The new year has kicked off amid serious geopolitical tensions and growing global concern about the effects of climate change, with record-breaking temperatures and the bushfire crisis in Australia dominating headlines around the world. Meanwhile, Brexit negotiations continue to fuel uncertainty across Europe and the UK.

Heading into 2020 and beyond, world leaders and governments are grappling with a breadth of challenges and opportunities. There’s the issue of how to drive growth in a cooling global economy while tackling things like income inequality. Tensions between the generations are set to intensify, as different values, concerns and expectations vie for primacy. And while digital technology continues to drive forward momentum in innovation, greater transparency driven by social media means that organisations will be subject to more scrutiny than ever before.

In this worldwide context of ambiguity and complexity, what – if any – certainties can the business community have about the year ahead? We spoke to four LSE experts in economics, management and finance, to get their take on what’s in store for the economy and business in 2020 and beyond. Here’s what they told us.

The big picture: the global economy in 2020

Taking the pulse of the global economy as we head into the new decade is Dr Gianluca Benigno, Associate Professor in the Department of Economics at LSE. He foresees a widespread
slowdown in growth in the coming months, although global recession is still far from inevitable. A lot, he says, depends on how willing governments are to reassess their monetary policy.

“The state of the world’s economy is not dire, but it’s not great either. It’s hard to point to any region or country in particular that is doing particularly well. Even in China – the region to watch in this coming decade – growth has slowed to less than six percent, which is dragging on the world economy, affecting markets and commodity prices around the globe.”

Redressing less than buoyant growth prospects hinges on a global rethink of monetary policy. With interest rates at all-time lows in many regions, there is little room for manoeuvrability, says Benigno – a situation that not only threatens to stifle growth and deliver poor returns, but also to fuel political extremism.

“The last decade has been marked by a rise in populism which is a by-product of socio-economic imbalance, much of it driven by monetary policy. Low interest rates, low growth and dwindling prospects for improvement have exacerbated income equality, hitting middle-income earners particularly hard and leading to populist backlashes in the UK, Europe, the US, Latin America and elsewhere.”

Does the answer lie in raising interest rates? Benigno says not. Instead, he argues for a more proactive role for fiscal policy. Strategic government spending and taxation policies are key to addressing inequality, stimulating sustainable growth and driving efforts to move towards a “greener” global economy in which the issues of climate change are given greater importance.

And there is growing consensus among central banks that a more proactive role for fiscal policy may very well be the way forward.

“With Christine Lagarde taking the reins from Mario Draghi at the European Central Bank this new year, I believe we are poised to see a shift in thinking about monetary policy and fiscal stimulus in Europe,” says Benigno. He predicts that pressure to prioritise fiscal policy from central banks will reach the political sphere as we move into 2020.

“It will be very interesting to see whether political leaders have the foresight and agility to respond.”
The future of leadership: top-down set to topple

Agility should also be top of the agenda for business leaders going into 2020 and beyond.

So says Senior Lecturer in Practice at LSE, Dr Connson Locke, an expert in leadership development and executive coaching. She sees seismic changes ahead in what new generations of employees will “tolerate” in terms of leadership style. And the onus will be on leaders to adapt or risk becoming obsolete.

“The traditional top-down approach just isn’t going to fly any more. We have new generations coming into the workplace who are more diverse than their predecessors. Leaders looking to get the most from all of their people are not only going to have to adapt to this diversity and build sensitivity to diverse needs; they have to realise that the leadership styles of the past will simply not be tolerated.”

New generations acceding to managerial positions are also bringing in different ideas about career progression. The promotion time-scale is shortening, says Locke, and managing expectations while supporting talent development calls for a raft of softer leadership skills that future-focused leaders will need to prioritise. Chief among these are the capacity to listen; to be sensitive to signals coming from the workforce; and to preserve what she calls a dual sense of curiosity and humility.

Then there’s digital disruption.

“Technology and automation are going to change work in ways we can’t predict. Jobs and roles will almost certainly change and in some cases may be eradicated. The onus really will fall on leaders to look forward and to help people develop and adapt to navigate change.”

All this will play out against the continuing backdrop of gender and ethnicity inequalities, says Locke. And while she is cautiously optimistic about the outlook for women and minorities in the workplace going into the next decade, she warns that the challenges of living and working in a patriarchal system and concomitant gender and race stereotypes around leadership remain acute.

A prime goal for business, she believes, should be finding ways to be more even-handed in the treatment of all leaders, regardless of gender. And building towards greater equity in leadership.

Dr Connson Locke is a Senior Lecturer in Practice in the Department of Management at LSE. She teaches on the LSE Executive Education course Achieving Leadership Excellence.

Achieving Leadership Excellence enables you to become a better manager by gaining a confident grasp of your leadership style while understanding the paradigm for leadership.

Find out more about the course
At the top of the ladder: new incentives for the CEO of 2020

Even-handedness in leadership extends, of course, to fair pay schemes and incentives. And the topic of executive pay has been in and out of global headlines throughout the last decade – usually for all the wrong reasons.

Associate Professor of Finance at LSE, Dr Dirk Jenter, is an authority on CEO compensation. The relentless rise in CEO pay that marked the 80s and 90s, he says, sparked a backlash from the public, press, unions and politicians that has seen compensation for top executives go sideways and even decline in the last decade. At the same time, pay packages have become increasingly complex and hard to unpack.

Jenter foresees greater efforts to simplify executive pay as we move into the next decade, with firms adjusting pay packages to drive long-term value for the CEO and the business alike.

“We are starting to see moves to compensate top executives using restricted stock with long holding periods, essentially converting the CEO into a long-term shareholder. This approach is not only simpler and therefore more transparent, it also drives sustainable value creation because the CEO’s payoff is tied to long-term performance.”

With new generations coming to the fore in leadership, Jenter predicts that pay structures that prioritise genuine value creation “beyond a big pay cheque” will increasingly become the norm.

“The conversation is moving away from 'how can we drive today’s stock price' to 'what is our corporate objective?' Firms today are forced to ask big questions about how they can play a role in sustainability and protecting the environment, while treating employees, suppliers and customers fairly. Firms still must deliver to their shareholders while also being better corporate citizens.”

Jenter is optimistic that business has the wherewithal to get this balance right. It’s down to articulating the right corporate objectives, he says. And that means keeping the focus on creating long-term value.

“There’s often no conflict between doing well and doing good. The opportunity ahead of the business community is to thrash out long-term corporate objectives that direct the whole of the organisation, from the C-suite to the shop floor, and to align incentives with these objectives.”

Dr Dirk Jenter is an Associate Professor of Finance at LSE. He teaches on the LSE Executive Education course Finance for Executives.

Finance for Executives enables you to understand the language of finance and equips you with the analytical tools you need to make informed strategic decisions.

Find out more about the course
Conscious capitalism: purpose as well as profit

There is a generalised sense of unease that all is not well with capitalism. A game that for much of the last century seemed to offer progress and improvement looks increasingly rigged. The costs of many business activities seem unfairly loaded on those with no stake and many harmful effects escape our best efforts to contain them. There are many voices now challenging the rules of the game. Those voices suggest that much is set to change in the 21st century, says Professor Stephan Chambers, Director of the Marshall Institute and Professor in Practice at LSE.

“There’s growing consensus that the true costs of our businesses are borne by those outside of those businesses and need increasingly to be properly accounted for. Today’s consumers and employees have unprecedented access to information which means they also have unprecedented control over firms’ reputations. As new generations with new values and priorities come to the fore, firms are under pressure to compete for the most fragile commodity: good will.”

Long-term success, says Chambers, will hinge on embracing a new kind of “conscious capitalism” that harnesses the potential to drive growth and innovation while minimising the potential to do harm. And that means prioritising social impact alongside financial gain.

“Companies will need to think about purpose as well as profit – and articulate what that purpose is in the context of their organisational culture. The onus will be on them to look at how they capture and share value, and how their social impact can be measured.”

Failure to think deeply about purpose – and to account for all the benefits and harms we create – will expose firms to real risk, Chambers explains. Not only do they risk losing faith with customers, failing to recruit or retain critical talent, or facing punitive taxation and regulatory measures, they also face the genuinely “existential” threat of catastrophic climate change. Failure to adequately adapt to those threats risks undermining the very system we rely on to develop new solutions.

The business community cannot tackle every issue, says Chambers. Nor does it hold all the answers. But momentum is clearly gathering in the investment community, in firms themselves, and in wider communities that capitalism needs reform. What form that reform takes is, of course, contested. But there seems little doubt that careers, investments, firm behaviours, regulations and policies will all increasingly align around both purpose and profit, if we’re to avoid a sense of unease becoming a full-blown crisis.

Professor Stephan Chambers is Director of the Marshall Institute and Professor of Practice in the Department of Management at LSE. He teaches on the new LSE Executive Education course Purpose and Profit: The Essentials of Social Business.

Purpose and Profit: The Essentials of Social Business provides expert understanding, insights and practical toolkit to help you and your organisation create economic value while driving meaningful social impact.

Find out more about the course

LSE Executive Education provides high quality courses in business and management, economics, finance and public policy designed to accelerate your career. Visit lse.ac.uk/exced

View the full list of LSE Executive Education courses in 2020