

[youtube:lhttp://www.youtube.com/watch?v=a-7Lp7oKC9M 300 250 auto]Interview on global economic crisis: Business Week Turkey 2008

What should companies do to prepare for future global developments?

The world is changing much faster than you can call a board meeting or develop new strategy so we need to think ahead. You need more than one business plan: a main one and at least one alternative so that you are one step ahead of major events. Companies need to be ready to take very fast decisions, with flexible, dynamic teams who are able to change quickly as situations unfold. Sometimes that can mean centralised authority – in a major crisis to make a major decision fast. At other times that can mean decentralised authority, so that the people closest to the situation can make fast decisions and get on with it.

You work with many global financial organisations - how do you think the economic crisis will affect the world economy and international business?

Remember that for any company or person who loses money, there is usually someone else making money. Those with cash will do well in the severe downturn, because they will find huge bargains – products, property or even entire corporations being sold for only a fraction of what they may be worth in the future.

We may only be around half way through a 3-4 year adjustment, and there are major [risks](#) to the global economy right now. Companies which insured other companies will soon be hit by claims of at least \$360bn – which may create a new wave of difficulties. And hedge funds are under huge pressures. Because they borrowed to invest, if an investor demands return of – say - \$10m, a fund might have to sell \$70m or more of shares in order to give the \$10m back. We can expect many hundreds of millions of dollars of stock market sales by hedge funds.

Every nation will be affected over the next 18 months, although many emerging economies will continue to grow (more slowly).

[youtube:http://www.youtube.com/watch?v=aH2ajfH4uN8 300 250] *Organisations that are suffering most from the crisis are all major players. What do you think the reason is?*

Two reasons: firstly, the larger financial institutions spent huge amounts of time and energy buying and selling products. which are so complex that even they did not fully understand them, or the [risks](#) they were taking (and in many cases still don't). Smaller companies on the whole run with simpler business methods: buying and selling physical products and “people” services rather than pieces of paper.

Secondly, large corporations are most visible and get almost all the media attention. The truth is that around 70-80% of the economy of most nations is companies with less than 20 employees

– mostly family-owned. In hard times, these companies reduce staff, take out extra loans, sell their stock, cut investment, or go out of business. Just another small statistic lost in the wider picture. That is why it is so important for [governments](#) to make sure that banks continue to provide loans to small business – on reasonable terms. If they don't, many thousands of healthy, successful small businesses in many nations will run out of cash quite rapidly and close down.

Will the current crisis alter the way we think about capitalism? Will the rules of the game be any different in the future?

Well I don't think many people want to live in a communist super-state where the price of everything is dictated by the government. So we are definitely not talking about the end of capitalism. People still believe in competition between companies, and free pricing based on demand.

Most people in the world believe in markets – whether for fruit and vegetables or clothing or in financial products. But they also expect [governments](#) to set basic standards, prevent crime, protection for consumers and so on. They expect certain activities to be taxed for the benefit of the wider community, the environment to be protected.

We are in the early years of a new world order, with global trade, increased mobility and the digital society all combining into what we all globalisation. But if most of us now “live” in a global village or society, then it is clear that we need more effective global governance (I do not mean a global government) or better controls of some kind.

One of the reasons we are in this economic mess is that global finance has developed far faster than international regulation, with huge, highly complicated [risks](#) developing across borders on a scale never seen before. We can expect many reforms in future, as [governments](#) act together to provide better regulation in global financial services.