



BOARD: 5 STRUCTURAL CHANGES TO ADDRESS

Structural change is a shift in the fundamental ways an economy functions. For example, think of the 18th century structural change from individual weavers of each item to the mechanization of weaving in a factory setting that enabled mass production of a wide variety of cloth items. This weaving structural change started the Industrial Revolution that is the basis of our current US and most of the global world's economies.

➤ Now consider 5 of those massive structural changes occurring at the same time—welcome to our “new world.”

The 5 massive structural changes occurring simultaneously today are clearly the strategic and enterprise risk management oversight responsibilities of Boards positioning their organizations' survival and growth. They are:

1. Geopolitical relationships: with “geopolitical” defined as a study of the impacts of location, economic systems, component concentrations/scarcities, and the types of human beings valued or discounted by their vital statistics [including race].
 - There is a divergency of conceptualization regarding the value/discounting of individuals based on race definitions.
2. Gender role traditions/choices: There is a divergency of conceptualization regarding the value/discounting of individuals based upon gender. The traditional gender identifications are men and women, who produce children. Children become the adults who are the labor resource and/or the producer of capital in The Industrial Revolution economic model.
3. Labor mobility between/within countries and the delinking of work with location: People moving to different countries and/or positions to work at a factory/office is losing viability/appeal with those who are not valued or enamored with the risk/reward payoffs of factory/office employment. Other options exist: e.g., remote work, simultaneous sources of income.
4. Levels/consequences of debt and new currencies: Economists concur that there is no universally agreed “safe or dangerous” debt-to-GDP threshold. That said, in May 2025 Moody’s downgraded US debt from AAA to Aa1, the first downgrade since 1917. Why? Interest payments have now increased to more than US Medicare or defense costs. Also unknown are the impacts from the introduction of new currencies, including stablecoins, into US financial systems.
5. Emergence of a third (first two are capital and labor) production substitution: AI: There are more questions than answers at this point, such as: how will AI work with/for humans; what are cost/benefit trade-offs; will a new AI Revolution occur, like the Industrial Revolution transformed US, Europe, and most world economies...and what would it look like?

During this foggy time, **the only visible guides are the two white stripes on both sides of the road right ahead**. The road is all an organization's variables that produce products/services, resulting in net positive revenue. The white stripe to the left represents the **BEST** outcomes possible for an organization under each of the 5 structural changes at that point in time. The white stripe to the right is the **WORST** outcome possible given those variables at that point in time. **Drive between the lines**.

Individual Board choices as to specific plans to employ will be different because the variables/values of each are usually distinctive. To **stay on the road**, two universal constructs should be embedded as the heart of each specific organization's plan:

- **STRATEGY: Be open-minded** so as to avoid becoming a buggy whip, phone book, or pager maker. If those organizations in the early days of market transition had been open to defining the company differently, such as an “accessory maker for a new advanced technology,” they could have reinvented themselves to meet the new environment.
- **ENTERPRISE RISK MANAGEMENT: Pivot, pivot, pivot** with change. Analyze how each factor (resource, systems, delivery, customers) in the production of your company's services/goods could be employed/changed to better fit the emerging road.

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