



GLOBAL RISKS TO CONSIDER IN 2010

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3. Cyber-vulnerability

Closed and open information systems and networks have converged. With this, systemic vulnerabilities are starting to appear. IT systems increasingly drive services, transactions, and critical data exchange. While the likelihood of a successful premeditated attack is low, we believe there will be more attacks and some will be successful. A successful attack can have a severe economic and social impact.

to obesity (e.g. heart disease, diabetes, preventable cancers, etc.). One-half of those who die from chronic diseases are in their productive years and so the social costs and economic consequences in terms of lost productivity are considerable, not to mention the valuable skills lost that can treat risks such as infrastructure. Ultimately chronic disease degrades social well-being and increases social instability, while also driving healthcare costs higher and burdening governments with greater spending.

At the risk of being branded prophets, naysayers, charlatans or depressives, we offer our annual Global Risks to Consider. It is based in part on our advisory and management feedback as well as from having surveyed our global customer base, asking them what was at the top of their minds.

1. Growth without employment

The global recovery has taken hold, albeit very tenuously. Fiscal stimulus and quantitative easing have all played a part. However these are temporary in nature. Jobless claims trend downwards. But there is a lack of permanent job creation. Governments, generally, do not have the ability to deal with job creation at a rate that is required and GDP growth does not support big employment gains. High unemployment will last for years to come, and will bring further pressure on organisations in the form of government, unions and social burdens.

2. Prevention of financial crises

This is both an opportunity and a risk. Much of the economic meltdown was rooted in greed, algorithms that promoted excessive gearing and derivative contracts. Reforming the global financial regulations is necessary. Financial regulators should study the reserve/central bank policies of India and South Africa and see how a more conservative approach to managing the banking industry helped countries avoid the worst of the crisis. With regard to greed, it is ultimately shareholders and their appointed remuneration committees who need to carry this burden and deal with the matter.

4. Underinvestment in infrastructure

In under developed and emerging economies (as well as BRICs), underinvestment in water, energy, sanitation and transportation are key common themes that create instability and greater gaps in wealth, thus affecting social unrest. In most countries, ageing infrastructure is insufficient to support the expected global growth and community upliftment. Any organisation wanting to expand into these economies must critically evaluate the actions governments have taken over the past ten years, and the plans for the next ten years. Two key items to remember: history is a great indicator of the future, and a leopard does not change its spots!

5. Middle East

This region has had warring factions and religions for thousands of years. Why should it be any different for the next hundred years? With over 250 million living in poverty and with huge population growth rates, extremism will continue to grow. If one considers the root causes, water is emerging as the 'new oil' that everyone will be after. Israel, Lebanon, Syria, Afghanistan, Pakistan and others all suffer from a lack of water resources. Iran is pursuing a road that will lead to only one outcome, whether it be this year or in five years, and which will plunge the world into a new chaos. Treatment? For starters, stop relying on oil.

6. Chronic disease

While pandemics such as H1N1 grab headlines, in reality their effect over the past few decades has really been quite small. The killers, however, which can account for over 50 per cent of all deaths globally in the next decade, are chronic diseases, many of which are linked

7. Corruption and fraud

Global organised crime and illicit activities now account for over 10% of global GDP. We've seen Somali pirates, corporate giants bribing government officials, Ponzi schemes losing billions, credit card fraud, human trafficking – and just in the past year. The world is a lawless place. Be conservative, trust but verify, and establish a moral and ethical high ground that does not tolerate this. (In South Africa it starts by not paying a bribe to the corrupt cop).

8. Localisation vs. globalisation

Countries, especially emerging ones, are adopting greater protectionism. This puts global organisations at risk both in current subsidiaries and future plans. Extreme examples include nationalisation by Venezuela and Zimbabwe. Labour movement and employee transfers will take longer to authorise and cost more. Anti-dumping lawsuits will be the order of the day. Business will become more complex and compliance with trade related laws more stringent.

Organisations typically take a short-term view of the above risks – yet most of the challenges faced are long term, i.e. over a decade, and are driven by or lead to increased regulatory and compliance environments. Organisations require a systematic and embedded process by which they can identify, contextualise, assess and treat the above. This requires a long-term view, proper planning and investment in appropriate systems and frameworks that deal with all risks, whether they be compliance, systemic, operational, enterprise or IT related.