

DEBATE

Masood Ahmed, Director, Middle East and Central Asia Department, International Monetary Fund

Well, you have had a very interesting perspective from different speakers on how they are dealing with the challenges faced by technology, both at the company level and at an industry level. What would be good to do now is to try and bring you directly into this conversation. I would like to encourage you to ask your questions, and we will make it interactive.

Iman

My name is Iman. I think we had a very good panel speaking today. I have a comment, then a question and then a doubt. The comment is that the CEO of Nokia, when they were about to close down, had a short statement for his employees. He said, 'We have done nothing wrong, except that we did not change'. Nokia is now not known anymore, especially to our new kids. That is my comment, that if we do not accept the changes, then we will vanish. That is the statement and the message.

A few months after Brexit and the United States election, there was another shocking message: people refuse to change. The new world supports Donald Trump, the person who brought change and supports Brexit. The reason why they have been elected is that the United Kingdom and the United States rejected change. The people rejected change through their free-world elections. The people who rejected change were mostly elderly, uneducated people who lost their jobs and people who were affected by globalisation and the changes of the new world. Now I will express my doubt. How would the speakers elaborate? The new generation is saying that change is good, but people in countries with democratic elections refuse to make changes. How would you speak to them?

Ju Chul-Ki, President of the Overseas Koreans Foundation, former Senior Secretary for Foreign Affairs and National Security to the President, Korea

My name is Ju Chul-Ki. I am from Korea. I was formerly a public official and now I am president of the Korean Officials' Foundation. I was very impressed with the presentations of the different speakers. Due to fast changes, delays in adaptation and difficulties, there really are many challenges to tackle.

Our social contract or our labour union for example tried to reduce the necessity of reform and change. The government sector also tries to bring some new reforms and restructuring, but sometimes they do not understand the gravity of the situation. The leaders also fall back in tackling these issues, and this creates a gap and leads to the political problems that we see today, potentially.

My question is: how does an organisation, such as the OECD and the ILO, take these issues seriously, study them and embark on efforts to educate people? These include political leaders, other social leaders, NGOs and the labour union people for the betterment of the entire society. My question is about education and what international organisations are doing about that.



Uri Dadush, Senior Fellow, OCP Policy Center, former Director of the International Economics Program at Carnegie, former Director of the International Trade, Economic Policy, and Development Prospects Departments, World Bank

I am Uri Dadush from Washington DC. I actually have a question for Sébastien Bazin. I am very interested. When you say that you are going to see a lot of change that will affect your employees, where do you see the change? I assume that in a hotel chain like yours, many people do things that are not going to be replaced by robots, computers or whatever, and others that are. If you could give us your view of the distribution of where this burden will fall, I will be very interested in that.

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I have a question of my own before turning back to the panellists. I think what all of you have pointed out is that there is a transformation in societies that is happening because of technology, in different ways. Some companies and some people will do remarkably well from it. Other sectors, other companies and other people will be impacted negatively and they will try to adapt. Some will adapt well and some will not adapt well.

This process will take a decade if not more, depending on where you are, which sector and which country. How do you bring about a conversation at the societal level that will create the most harmonious conditions for managing such an existential transformation? If you are in Booking.com, to take Sébastien's example, they do not see why they should be worrying about the social contract as it affects the employees of the hotel industry. If you are in your industry, you are simply managing your immediate problem.

However, how do you create the societal discussion that would bring about a new social contract which recognises this reality. It also recognises the inherent and quite complex difficulties of surmounting these problems without resulting in that kind of rejection. Rejection can only hold back the flood for a while, but it cannot change the course of the water. Let me add that question if I may. I would like to ask each you to address the questions that have come to you. Let us start with you, Toby.

Tobby Simon, Founder and Chairman, Synergia Foundation

The challenge is more that organisations are increasingly more driven by profits. You have the financial sector, the private equity funds, the venture capital coming into play. They are extremely aware of the return that they are making. When it comes to decentralisation of any sort of wealth, you see increasingly that people who have higher skills in organisations are paid much more. It may be 100 or 200 times more, and nobody complains about it. Who is able to regulate this? I think only governments can. If you tell companies to do that, I think it will be very difficult. It is a very onerous task to ask of them.

To answer your question about the politics of it, again, if you consider the reason why president elect Trump won or what happened with Brexit, it is a lack of trust. People are increasingly fed up with organised structures, and they just want to change. Whoever is able to even suggest a change and articulate it well is finding success. How long it will last, we do not know, but let me say that it is the flavour of the season, whether it is in China or whether it is in Japan. In many parts of the world, you are seeing this, and we might continue to see it again in the future.

Dae-Whan Chang, Chairman and Publisher of Maekyung Media Group, Republic of Korea

I cannot answer all of those three questions, but I will try and answer regarding how to bring about change. What is happening in this 21st century now is that trust is distributed and the amount of trust is continuously decreasing. Why



do we use Uber taxis and why do we go to Airbnb? It is because we can have trust. They are transparent, accountable and inclusive, so we have some degree of trust in these companies and we use the services they provide us with.

However, bringing about trust is an extremely difficult exercise. I studied business for many years and in this case, I suggest a dictatorial management style, to bring about change in your companies. South Korea has a number-one company called Samsung. They make Galaxy cell phones and household electronics. It is a much diversified group and it is number one. They account for almost 25% of Korean GDP and I would say it is a number-one super company.

More than 10 years ago, the chairman of this company asked his employees, 'Change everything, except your wife and kids'. That is how Samsung built up to being number one in cell phones and electric equipment like that. One of the CEOs was quite dissatisfied with the old cell phones. He virtually burned hundreds of thousands of cell phones in front of his plant workers. That was an extreme, shocking method to bring about quality control in Samsung Electronics. You need different types of management style in this case to bring about big change, a revolution or a coup d'État. Democratic ideas will not work.

In my case, in my newspaper, I tell my journalists all the time, 'Bring about new change, adapt to the fourth industrial revolution, but you cannot do that just sitting in Seoul, South Korea'. I happened to send one of my smart journalists to the Silicon Valley and now he is sending me some changes and ideas. Last time, he was running after Pokemon in the Silicon Valley. Every January, in Las Vegas, they have CES. I am going to bring many of my employees to CES to bring about new change. I think we need to go to the Silicon Valley, Bangalore and Hyderabad for new change.

We even talk to young kids. Sébastien talked about people aged less 35. I would say teenagers are the ones who will bring change at this time. Another way of bringing in change to your company may be forcing your employees to read newspapers. Newspapers still deliver good ideas and they can bring change. They can give you ideas about how the new president elect, Donald Trump is going to manage the United States.

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I think we are going to have a struggle trying to convince young people to read anything but the feed that only feeds them what they want to hear, from like-minded sources. Let me turn to Patrick next, please.

Patrick Nicolet, Group Executive Board Member, Capgemini

I will just deal with the first question, and one aspect I have not mentioned is mobility. Mobility goes both ways, so that would be a message to a young generation. First, you bring people to work, and this is one thing that drives a lot of mobility. Then it all depends on how protectionist you will be. You heard for instance the upcoming administration in the US saying they would limit the visas in the technology sector. However, that will trigger the other movement of mobility, where you bring work to people.

If people cannot come to work, today you can bring work to people. This is a different approach and this is the approach of centres and factories. It is a different kind of mode. In any case, the location of the centre will not depend on where you live. You will need mobility in one way or another. This will create movement, and it is another aspect of flexibility beyond labour conditions. It is mobility and if we kill this, then we are in big trouble.

The next question relates to something that I advise across our organisation. It is to plan for disruption and execute for evolution. These things that we are changing cannot be addressed in too disruptive a manner. There are ways, and I agree some authority is needed to force the change, but you have the population that you have. However, if you do not plan for disruption, then you miss the point, with the level of uncertainty that it contains.



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Let me go to Sébastien now, including the question that Uri asked.

Sébastien Bazin, Chairman & CEO, AccorHotels

The answer to your question is the following: big companies like ours will not destroy jobs. Probably on the contrary, we are going to keep hiring people. AccorHotels opens one new hotel every 36 hours, so I employ another 20,000 people per year. The impact is not on the big chains. The impact is on the small, independently owned and run hotels, which makes up the vast majority of the hotel industry in the world. The only place where you have a majority in the chain market is in the US. 70% is in the hands of the five big guys. Take France: independent entities own and run 70% of the French hotels. Take Italy: 95% of the hotels are independent.

Those independent hotels are lacking 3-4 things. They do not have technology, they do not have any money, and they do not have any expertise or talent related to the new digital world. Each of them, in a bit of a naïve way, agreed too fast to be in the hands of online travel agencies, because for them, it was a cheaper source of access to clients. However, today, they are totally depending on them, to the extent of 50, 60 or 70% occupancy in the hands of those big machines.

The cost of commission has dramatically gone up in the last five years. Therefore, in order for them to keep sustaining and paying the price of the commission, they are no longer able to maintain the property in the way they maintained it before. Alternatively, they have to lay off the marketing director and the people in charge of the local sourcing. Since they cannot maintain the property, what is happening to them? TripAdvisor downgrades them and they slide from page 5 to page 20 of the booking engine, therefore occupancy goes down.

20-30% of the independent mom-and-pop hotels will close in the next five years, and that is one job out of 10 in the GDP of all the major geographies. You see it coming. We could just see this trend as a way to enhance our market share, but we can also see it as an opportunity to create new businesses by distributing their rooms on AccorHotels.com, to hide under my umbrella, though it won't break the trend. Again, I am not blaming Booking and Expedia. I wish we had invented Booking and Expedia and I wish I had invented Airbnb. However, I am just telling you, which is even worse, that 80% of the traffic goes into 300 cities in the world. 80% of the traffic goes onto page one and page two of those websites. If you happen to be in a tertiary city on page 20, you have very few hopes of surviving.

To get back to your question, sir, on what you then do and how you adapt, there are two ways to look at it. The first way is, in all those new initiatives, be a participant. Co-partner or invent one of your own. You are going to have new Airbnbs in the world, which is why we have our own autonomous lab. I am hiring people to invent new products and services away from a hotel room. Companies never did it before. We went into Digital Concierge and we went into onefinestay, which is private economy. You need to expand your presence and your market share into something different from what you are accustomed to, which is difficult, but you can do it.

The second way is what you alluded to, Chairman Chang, and you are so correct. I keep saying it: people between 25 and 35 years old are very good. However, I also know that those aged between five and 15 today will be far better in 15 years' time than those aged between 25 and 35 years old today. This is not because they are smarter, but that new generation has something very defined. They have an ability to predict the future which is 25 times better than mine. If they want something which does not exist, they will create it.

In order for me to think like this new generation, you have to identify who they are in your own organisation. 60% of my people are under 35 years old, but they have not been identified. They have not been recognised and you do not give



them authority. You have to identify them and you have to give them breathing room, oxygen, autonomy and discretion. This is why I am talking to you about culture. You have to get the elderly generation to accept that they had to wait 25 years to get direction.

We are not going to be imposing 25 years on the young people before they can get autonomy. Otherwise, they are going to be leading you. You need to have these two generations talk to each other. This means that the young people have to respect the old ones because they have wisdom and experience, and the old people have to agree to give power much sooner than they expected, probably in the next 2-3 years. That dialogue between those two generations is indispensable.

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This has been a fascinating discussion. Unless there are pressing questions, I would like to take this opportunity to thank all of the panellists. I would like to ask each of you to go away with one question for yourselves, and that is the following: we have got a glimpse of the nature of the societal transformation that lies ahead in each of our countries. In your own mind, how well prepared do you think your country, your society is to deal with this transformation? On a scale of zero to 10, would you say at the end of this conversation that you think are closer to 10 or you are somewhere in the middle. Or we have not yet actually formulated the scale. With that, I want to ask you to please thank the panellists.