOSTS
Early indicators of this world

Globally, M2M modules will account for **43%** (10.5 billion) of all networked devices in **2019**

(Cisco VNI, 2015)

59%
of manufacturers expect their company's strategy to change as a result of **real-time information** in the next three years.

(Cisco, Economist survey, 2015)

LEADING IN THE GLOBAL BAZAAR

JANUARY 2025

DIGITAL VORTEX SPOKE WITH ALEJANDRO GARCIA ABOUT HIS APPROACH TO LEADING METALLICATOR, A COMPANY THAT HAS BEEN AT THE CENTER OF DIGITAL DISRUPTION SINCE 2015 WHEN HE TOOK CHARGE AS CEO. METALLICATOR IS IDENTIFYING, PRIORITIZING, AND DRIVING IMPLEMENTATION OF DIGITAL INITIATIVES ACROSS ITS GLOBAL MARKETS.

Alejandro Garcia
Chief Executive Officer
Metallicator, Dubai (Global manufacturer of industrial engineering equipment)

Q **The staid traditional manufacturing sector has undergone a sexy transformation driven by several external forces such as smart products, digitization, cloud connectivity and simulation technologies. How has your business evolved in the last 10 years?**

A Since 2015 we have been riding the wave of the fourth industrial revolution powered by IoT. Being an Original Equipment Manufacturing (OEM), we have been racing to migrate from an analog to a digital approach through our products, services and operating models. We have always collected massive amounts of data, but the quantum leap that we have made by 2025 is that we can exploit and derive revenue streams from this data.

Q **What kind of business model innovation have you brought about to ride the digital wave?**

A We have transformed our business model – from selling an asset to selling the functionality of the asset – for example, selling holes instead of drilling machines. We worked on two levels. First, we redesigned our engineering capabilities to integrate data aggregation, analysis, and evaluation as a basis for decision-making. The result is that we have achieved greater productivity, lower costs and optimization gains. Furthermore, we provided our products with "self-aware" capabilities and predictive analytics thus enabling transparency about equipment condition and performance. Second, we achieved buy-in from customers for our enhanced value proposition and the new outcome-based business model. Today, our customers do not necessarily own the assets and we are compensated based on the resources consumed and productivity metrics over the lifespan of the product.

Q **What does this mean in terms of how you engage with your customers?**

A Indeed, we now have completely new dynamics in terms of the producer-customer relationship as we are engaged in *co-creating value*. In contrast to our previous B2B model of selling equipment and providing after-sales service, now we partner with customers. Given that the business value is intangible and cannot be proven through traditional ROI calculations, our early challenge was to establish trust and convince customers. Today, there is an alignment of incentives on both sides to reduce the total cost of product functionality and create multiple opportunities for exchange of value. However, this means that we are even more dependent on our customers. Currently, we are grappling with ways to keep our large and diverse customer base engaged, share the risks and rewards, manage complexity in information flows, and embed seamless activity systems across company boundaries.

Q **How will you enhance your business portfolio in order to address evolving customer needs?**

A There are obvious trade-offs between organic growth and digital acquisitions. As speed and agility are key, we followed the inorganic route to expand our business portfolio and bolster our software expertise. However, this has thrown up a new challenge – the integration of old and new businesses, digital and non-digital, as well as back-end and front-end operations. There are significant synergies that we are still trying to capture to get to the full potential of our enlarged portfolio.

Q **What has been the impact of a digital, fast-changing and hypercompetitive environment on your organizational structure and culture?**

A Well, the initial steps toward digital transformation went against the grain of our established management practices. There was a strong sense of skepticism across all levels! Our success hinged on deep cultural change on several levels – reducing hierarchy, creating temporary teams that could operate autonomously, running cross-functional, innovative, market-driven projects, and hiring new talents from distant industries with skills that complemented those of our existing workforce. At some junctures we even had to let go some long-standing employees as they were no longer a good fit within the changed environment.

SIGNPOSTS
Early indicators of this world

39% of companies plan to acquire one or more companies **in the next three years** in order to boost their real-time capabilities.

(Cisco, Economist survey, 2015)

Executives rank organizational culture and resistance to change among the greatest risks that could threaten their company's future success.

(North Carolina State University, 2015)

SIGNPOSTS
Early indicators of this world

More corporate in-region R&D is now conducted in **Asia** (35%) than in **North America** (33%) and **Europe** (28%),

which is a change from 2007, when Europe was the top region for R&D spending.

(PwC, 2015)

Four of today's top 10 incumbents *– in different industries –* will be displaced **by digital disruption** in the next **five years.**

(Cisco IMD DBT Center, 2015)

Q **How are you managing your disaggregated value chain? What are the challenges?**

A Since 2015, free trade and digitization have fundamentally reshaped our supply chains. Our key suppliers are now located in the TICKS (Taiwan, India, China, Korea and South Africa) economies not because of labor costs but because they have invested heavily in advanced technologies – 3D printing, robotics, and automation. But I would like to caution that our supply chain is constantly in flux. While we have access to an entire gamut of specialized suppliers, we have to be constantly building relationships and be vigilant of risks to predict disruptions and support rapid recovery as part of an overall resilience strategy.

Q **Tell us about the kind of competition that you are facing today compared to the past 10 years?**

A It is almost impossible for us to define who our competitors are. In the past, we faced a few new entrants and we could decide upon a defensive or offensive strategy. Today, there are a dozen small competitors from disparate geographies, chipping away at different aspects of our competitive advantage. To stay ahead of the game, we have to actually collaborate and leverage complementarities with relevant competitors and also create the right scale of investment in IT infrastructure.

Q **What keeps you awake at night?**

A The market is clearly rewarding companies that have advanced digital capabilities. The stakes are high – if we get it wrong, the stock market will lose confidence in our ability to manage the digital business model. Salvaging our reputation will be impossible. As such, keeping our stock price in a certain range has been highly challenging. We have witnessed some of our traditional competitors facing severe consequences because of delayed reaction to market changes. My other concern is about the increasing security challenges associated with high tech manufacturing. We have to keep walking the tight rope between opportunities and threats presented by digital technologies to offer value to our customers while preserving our reputation and trust.

Cautious Capitalism

Build trust to keep thriving

Cautious Capitalism describes a global and open business landscape challenged by a distinct shift in the digital behavior of consumers. They take back control of their data and turn to privacy-friendly companies. This triggers new competitive dynamics, challenging digital players and restrained opportunities from cross-industry digital platforms. To keep up new revenue streams companies need to collaborate and create secure ecosystems that their customers can trust.

Global markets
Blurring industries
Internet skepticism

Global environment

Global geopolitical **stability**, **openness** and international cooperation.

Harmonization of trade and engagement rules on many topics: data flows, cyber security, Internet regulation.

Business landscape

Digital disruptors are challenged by consumers' lack of trust in online services.

Small and large companies team together into consortiums to offer **digitally secured services through platforms**.

Intense competition across consortiums.

Market regulation

Business-friendly regulation favoring industry convergence: finance, telecom & e-commerce; energy & automotive; post & e-commerce.

Innovation trends

Asia becomes the largest R&D investor.

Digitization, Cloud, IoE, Big Data slow-down due to consumer/company disengagement.

Consumer engagement

Consumers **are disillusioned by Internet**: costs of being online are higher than benefits.

Consumers/companies value **privacy and security first**: when and how to connect.

They want control and ownership of their data.

Trust in a vendor is the key value in the purchasing process.

Paykarma: Dealing with cautious capitalism in 2025

The scenario unfolds as a business school case-study and provides an overview of the challenges faced by the Chief Technology Officer of a fintech start-up from 2015-2025.

SIGNPOSTS
Early indicators of this world

The digital revolution in financial services is underway: banks, mobile network operators, and fintech companies are battling to capture their piece of value.

(Accenture, 2015)

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PAYKARMA: DEALING WITH CAUTIOUS CAPITALISM IN 2025

Ivy Buche, Research Associate at IMD and Giulia Trombini, Economist at CISCO prepared this case under the supervision of Professor Michael Wade as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

PAYKarma, India, was one of the top five e-commerce and mobile wallet providers in the country in 2025. Its online marketplace catered to 200,000 merchants, processing over 150 million orders per month from a customer base of 200 million. Raj Kumar, founder-Chief Technology Officer of PAYKarma, had one hour to go before his meeting with the venture capital investors in his company. The outcome of the meeting would decide the fate of the company.

PAYKarma's Evolution (2008 – 2025)

Kumar established PAYKarma in 2008 as an online prepaid mobile phone recharge service for telecom operators. The company then went on to provide online utility bill payment systems for government bodies. After negotiating the online space for five years, PAYKarma made an aggressive foray into e-commerce in 2013. Kumar followed a steep discounting model instead of expensive advertising, which resulted in greater customer attraction and retention. His tech team further innovated to add interesting features such as bargaining between the merchant and buyer through a text messenger. Bragging about great bargains on social media became the company's key advertising channel.

To eliminate the process of redirecting customers to bank websites for payments, in 2015 Kumar decided to launch a prepaid mobile wallet – MobiKM, which consumers could access through Android/iOS phones or their website. The company cleverly offered cashbacks from its e-commerce deals into MobiKM, which enhanced the popularity of the wallet amongst the young, professional working demographic that was targeted. Fortunately for Kumar, at that time India's mobile landscape was experiencing twin tailwinds of exponential mobile penetration and smartphone adoption. The logical next step for the company in 2016 was to launch an app linked to MobiKM for peer-to-peer lending. Over the next decade, PAYKarma successfully rode the wave of growth in the country's retail e-commerce industry, which expanded manifold as traffic from consumers in Tier 2 and Tier 3 cities paralleled that from metros by 2025. Following a mobile-first and wallet-first approach to e-commerce, Kumar thus developed a mixed business model focusing on payments, shopping and P2P remittances.

The Roadblock: Changing Consumer Digital Behavior

From 2015 to 2025, the number of mobile wallet users in India had grown exponentially. However, increasing instances of high profile cybercrime in the country triggered debates around surveillance, hacking and data collection that took hold of the Indian psyche. As consumers learned how businesses were tracking them online and monetizing their personal information, they became keen to protect their privacy. In fact, consumer online trust hit a three-year low in 2025, according to data from ByTrust, a global data privacy management company. A distinct shift in consumer digital behavior started to become evident. Consumers were influenced by their familiarity with the website sponsor, the level of personal control over information and the sensitivity of the information requested. They were less likely to click on an online advertisement, use an unknown app, or enable location tracking.

Additionally, they were moving towards the traditional trusted platform – banks – that had been losing out to fintech companies, as a massive number of customers migrated to such players for simple payment transactions or non-bank services. The reversal of customer behavior meant that they were placing high value on the trust-based, long-term (often for life) relationship with banks.

The Options

Increasing customer distrust and skepticism with regard to online market/transactions/products/services bode well for banks, but it could be a death knell for fintech players. PAYKarma found itself in a threatening position. Kumar stated:

We have always followed a customer-centric approach when building our business. Despite the low-value and even-lower margins of our transactions, we succeeded by leveraging high volumes driven by 200% growth in customer numbers since 2015. But privacy concerns are starting to hurt our bottom line. We have to chart a new strategic direction for PAYKarma.

SIGNPOSTS
Early indicators of this world

By 2019, cybercrime will costs businesses **$2 trillion** a year.

(Juniper, 2015)

48% of mobile app users would limit their use of apps unless they felt sure their personal information was better safeguarded.

(GSMA, 2014)

Three-fifths of survey respondents felt that established financial services players would survive and thrive in the digital future.

(Accenture, 2015)

SIGNPOSTS
Early indicators of this world

In 2015 Citigroup, BBVA Compass, Bank of America and Capital One were making pieces of their proprietary application programming interfaces (APIs) available to nimbler, unregulated fintech companies.

(AmericanBanker, 2015)

In December 2015, Walmart began rolling out Walmart Pay, making it the first retailer with its own mobile payments solution.

(Walmart Press Release, 2015)

As Kumar prepared for his meeting with the VC investors, he went over the options one last time:

- *Partner with a bank:* This would be a first-of-its-kind partnership between an online retailer and a bank. A co-branded product, for example, could be virtual prepaid cards, offered to its wallet users to pay for both online and offline purchases. Besides achieving consumer trust, PAYKarma would also gain access to the physical bank branch network allowing customers to top up their digital wallets at any branch or ATM.
- *Apply for a banking license and spin off the e-commerce arm:* Given its large customer base, capability for handling a massive number of transactions, wide network of channel partners, and brand recognition, PAYKarma could potentially stride into the retail banking space.
- *Merge with Amazon, India:* Post-merger, the enlarged entity would become the largest e-commerce player leading the Indian e-commerce industry.

PAYKarma's survival or eventual demise would rest on the decision of the VC investors.

Territorial Dominance

Playing in a risk-averse environment

Territorial Dominance describes an increasingly difficult international environment, where many countries step back to protectionism. Local industry regulation tightens, creating little room for cross-industry innovation. Given the stagnant economic growth, companies focus on efficiency gains. Big regional companies dominate the business landscape and entrepreneurship is scattered and marginal.

Regional markets
Siloed industries
Internet skepticism

Global environment

Unstable geopolitical environment, protectionism takes over: stagnant growth.

Lack of international harmonization in data flows, Internet governance.

Business landscape

Large regional companies dominate the landscape.

Markets consolidate within industries.

Digital business models lose their strengths in terms of experience and platform value.

Tech bubble.

Market regulation

Strong regulation hindering industry convergence.

Protection of large companies.

Innovation trends

Innovation is scattered and R&D investments decrease.

Digitization, Cloud, IoE, Big Data are niche.

Security take off.

Consumer engagement

Consumers **are disillusioned by Internet**: costs of being online are higher than benefits.

Consumers/companies value privacy and security first: when and how to connect.

They want control & ownership of their data.

Trust in a vendor is the key value in the purchasing process.

My tryst with healthcare digitisation

The scenario is written as a blog by the ex-Chief Digital Officer (CDO) of a healthcare company. The blog reviews the career development of the CDO in the last ten years (2015-2025).

SIGNPOSTS
Early indicators of this world

All sectors of the health system have seen reductions in growth from pre-crisis levels.

The cost-containment policies in many countries has seen healthcare spending drop in real terms. Expenditure on prevention services has also generally declined.

(OECD, 2015)

Cisco Blog > Digital Business

My tryst with healthcare digitisation

Ryan Smith | **January 26, 2025 at 05:42 am PST**

(0 Comments)

Today, I was asked to resign from my position as Chief Digital Officer (CDO) of Saviour Hospitals, a large private healthcare group in the UK. When I took charge in 2015, my mandate was to drive the digital transformation of the hospital chain. At that time, the healthcare industry was at a crossroads, facing monumental changes due to rapid advances in technology, new care regimes, regulatory changes and, of course, an ageing population. But during the 10-year period that followed, I witnessed a rapid deterioration of the macroeconomic environment. Regional elements became more important for driving business growth and protectionist policies were instituted by countries to enhance domestic resilience to global shocks. As globalisation took a back seat, Saviour's business strategy was modified and restricted to the UK (whereas previously we were looking at expanding to Asia). In retrospect, I can pinpoint four factors that caused me to stumble.

i. Cost value versus experience value

As I had to chart the hospital's digitisation strategy into a competitive advantage, I decided to focus on delivering robust *experience value* to our patients. I spearheaded investment into cutting-edge technology that leveraged technological advancements such as robotics, miniaturisation of diagnostic instruments, non-invasive surgeries, and lab-on-a-chip technologies. This enabled faster diagnosis, accurate treatment and more comfort for patients but it drove up the cost of our healthcare services for patients and insurers. We became financially unattractive, especially as the economy stagnated and customers tightened spending. We lost patients to our larger competitors who were leveraging technology purely to gain cost efficiencies. The board asked me why I did not focus on using technology for preventative healthcare and save costs instead? I tried to convince them that preventative care would not bring net savings; plus the outcomes were difficult to measure and quantify in the short or medium term. But to no avail!

ii. Interoperability and cross-industry open platforms

In 2015 Electronic Health Records (EHR) was the big news in the UK's healthcare industry as it was set to go paperless by 2018. I engaged a vendor to establish an EHR platform for all our hospitals. I must add that our staff pulled out all the stops to reorganise processes and feed data into the system. We met the deadline. The EHR system was instituted across the group and that is when we encountered the principal barrier – interoperability!! While the EHR system worked successfully within our own chain, it was unable to communicate with primary care community clinics, nursing homes, testing laboratories and so on. A fragmented legal framework and competing EHR platforms prevented the seamless exchange of data. A greater interoperability bottleneck arose as EHR players consolidated and formed duopolistic clusters with closed platforms. Our vendor was marginalised in this shakeout and I had to go back to the board and justify a major additional expense to overcome the problem.

iii. Industry silos

As we had already digitised our medical records, a new project that I launched in 2018 was a cross-industry open platform – a first-of-its-kind collaboration that our hospitals established with research institutions, pharma companies, medical equipment suppliers and app developers. I envisioned that these players would access and share data to enhance their individual products or services and ultimately create a better experience for our patients and doctors. But two dynamics soon evolved that heavily diluted the value of the open platform. First, tightening of healthcare regulations blocked sharing among key collaborators, for example between app developers and pharma companies. And secondly, these diverse players started guarding their successes in order to stay ahead in the difficult macroeconomic context where everyone was losing money.

iv. Consumer resistance

To address the needs of our ageing demographics, I launched the Saviour Telehealth program with twin objectives of providing quality care and building our reach. Even though we incurred high costs in acquiring and deploying the technology at scale, I calculated that the program would be cost effective in the long run and we would create a more patient-centric

SIGNPOSTS
Early indicators of this world

National governments have yet to address such questions as whether the developers of a mobile app designed to increase medication adherence should be required to report side effects, as pharmaceutical companies are.

(Mckinsey, 2016)

SIGNPOSTS
Early indicators of this world

Telemedicine could potentially deliver more than $6 billion a year in health care savings to U.S. companies,

but only if the technology is widely-adopted. Achieving this savings requires a shift in patient and physician mindsets, health plan willingness to integrate and reimburse such services, and regulatory support in all states.

(Insurance Journal, 2014)

system. Our efforts to collect patient data, to share it, and to allow doctors/healthcare professionals to use it – all enabled by digital means – had primed the Telehealth program for success. But the program stalled for reasons I totally did not foresee – elderly patients wanted the physical presence of a doctor (rather than on a monitor), care givers were sceptical about the quality of care being rendered remotely, and family members had data privacy concerns. Matters were aggravated as questions about data ownership emerged. Patients contended that the health records belonged to them while we argued that we owned the data since it was on our EHR system. Evidently, the lack of adoption of this initiative counted as a failure by me.

Several path-breaking initiatives with lofty goals…and I lost out on all accounts. Hindsight is always 20/20.

Tags: Digital Data, Siloed Industries, Healthcare Digitisation

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Regional Marketplace

Your international business is under threat

Regional Marketplace is a world divided into regional clusters, each following its own rules in trade, business policy, and Internet governance. The common denominator across regions is the strong push of governments to create a local innovative environment by fostering local disruptive ventures and protecting regional players from international competition. In such a landscape, innovation is local, products are regionally tailored, and multinational companies are strongly challenged.

Regional markets
Blurring industries
Internet ubiquity

Global environment

Societies unite around **local distinctiveness**.

Strong government intervention to sustain growth.

Business landscape

Multinational companies become **regional**.

Global markets shrink because of protectionism.

Companies enter **market adjacencies** to keep up growth.

Market regulation

Business-friendly regulation favoring industry convergence: finance & telecom & e-commerce; energy & automotive; post & e-commerce.

Innovation trends

Digitization, Cloud, IoE, Big Data do not scale at a global level.

Consumer engagement

Consumers/companies have an **Internet always-on approach**.

Personalized products at the expense of privacy.

Business Leader Perspectives

The scenario is presented as an article extract from the Business Leader Perspectives and highlights the issues confronting the Chief Operating Officer of a global IT player in 2015-2025.

SIGNPOSTS
Early indicators of this world

One vision of Pacific Trade will prevail. **Will it be Beijing's closed one or the open system embodied in the Trans-Pacific Partnership?**

(The National Interest, 2016)

Business Leader Perspectives
Monday, 1 March 2025

In the *Regional Marketplace* rules of international business have to be re-drafted

In 2025 we are seeing a resurgence of regionalism in a distinctly multipolar world. Over the last decade, there has been a seismic shift in the locus of power toward the East as regional initiatives like the Asian Infrastructure Investment Bank, Regional Comprehensive Economic Partnership and China's One Belt One Road have gained significant traction. Moreover, with the recent weakening of the global economy, a host of countries – China, India, Indonesia, Africa – are adopting non-tariff protectionist measures to shield domestic industries from competition.

Last month, China's regulatory practices and trade policies claimed several casualties among foreign businesses. Half of the foreign technology companies on the approved government procurement list were dropped while indigenous products and suppliers were added. Recently, some technology vendors to Chinese banks wrote a joint open letter to the government complaining about its new cybersecurity regulations, which mandated them to hand over source code and adopt Chinese encryption algorithms. Similarly, the Indian government's prime focus of reviving local manufacturing through the not-so-successful *Make in India* initiative (launched in 2015), means that it is now subject to tremendous lobbying from local industries to adopt non-tariff measures to restrict imports. Indonesia is another country that has issued a regulation mandating the use of at least 40% local content in the manufacture of networking and telecom equipment.

These governments claim that such policy measures are aimed at boosting local innovation and building a value-added economy. But what does it mean for MNCs' global strategy? Evidently, the formation of partnerships with domestic companies, participation in technology transfers and handing over of intellectual property in the name of information security.

Based on the perspectives of several chief operating officers (COOs) of high-tech companies whom we spoke to, three areas of concern emerged:

1. Customization

Tech companies have traditionally achieved economies of scale and higher margins by selling standardized products or services (computer hardware or business process outsourcing) in both domestic and foreign markets. With regionalization they will need to tailor their offerings to fit host-country requirements and match local standards, essentially driving down profit margins. Also there will be little opportunity to transfer learning across regions.

2. Supply chain

Working with mandatory local suppliers will bring complexity to the supply chain and additional costs on many fronts – quality, efficiency, number of transactions, and time for managing the new suppliers. So far tech companies have functioned with a consolidated supplier base to leverage buying power and reduce prices. Now, issues related to protection of intellectual property, performance against service level agreements, compliance and transparency will become paramount.

3. Entry or exit

At the business level, unfavorable cost-benefit dynamics will impact the strategic decision of entering a particular regional market or not. Since duplication of key functions in multiple countries will certainly lead to high implementation costs, companies are asking themselves if it is even worthwhile to tread on the turf of politically connected domestic players.

The rules of fair game no longer exist in the regional marketplace. How will you play?

SIGNPOSTS

Early indicators of this world

55% of European companies perceive that foreign-invested enterprises [in China] tend to receive unfavorable treatment compared to Chinese firms in their respective industries.

(European Chamber, 2015)

Today's trade barriers are about the non-recognition of standards. For companies trying to break into international markets, these standards introduce a layer of complexity and compliance that make it challenging to develop a consistent approach, and can raise costs significantly.

(Standard Chartered & Economist Intelligence Unit, 2015)

Scenarios comparison & implications

Four scenarios to challenge your strategy and response to change

We have explored possible divergent futures to comprehend the business landscape that might evolve in 2025.

	Global Bazaar	Cautious Capitalism	Territorial Dominance	Regional Marketplace
Global environment	Global geopolitical **stability**, **openness** and international cooperation. Harmonization of trade and engagement rules on many topics: data flows, cyber security, Internet governance.	Global geopolitical **stability**, **openness** and international cooperation. Harmonization of trade and engagement rules on many topics: data flows, cyber security, Internet regulation.	**Unstable geopolitical environment**, protectionism takes over: stagnant growth. Lack of international harmonization in data flows, Internet governance.	Societies unite around **local distinctiveness**. Strong government intervention to sustain growth.
Business landscape	**Fragmented business landscape** with small and large companies competing from within and outside reference industries. **Digital business models** unfold their full value. Asian and Latin American companies enter Top Fortune 500. High rates of **corporate mortality**.	**Digital disruptors are challenged** by consumers' lack of trust in online services. Small and large companies team together into consortiums to offer **digitally secured services through platforms**. Intense competition across consortiums.	**Large regional companies** dominate the landscape. Markets consolidate within industries. **Digital business models lose** their strengths in terms of experience and platform value. Tech bubble .	**Multinational** companies become **regional**. Global markets shrink because of protectionism. Companies enter **market adjacencies** to keep up growth.
Market regulation	**Business-friendly regulation** favoring industry convergence: finance & telecom & e-commerce; energy & automotive; post & e-commerce.	**Business-friendly regulation** favoring industry convergence: finance & telecom & e-commerce; energy & automotive; post & e-commerce.	**Strong regulation** hindering industry convergence. Protection of large companies.	**Business-friendly regulation** favoring industry convergence: finance & telecom & e-commerce; energy & automotive; post & e-commerce.
Innovation trends	**Asia** becomes the largest R&D investor. Digitization, Cloud, IoE, Big Data are mainstream.	Asia becomes the largest R&D investor. **Digitization, Cloud, IoE, Big Data slow-down** due to consumer/company disengagement.	Innovation is scattered and R&D investments decrease. Digitization, Cloud, IoE, Big Data are niche. **Security** takes off.	Digitization, Cloud, IoE, Big Data do not scale at a global level.
Consumer engagement	Consumers/companies have an **Internet always-on approach**. Personalized products at the expense of privacy & security.	Consumers **are disillusioned by Internet**: costs of being online are higher than benefits. Consumers/companies value **privacy and security first**: when and how to connect. They want control & ownership of their data. **Trust in a vendor** is the key value in the purchasing process.	Consumers **are disillusioned by the Internet**: costs of being online are higher than benefits. Consumers/companies value privacy and security first: when and how to connect. They want control & ownership of their data. **Trust in a vendor** is the key value in the purchasing process.	Consumers/companies have an **Internet always-on approach**. **Personalized products** at the expense of privacy.

Today most companies are envisioning and gearing up for the Global Bazaar: global disruptions, hyper competition and fading industry boundaries. Across industries – retail, IT, media & entertainment, and financial services – leaders are preparing for a globalized future. However, this report illustrates that if we slightly modify the direction of any of the underlying factors building up to the Global Bazaar, organizations could face a completely different world. Then the question arises: Are companies able to thrive if the anticipated Global Bazaar turns into Cautious Capitalism, Territorial Dominance or Regional Marketplace?

One of the goals of this report is to enable executives to revise and challenge the resilience of their companies, irrespective of the future that they will likely confront. As illustrated by the four stories, each scenario leads to distinctly different opportunities/threats and pinpoints organizational traits that companies should develop. In our opinion, the stories provide valuable insights on the following pillars of a company's strategy:

1 Value proposition

How should my value proposition change depending on the future that will emerge? In both Cautious Capitalism and Global Bazaar, our executives had to re-invent their company's business. Due to the unexpected shift in the digital behavior of consumers, PayKarma's CTO had to consider whether to exit the fintech segment or reposition the company either in the commercial banking or retail industry. In Cautious Capitalism, Metallicator's CEO positioned the company at the intersection of industrial engineering and software, leveraging cutting edge innovation in order to enhance his business model into a competitive advantage.

2 Go-to-market strategy

How will my organization grow the customer base in any of the depicted worlds? In which markets will it operate? The challenges faced in the Regional Marketplace are very different from the ones emerging in the Global Bazaar. In the former, because of a surge in protectionism, our COOs faced high barriers to enter foreign countries. They had little choice but to adapt their strategy to local needs and regulation by selecting specific markets to serve and identifying others to exit. In contrast, in the Global Bazaar, worldwide market presence is a pre-requisite for any company and given open markets, business models based on platform value or customer experience value can be highly successful.

3 Innovation strategy

Should I grow organically? Or should I pursue inorganic growth to innovate and stay ahead of change? With whom should I partner to build the essential capabilities to thrive? The successful recipes vary across scenarios. Both in the Global Bazaar and the Regional Marketplace, organizations need to rely on diverse innovation ecosystems, cutting across industries and geographies while teaming up with small and large companies. The innovation challenges are different in Territorial Dominance, where developing an ecosystem of diverse partners – app developers, pharma companies and medical equipment suppliers – did not work as the winning strategy for our ex-CDO due to industry silos and the difficult macroeconomic environment.

4 People strategy

What skills and talents will I need to attract? How should I evolve the organizational culture? As highlighted by the interview with Metallicator's CEO in the Global Bazaar, successful organizations are based on an experimental, fast fail, entrepreneurial, and performance-based culture. Talents are hired from distant industries, sometimes on a temporary basis in order to enlarge the capability pool and keep the organization ready to grasp evolving market trends. Contrast this with the Territorial Dominance scenario, where the strategic moves of our ex-CDO were negatively assessed by the board of an organization that displayed a siloed and closed culture with a focus on minimizing risks.

The above reflections are not intended to be exhaustive. Instead they illustrate the types of questions and responses any business leader could have when they place themselves in the shoes of the protagonist or even extrapolate to their own industry/business context. What remains constant across the scenarios is the urgency for companies to develop *business agility* – the capability to recognize change, to include it in decision making, and to act on it. The scenarios show that it is imperative for any organization to scout the external landscape, to grasp early signals on how the world might evolve, and to act accordingly. This will permit business leaders to distinguish profound changes from noise, adapt quickly to change, and minimize the risk of being caught unprepared.

Conclusions

Given the waves of change currently sweeping across the business landscape, no leader can escape two questions: "How will the business world evolve? How should I prepare for that change?" To answer the first question, we explored three axes of uncertainty – shifting geographies, blurring industry boundaries, and evolving digital behavior – that have the potential to shape the world of business 10 years from now. Within this uncertain context, we identified four scenarios – i.e. the Global Bazaar, Cautious Capitalism, Territorial Dominance and the Regional Marketplace – that come forth realistically through industry-based stories and factual "early signposts."

The second question can be answered after reading the stories that take business leaders to different futures through "imaginary" job roles. They will instinctively ask, "If this world were to evolve, what would it imply for my current organization?" They can then envision the potential challenges and opportunities. We also hope the stories will allow them to test the resilience of their organizations and identify incremental or radical changes that will shape their strategy across the different future worlds. Our goal is to trigger discussion and develop common understanding around four key pillars: the value proposition, go-to-market strategy, innovation strategy, and people strategy.

What emerges clearly across the four scenarios is the imperative for organizations to be agile by constantly locating changing sources of competitive advantage. Today, more than ever, it is essential to understand market shifts. In this respect, our report – *The Business World in 2025* – can serve as a toolkit to navigate uncertainty, respond quickly to change and ensure business sustainability.

Appendix & methodology

The methodology

The scenario project builds on an eight-month process that involved three main phases:

1. Identification of trends and uncertainties that are shaping and transforming the business landscape. During this phase the team interviewed experts, professors and business leaders from a range of different disciplines – technology, economic, social trends, etc. – and from different organizations (Cisco, IMD, Global Trends, etc.).
2. Exploration of trends and their implications for the future of business. In this phase, the team organized workshops and review sessions where different scenarios were explored and tested.
3. Develop plausible, relevant and divergent scenarios. The last phase involved refining the scenarios, testing them with different stakeholders and making them plausible.

Identify uncertainties
Trend analysis & interviews with experts
Aug – Sept 2015

›

Discuss with experts
Workshops & review sessions
Sept – Nov 2015

›

Envision the future
Develop future plausible & divergent scenarios
Nov – Feb 2016

Trends and interview topics

During the interviews and workshops held during the scenario project, stakeholders identified 37 trends that could shape the world of business in the next coming 10 years. These were ranked according to the perceived level of uncertainty.

Society and social behaviors

- Humans replaced by AI
- The rise of the individual
- Chaos to coherence
- Masculine and feminine balance
- Changing communications
- The appeal for a simple life
- Digital ethics
- Online learning
- Nature of online interaction

Governance

- Industry boundaries
- Business sustainability
- Responsible capitalism
- Power to the cities

Global economy

- A "balkanized" internet?
- Big corporates vs. startups
- Innovation policy
- Changing balance of global trade

Security and social cohesion

- Inequality
- User behavior
- Health of the labor force
- A new age of crusades
- World War III

Natural resources and the environment

- Environmental sustainability
- The future of electricity

Innovation

- Technological change in business
- Immersive user interfaces
- Big data
- Robotics
- Autonomous vehicles
- Cloud computing
- One protocol for IoE
- Augmented emotional intelligence
- Efficient and fast air travel
- 3D printing
- Future of banking and finance
- Healthcare technology disruption
- Evolution of manufacturing

● High uncertainty ● Medium uncertainty ● Low uncertainty

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GLOBAL CENTER FOR DIGITAL BUSINESS TRANSFORMATION
An IMD and Cisco Initiative

In the fall of 2015, we The Global Center for Digital Business Transformation – An IMD and Cisco Initiative, conducted a scenario planning exercise at IMD by assembling a team of the best and most diverse minds we could find. They included strategy, leadership, sustainability, and innovation professors, management researchers, economists, leadership coaches, business writers, lawyers, and corporate executives. We worked together to identify the trends that would most likely affect global business in 2025.

This report – *The Business World in 2025* – identifies catalysts for change and analyses how their interplay could lead to remarkably different future worlds. The report gives a set of four possible, yet divergent scenarios, which were developed as a toolkit to help organizations navigate the future.

To learn more, visit **imd.org/dbtcenter** or contact the Global Center for Digital Business Transformation at **dbtcenter@imd.org**.

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