

Welcome to a World of Structural Change

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It used to be economic change would run in cycles. We would experience periods of high inflation followed by tight monetary policy that led to an economic slow-down. Today, we have cheap money, no inflation and below average economic output that is continuous. Economists and the Federal Reserve are perplexed about a key question: *Will we ever experience a full recovery?* The answer is No – we are in an age of structural change where there are clear winners and losers. It's like having an economic boom for some and a depression for others.

Structural change represents a shift or trend that becomes permanent. Those who can adjust do extremely well while those who can't find themselves in survival mode. Several authors have touched on this phenomenon – Tipping Point by Malcolm Gladwell and Nassim Nicholas Taleb who popularized *Black Swans* in his book Foiled By Randomness.

“Most people living normal lives are unaware of what’s coming, how extreme changes and trends disrupt every aspect of our world and lives. Most people are not prepared for the drastic changes on the horizon that will change work, business, health, or population. They have not run the scenarios, evaluated the risks, thought about the possibilities, or fully understood the drivers of change. They are not future ready.” – Future Smart: Managing the Game-Changing Trends that Will Transform Your World by James Canton

Part of our problem is the failure to address change that should be cyclical. You have to act in a very decisive and strong way with measures that can be extremely unpopular. Additionally, today's institutions are too big or divided to deal with such change. Think of it this way – People on the left side of the political spectrum should be very aggressive about dealing with our deficit and people on the right side should recognize the threat of global warming. Because of prolonged periods of inaction on critical issues, change now becomes structural and this leads to tipping points or black swans. And once this happens, there is no going back and any remedies used in the past (such as more government spending to create jobs or lower interest rates to stimulate the economy) are not going to have much impact.

Additionally, there are a number of factors driving structural change. For example, the United States and Europe have aging populations that will demand higher social services. This will lead to “Greece” like problems for many countries. Besides demographic changes, you have major technological change. Imagine a world where we treat cancer through immunization or computers that are as smart as people. All of this equates to big time structural change.

In order to manage in this age of structural change, you will need to have a high capacity for change. You can improve your capacity for change by remaining small, not owning a lot of stuff and recognizing that

your future is not tied to an employer. For example, education is now a life-long commitment for everyone.

It is also important to embrace technology. We all need to become a nerd in our own way. Remember, everything we do in this world is run on software – computer programmers are the folks behind our global digital world and it helps to be tech savvy. Consider the following: *Your smartphone today gives you better communication than the President of the United States had 25 years ago and gives you better access to data than he had 10 years ago.*

“Emerging technologies — quantum computing, cloud computing, intelligent and inexpensive sensors and augmented reality — are moving into widespread adoption faster than most people had predicted.”
Technology Will Change Your Job by Tom Groenfeldt, *Forbes Magazine*

For organizations, your capacity for change resides in your leadership. You must have strong leadership that listens and learns in this age of structural change. You can no longer guarantee long-term employment, but partner with employees helping them remain employable. And you will have to look beyond the bottom line in how you serve customers and stakeholders.

“Two thirds of the companies on the Fortune 500 list for 1970 have disappeared from it (and some, like Pan Am, Arthur Andersen and Bear Sterns, have disappeared entirely). The average job tenure for the CEO of a Fortune 500 company has declined from ten years in 2000 to less than five years today. The average job tenure of American retail workers (who now outnumber manufacturing workers) is even shorter, three years, and does not come with a golden parachute attached. The ground is more treacherous than ever.” – *The Great Disruption: How business is coping in turbulent times* by Adrian Wooldridge

A final point concerns the Millennial Generation. They seem to be adjusting and to some extent, they are creating structural change. Millennials (ages 18 to 34 in 2015) are much more entrepreneurial than older generations. They recognize that one’s financial future cannot be tied to any single employer and that bigger is no longer better. They have embraced the shared economy and dispense with corporate mass marketing, seeking more local and authentic sources. They also have a very high degree of social tolerance and recognize the importance of education. So if you are not sure how to deal with all of this structural change, start thinking like a millennial. This is your roadmap for survival in the future.

“Millennials have talents different from those earlier generations. The way they look at the world and business is different from the way any other generation of professionals looked at them. This is because they grew up with the Internet from a very early age, many even from the day they were born. Some people even claim that research shows that millennials’ brains are different from those of earlier generation, allowing them to do more parallel processing of small pieces of information.” – *Think and Grow Digital: What the Next Generation Needs to Know to Secure and Thrive in Any Organization* by Joris Merks-Benjaminsen