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A WHOLE NEW WORLD

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America's 'Oh Sh*t!' Moment

by Prof. Niall Ferguson

Has the U.S. deleted the very things that made it great? Niall Ferguson on how America can avoid imminent collapse.

Don't call me a "declinist." I really don't believe the United States - or Western civilization, more generally - is in some kind of gradual, inexorable decline.

But that's not because I am one of those incorrigible optimists who agree with Winston Churchill that the United States will always do the right thing, albeit when all other possibilities have been exhausted.

In my view, civilizations don't rise, fall, and then gently decline, as inevitably and predictably as the four seasons or the seven ages of man. History isn't one smooth, parabolic curve after another. Its shape is more like an exponentially steepening slope that quite suddenly drops off like a cliff. If you don't know what I mean, pay a visit to Machu Picchu, the lost city of the Incas. In 1530 the Incas were the masters of all they surveyed from the heights of the Peruvian Andes. Within

less than a decade, foreign invaders with horses, gunpowder, and lethal diseases had smashed their empire to smithereens. Today tourists gawp at the ruins that remain.

The notion that civilizations don't decline but collapse inspired the anthropologist Jared Diamond's 2005 book, *Collapse*. But Diamond focused, fashionably, on man-made environmental disasters as the causes of collapse. As a historian, I take a broader view. My point is that when you look back on the history of past civilizations, a striking feature is the speed with which most of them collapsed, regardless of the cause.

The Roman Empire didn't decline and fall sedately, as historians used to claim. It collapsed within a few decades in the early fifth century, tipped over the edge of chaos by barbarian invaders and internal divisions. In the space of a generation, the vast imperial metropolis of Rome fell into disrepair, the aqueducts broken, the splendid marketplaces deserted.

The Ming dynasty's rule in China also fell apart with extraordinary speed in the mid-17th century, succumbing to internal strife and external invasion. Again, the transition from equipoise to anarchy took little more than a decade.

A more recent and familiar example of precipitous decline is, of course, the collapse of the Soviet Union. And, if you still doubt that collapse comes suddenly, just think of how the postcolonial dictatorships of North Africa and the Middle East imploded this year. Twelve months ago, Messrs. Ben Ali, Mubarak, and Gaddafi seemed secure in their gaudy palaces. Here yesterday, gone today.

What all these collapsed powers have in common is that the complex social systems that underpinned them suddenly ceased to function. One minute rulers had legitimacy in the eyes of their people; the next they didn't.

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Prof. Niall Ferguson

World's Leading Historian of the Global Economy

Niall Ferguson is widely acknowledged as the world's leading historian of the global economy. He is a prolific commentator on contemporary politics and economics and a regular contributor to television and radio on both sides of the Atlantic. He is also a contributing editor for the *Financial Times*. In 2010 Niall takes up the chair in History and International Affairs at the London School of Economics and Political Science (LSE).

"The most talented British Historian of his generation"



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This process is a familiar one to students of financial markets. Even as I write, it is far from clear that the European Monetary Union can be salvaged from the dramatic collapse of confidence in the fiscal policies of its peripheral member states. In the realm of power, as in the domain of the bond vigilantes, you're fine until you're not fine - and when you're not fine, you're suddenly in a terrifying death spiral.

Remember that poster that used to hang in every college dorm, of a runaway steam train that has crashed through the wall of a rail station and hit the street below, nose first? The caption was: "Oh sh*t!" I believe it's time to ask how close the United States is to the "Oh sh*t!" moment - the moment we suddenly crash downward like that train.

The West first surged ahead of the Rest after about 1500 thanks to a series of institutional innovations that I call the "killer applications":

1. Competition.
2. The Scientific Revolution.
3. The Rule of Law and Representative Government.
4. Modern Medicine.
5. The Consumer Society.
6. The Work Ethic.

In 1500 the average Chinese was richer than the average North American. By the late 1970s the American was more than 20 times richer than the Chinese. Westerners not only grew richer than "Resterners."

They grew taller, healthier, and longer-lived. They also grew more powerful. By the early 20th century, just a dozen Western empires - including the United States - controlled 58 percent of the world's land surface and population, and a staggering 74 percent of the global economy.

Beginning with Japan, however, one non-Western society after another has worked out that these apps can be downloaded and installed in non-Western operating systems. That explains about half the catching up that we have witnessed in our lifetimes, especially since the onset of economic reforms in China in 1978.

Now, I am not one of those people filled with angst at the thought of a world in which the average American is no longer vastly richer than the average Chinese. Indeed, I welcome the escape of hundreds of millions of Asians from poverty, not to mention the improvements we are seeing in South America and parts of Africa. But there is a second, more insidious cause of the "great reconvergence," which I do deplore - and that is the tendency of Western societies to delete their own killer apps.

If you wish to continue reading this article please go to:

www.thedailybeast.com



Sir Stelios Haji-Ioannou

What Sir Stelios did next: set up a rival airline to easyJet

The most dysfunctional business relationship in aviation took another bizarre turn yesterday when it emerged that Sir Stelios Haji-Ioannou, the billionaire founder of easyJet, is proposing to set up another airline, called Fastjet.

The news broke when easyJet issued an angry statement insisting that its agreement with Sir Stelios restricted his options for establishing potential competition for the low-cost airline, saying that it would "take necessary action" to protect the brand.

The rift between the UK's biggest carrier by passenger numbers and its largest shareholder has dogged the airline for years. Recently it has centred on the rate of expansion of the airline and the terms by which Sir Stelios's easyGroup licences the name to easyJet. But at the root appears to be the self-styled entrepreneur's unhappiness at ceding control of the airline that transformed European aviation.

source: www.independent.co.uk



Sir Stelios Haji-Ioannou



Steve Jobs

by Stephen Fry

Henry Ford didn't invent the motor car, Rockefeller didn't discover how to crack crude oil into petrol, Disney didn't invent animation, the Macdonald brothers didn't invent the hamburger, Martin Luther King didn't invent oratory, neither Jane Austen, Tolstoy nor Flaubert invented the novel and D. W. Griffith, the Warner Brothers, Irving Thalberg and Steven Spielberg didn't invent film-making. Steve Jobs didn't invent computers and he didn't invent packet switching or the mouse. But he saw that there were no limits to the power that creative combinations of technology and design could accomplish.

I once heard George Melly, on a programme about Louis Armstrong, do that dangerous thing and give his own definition of a genius. "A genius," he said, "is someone who enters a field and works in it and when they leave it, it is different. By that token, Satchmo was a genius." I don't think any reasonable person could deny that Steve Jobs, by that same token, was a genius too. I will end with a story few people know. What you probably do know is that Jobs wooed Pepsi Cola boss John Sculley to Apple in 1985. He wanted him to do to IBM the unthinkable thing that he had done to Coca Cola: beaten the brand leader into second place. He won Sculley with the famous phrase, "do you want to sell fizzy sugar water for the rest of your life or do you want to change the world?" Sculley came and a few months later, astoundingly, their disagreements came to such a head that Jobs found himself fired from the company he had founded.

source: www.stephenfry.com



Stephen Fry



Pankaj Ghemawat

The 2011 Thinkers 50



The definitive listing of the world's top 50 business thinkers has been revealed!

Taking the top ranking, Clayton Christensen, is joined by Chan Kim and Renée Mauborgne (joint 2nd) and Vijay Govindarajan to round out the top three. Amongst the usual suspects such as Michael Porter, Lynda Gratton, Costas Markides and Gary Hamel, many newcomers adorn this year's top 50 including Fons Trompenaars, Nirmalya Kumar and CSA's own Pankaj Ghemawat who also picked up the 2011 Thinkers50 Book Award, for *World 3.0: Global Prosperity and How to Achieve It*.

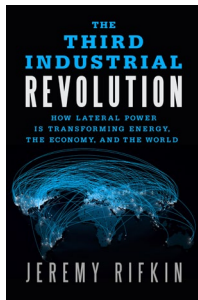
For the full ranking and award recipients, please visit: www.thinkers50.com.



FEATURED BOOKS

The Third Industrial Revolution Jeremy Rifkin

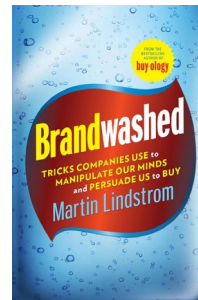
We are on the cusp of a Third Industrial Revolution that could give us a door open to a new post-fossil fuel era. It was the first Industrial Revolution that brought together print and literacy with coal steam and rail. The second combined the telegraph and telephone with the internal combustion engine and oil. What we now have now is the possibility of a distributed energy revolution. We can all create our own energy, store it, and then distribute it to each other.



The Third Industrial Revolution offers the hope that we can arrive at a sustainable post-carbon era by mid-century. We have the science, the technology, and the game plan to make it happen. Now it is a question of whether we will recognize the economic possibilities that lie ahead and muster the will to get there in time.

Brandwashed Martin Lindström

Brandwashed will take you on a journey from your first experiences of brands to other behavior influencers like fear, celebrity, fame and nostalgia. Chapter by chapter Lindstrom shows us that brands are really nothing more than emotional triggers. As humans, we are wired to have experiences and attach meaning to them. The smells, sounds and tastes that we live in become triggers for emotions and preferences that marketers use to influence our purchasing decisions.



In *Brandwashed*, Lindstrom continues to share backdoor branding habits, and that's what makes it so much fun to read. Even though I'm aware that companies go to incredible lengths to influence our purchases, I was blown away by just how creative they got.

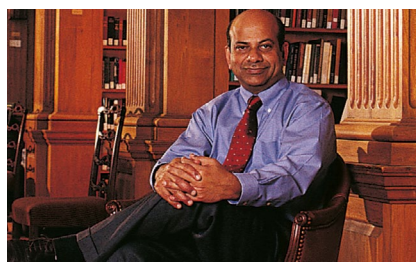
CSA'S RECOMMENDED SPEAKERS



Donald Trump Jr.

Executive Vice President, Development & Acquisitions, The Trump Organization, The Celebrity Apprentice

Donald Trump, Jr. exemplifies the vanguard of today's young businessmen, due in large measure to his rigorous education, extensive real estate development experience and inherent business acumen. As an Executive Vice President at The Trump Organization, he works to expand the company's real estate, retail, commercial, hotel and golf interests nationally and internationally. He directs new project acquisition and development for The Trump Organization throughout the world.



Vijay Govindarajan

Internationally Renowned Authority on Innovation and Strategy and author of *The Other Side of Innovation - Solving the Execution Challenge*

He is the Professor of International Business at the Tuck School at Dartmouth College and has recently been ranked #3 on the Thinkers50 definitive listing of the world's top 50 business thinkers along with being awarded the 2011 Breakthrough Idea Award for his work on building the \$300 House.

His new book *Reverse Innovation: Create Far From Home, Win Everywhere* is due out in stores April 10, 2012.



Dambisa Moyo

International Economist, Author of Global Bestseller 'Dead Aid' and 'How the West was Lost'

Dambisa Moyo is an international economist who writes on the macro economy and global affairs. In 2009, she was named by Time magazine as one of the "100 Most Influential People in the World" and was nominated to the World Economic Forum's Young Global Leaders Forum. Her writing appears regularly in economic and finance-related publications such as *Financial Times*, the *Economist* and *Wall Street Journal*.

Her new book *'Winner Takes All'* is due to hit bookshelves in January.



A Whole New World

The world may be larger than we think, according to IESE Business School professor Pankaj Ghemawat by Robert Terpstra

Pankaj Ghemawat, one of the world's top management experts, set out to define what he calls World 3.0, wherein he places his literary nemesis Thomas Friedman's widely held beliefs of widespread globalization to bed for good. Friedman has sold millions of copies of *The World is Flat* in championing what Ghemawat describes as World 2.0 - a time period now in the distant past.

In his new book, aptly titled *World 3.0: Global Prosperity and How to Achieve It*, the author reveals that the third millennium will encompass business strategies that "adjust to, overcome and harness differences," and reveals his theory of semiglobalization or partial global integration.

He argues that the inhabitants of World 3.0 have individual mindsets of rooted cosmopolitanism, with geographic structures centering around the proximity of mindsets but retaining physical distance. Ghemawat, a professor of global strategy at IESE Business School in Barcelona, uses a number of metrics to show how our world is not as connected as we think, such as equity, foreign direct investment (FDI), venture capital acquisitions as well as, but not limited to, exports. When one looks strictly at FDI and exports, one immediately thinks of large-scale cross-border trade. But in fact, the internationalization figures are close to 10% for FDI and are 20% for exports, therefore 90% of direct investment is domestic, while 80% of goods have never crossed a national boundary.

source: www.businessdayegypt.com

"The five purely financial measures of cross-border integration [government debt, venture capital, trade intensity, equity and bank deposits, show average internationalization levels of 21% and the other nine measures average 10%. Of the latter, the people-related measures both fall below 10%; the product market-related measures - FDI and adjusted exports - vary between 10 - 20%," he writes.

If you're surprised, don't be. Most polls that Ghemawat does with audiences worldwide overestimate the aforementioned figures by more than 20%.

These are audiences that are at the top of their profession and leaders in their respective fields.

Still not convinced? The percentage of international calling minutes constitutes less than 2% of all telecommunications. Similarly, internet traffic routed internationally only accounts for 17-18% of the total.

Of course, the book digs much deeper, namely investigating the CAGE framework - empirical research that studies bilateral interconnectedness. CAGE, 'cultural, administrative, geographic and economic' distance, suggests differences in language and time zones must also be taken into account when discussing bilateral differences in politics and per capita - the resulting complex formulae displaying whether two countries can coexist in trade and partnerships.

The book is a solid read, backed by hard data and supplemented with easily understood illustrations. Ghemawat connects with his targeted audience of MBA students and his peers (the movers and shakers in the upper echelons of business). Often times distinguished academics are out of touch with their audience, making for laborious reads - not so in *World 3.0*. And don't for a second think the title is only for CEOs and hedge-fund managers. Instead, it caters to a wide audience - think of it as *The World is Flat* with footnotes.

The book also includes a piece on his 15-year-old daughter's experience as a global citizen living in Spain, but considering US and India "home."

"I don't think I will ever identify myself as being from one place or one culture or one type of people, and I'm glad," Anya Ghemawat writes.

"I wouldn't change this for the world." Ghemawat and his daughter don't aim to change the world, but they've done a superb job in making our differences more understandable.

Pankaj Ghemawat has been nominated as a leading thinker in the world of management by the Thinkers 50 for his theories about globalization as expressed in his latest book, *World 3.0: Global Prosperity and How to Achieve It*. He has been shortlisted for "The Global Village Award" as well as for "The Thinkers 50 Book Award".



“A genius can be defined as someone who enters a field and works in it and when they leave it, it is different. Steve Jobs, by that token, was a genius.”

Stephen Fry

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