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Disruption – opportunities in change

New technology and other innovations are making our current era into an age of disruption, presenting challenges for corporates and national governments, as well as opportunities for investors. Yet this is more than just a tech story; the knock-on effects will be extremely broad as a range of sectors and industries seek to leverage artificial intelligence and other advances. Indeed, the winners will be those corporates – and investors – who most keenly identify the opportunities that change brings and leverage these advances effectively. Here, we highlight three areas where

disruption is underway and likely to accelerate – and where change will create opportunities for success.

Technology: adapt to win

It now seems clear that artificial intelligence (AI) is set to be one of key transformative technologies of our age. While attention is, unsurprisingly, currently focused on the software providers and other facilitators of AI, the consequences of this new frontier will be felt across the tech sector and beyond. For instance, AI is already driving development in the semiconductor sector, and will keep on doing so as hardware requirements continue to grow. However, it is outside of the tech sector that the disruptive potential of AI will be most keenly felt, both in terms of the transformation of business practices and consumer

KEY TAKEAWAYS

- Disruptive change is creating opportunities for corporates and investors.
- Three areas of focus – around technology, resources, and fragmentation – show the causes and effects of ongoing disruptive change.
- Navigating this changing landscape will require agility and new ways of thinking about seeking growth – for both corporates and investors.



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experiences, but also with respect to shifting the landscape for investors.

Customer service, healthcare, education, and finance are all areas



Embracing
Disruption



The imperative to develop more innovative water solutions will grow as climate change threatens to make previously thriving areas uninhabitable.

likely to be **revolutionised**, and AI is already making impressions in some of these fields. For instance, in the healthcare sector, rapid advances in breast cancer diagnosis are being achieved thanks to this technology.¹ Yet what will be key for corporates in all sectors affected by the coming AI revolution will be how – and how quickly – they are able to leverage new and changing tech, and adapt to new ways of working. Indeed, corporates will have to find new ways of working with technology and tech providers as rapid advances make previous models of software ownership and licensing obsolete. And those firms that are most successful in making these adaptations will be the biggest winners in the coming years and decades.

Importantly, companies who succeed in integrating AI will need to evolve their mindsets to become more agile and calculated risk-takers, consider internal or external innovation systematically, and alter their financial business models to adapt to a faster pace of development. In an age where cost of capital is no longer close to zero, hurdles to success are becoming higher and even more critical. Embedding AI and new technologies into organisations across all sectors requires a “design thinking” approach, currently most often used in the tech industry, which is not shy of using iteration and frequent testing with end consumers.

geopolitical events have only served to underline and accelerate the shift to renewables that has, in the face of climate challenges, been picking up steam for some time. We are currently seeing an explosion in capital investment in the renewables sector, something that is driving demand for various commodities – including rare earths – and will surely further increase the potential for geopolitical tension over access to resources. Indeed, the disruptive effects of the green transition will be felt across economics and politics, and its full implications will likely become clear only in the coming years.

With respect to resources, one further area currently undergoing disruptive change is water treatment and supply. Climate change and rising temperatures shone a spotlight on ageing water infrastructure that is currently not fit for its 21st century purpose. While huge public and private investment is required in this infrastructure, we are now seeing a range of new technologies and approaches to reduce waste and make water storage, treatment, and delivery more efficient. And as climate change threatens to make previously thriving areas uninhabitable, the imperative to develop more innovative water solutions will grow.

Fragmentation: shifting opportunities

We view fragmentation as both a cause and an effect of disruption. Fragmentation, as a geopolitical story, will continue as we see new alignments of states in response to the rise of new global powers, as well as the growing prosperity of many other erstwhile “emerging markets”. Indeed, China has been actively reaching out to much of the Global South through a range of projects, not least its well-known Belt and Road Initiative. Further fragmentation has come from the war in Ukraine, and the fear that

Resources: a new scarcity?

With good reason, energy scarcity is a theme that has featured prominently over the last several years. However, the vulnerabilities exposed by the Russian invasion of Ukraine and its fallout are only the tip of the iceberg in terms of the disruption that is underway in both energy and broader commodities markets. Of course, supply issues in gas and electricity markets resulting from recent

1) Source: <https://www.politico.eu/article/ai-improves-breast-cancer-detection-rate-20-percent-swedish-study/>.

geopolitical tension elsewhere in the world may escalate, leading many corporates to take measures to ensure the robustness of supply chains, as well as action from national governments around strategic industries and resources.

The collective effects of this fragmentation along geopolitical lines are likely to be mirrored in economic terms as the major powers vie for advantage and supremacy in critical areas such as semiconductors and data. As China's tech offering begins to rival the US's, we may see rival "tech hemispheres" emerge as the largest geopolitical players encourage smaller nations to adopt their systems and standards. Despite this fragmentation, global

challenges such as climate change require collaborative solutions, and rival or disparate tech systems will need interoperability, so corporates and governments will need to find new ways of collaborating, even as they express greater autonomy and self-determination. This wave of fragmentation may require new ways of investing that, for example, capture opportunity by theme (such as AI or energy security) rather than being hemmed in by traditional benchmarks.

Navigating disruption

The effects of the disruptive changes discussed above will be uneven. All sectors and industries will face their

own unique issues and challenges, presenting different opportunities for those who are best situated to respond. Indeed, for corporates, an agile approach will be necessary to navigate this time, marked by rapid change and a new "Digital Darwinism" – a race for dominance that will more sharply separate the winners and losers, and create new opportunities for investors. Indeed, investors will also need to be agile and think differently about where growth can be found in this new and exciting era.

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