

The Global Business Outlook for



Dealing with inflation, rising interest rates and the need to deliver on ESG commitments are all high on the agenda for leaders in 2022. Here, Community Members talk **Emma Carroll** through the specific challenges and opportunities they face

It's a brave person that offers their business predictions for 2022. If there is one thing the past two years have taught us, it's that things can transform overnight. The simple truth for senior executives and Boards is that agility is key, whether that's about supply chains, business models or innovating in response to the climate crisis.

Members of the Criticaleye Community give their assessments of what the next 12 months may have in store:



Martin Grieve

Martin Grieve, SVP of Corporate Finance at Reckitt, predicts ongoing uncertainty that will demand better forecasting and agile operational responses.

The biggest factor in 2022 will be the uncertainty in all aspects of business as a result of the pandemic. The first uncertainty is about consumers, as we

continue to get differing local restrictions on our social and working lives across the world. The second is around cost inflation, particularly businesses impacted by commodity and freight costs.

I am expecting to see mid-single-digit inflation in North America and Europe, with higher inflation in some of the developing markets. However, it is uncertain how prolonged this will be, and it's not inconceivable that we will have a period of deflation as well. >



Businesses will look to be more agile with their supply chains. As volumes go up and down, all businesses will need to react more quickly to gain competitive advantage. This additional agility will also apply to sales pricing and cost management. With greater volatility in revenue and cost lines, businesses will need to be more dynamic in forecasting and communicating expectations to stakeholders.

Digital transformation will remain a big theme in 2022, and the response to COP26 now needs to be seen in the actions of corporates and governments – and that overarches everything else.



Sheila Khama

Sheila Khama, NED at Tullow Oil and a Criticaleye Board Mentor, is based in Botswana and sees decarbonisation accelerating across Africa.

The desire of mining and petroleum companies to reduce the carbon footprint in supply chains means the impact of their upstream strategies will be felt by suppliers downstream too. That will expedite the decarbonisation response of companies downstream of the value chain sooner than might otherwise have been the case.

In Africa, in the short term, the big unknown is what will happen to thermal coal resources and countries that rely on coal for the national grid. Out of COP26, countries have pledged \$8.5 billion to South Africa to accelerate its decarbonisation. So, in the long term, you will see a decline in coal mining, but in the short term, countries are unlikely to simply shut down coal power

“Strong leadership will be the differentiator. Leaders must be genuine, transparent and consistent”

stations because, infrastructurally and technologically, the transition has to be managed to avoid disruption of whole economies and industries.

But there is also an interesting dynamic whereby, in some countries, corporates are ahead of policymakers. For instance, as early as March 2021, Anglo American Corporation in South Africa sold off all its coal assets. Up to that point, the company was the region's largest coal producer. Anglo is planning to switch to solar energy for plants and hydrogen for vehicles. My sense is that this will be the first of many, as other companies will no doubt be moving in the same direction. It is well and truly a case of a race to the top.



Matthew Blagg

Matthew Blagg, CEO of Criticaleye, sees a tough year ahead, in which strong leadership will differentiate successful businesses from the rest.

I think 2022 will be a difficult year, particularly with the inflationary cost base that we are already experiencing. If you are standing still, you will be going backwards because margins are being erased.

On top of inflation, leaders will face complications caused by the continuing effects of COVID, a tired workforce and supply chain complexity. Rises in interest rates are also almost inevitable, and this will put extra pressure on highly leveraged businesses with ambitious plans for growth, particularly within Private Equity.

The threat from activist investors is growing too, and to head that off, businesses must make sure they have sufficient capital and a strong balance sheet that can support the delivery of their strategic promises.

This pressure is going to result in some difficult conversations in the boardroom – alignment is going to come under increasing pressure. To succeed against this challenging backdrop, leadership teams must continue to simplify their businesses and be very clear about what they can afford to do.

Strong leadership will be the differentiator. Leaders must be genuine, transparent and consistent – if they aren't, then stakeholders will start to unpick the actions they have taken over the past two years.



Jens Drewes

Jens Drewes, President of Kuehne + Nagel for Asia Pacific, sees ongoing disruption plus the drive for greater visibility and digitalisation of supply chains.

A lot of businesses have real challenges getting their product from Asia to North America and Europe on time.

Globally, from what we see in our platform seaexplorer, there are more >



than 500 container vessels currently stuck outside ports, which accounts for about 12 percent of vessel capacity. While we are seeing some improvements, and especially with the emergence of the Omicron variant, there is a larger risk that there will be no quick resolution of the multiple challenges facing the global supply chain.

People often ask me why artificial intelligence couldn't foresee and solve all of these disruptions. It comes down to a very complex and fragmented industry – in order to move a container from its origin to its destination, you need about 18 touchpoints. We are looking at visibility tools and trying to create an environment that brings this together.

One of the biggest continuing trends will be the requirement for digitalisation. When you compare Asia and Europe, the digital adoption rate in Asia is faster. What happens in your daily life influences our industry; for example, you do your grocery shopping on the way to work and it arrives on your doorstep in the afternoon. Although we are a B2B company and not a B2C company, the line has blurred and is becoming closer.



Andrea Gisle Joosen

Andrea Gisle Joosen, Chair of Acast AB and a Criticleye Board Mentor, is based in Sweden and sees conflicting trends in Retail where consumption and sustainability intersect.

In retail, there have been changes in customer behaviour and some trends have accelerated. The question is: What's next?

“The key theme will be an imbalanced recovery. The inflation picture is global in nature, as a lot of that is driven by energy costs along with supply chain bottlenecks”

One trend is about the environment. People have been consuming quite a lot; for example, a great deal of purchasing took place on what was Black Friday – and has now extended into an entire week and beyond. Alongside that, there is the conflicting trend to reuse, recycle, borrow and not to consume so much. It's exciting to see how traditional businesses can adapt to that. Changes are happening; you can rent clothes and have been able to recycle them in store for a while.

Regulation and legislation are taking up more time in the boardroom. The EU is pushing very hard on ESG regulations now, and every Board has to take that into consideration and work through what that means for them, how prepared they are, where they aren't prepared and what their plan is. Sometimes that will need large-scale transformation.



Janet Mui

Janet Mui, Head of Market Analysis at Brewin Dolphin, foresees an imbalanced recovery across developed and emerging markets.

We believe the global economic recovery will persist into 2022. The pace will slow but still remain above-trend, as last year's growth was driven by a rebound from a disastrous 2020. We expect growth to be in the range of 4-5 percent, and the UK will be one of the better performers.

The key theme will be an imbalanced recovery. The inflation picture is global in nature, as a lot of that is driven by energy costs along with supply chain bottlenecks. We expect headline inflation to peak in the second quarter of 2022 and then we'll see moderation.

[In terms of interest rates], the Bank of England raised the Bank Rate to 0.25 percent from 0.1 percent at its December meeting. Despite Omicron uncertainty, the Bank sees modest tightening in monetary policy as appropriate, since it sees inflation as likely to peak at around 6 percent in April. We think another 2 to 3 hikes are likely in 2022 given the progress in the labour market, but this will remain data dependent. ■

It is clear that leaders, both in the UK and globally, must now switch from reactive to proactive.

To read about The Business Outlook for Asia in 2022, please click [here](#).

Contact the contributors through: www.criticleye.com