

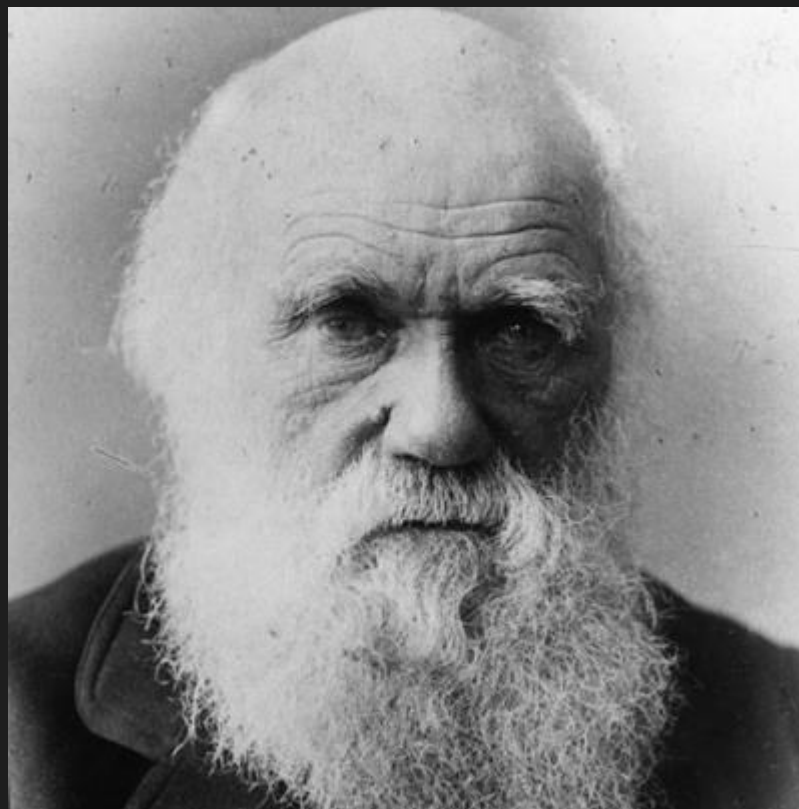
After Disorder: Mapping the Structure of the Emerging Global Operating Environment

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KEARNEY FORESIGHT



The global operating environment has entered a **critical juncture** – featuring an exceptionally **fragile near-term transition** to a reordered future



The global
operating
environment
at a **critical
juncture**

- 1 The **stabilizing forces** of the **international order** are weakening, and the **use of force** is **again on the rise** as an instrument of national power

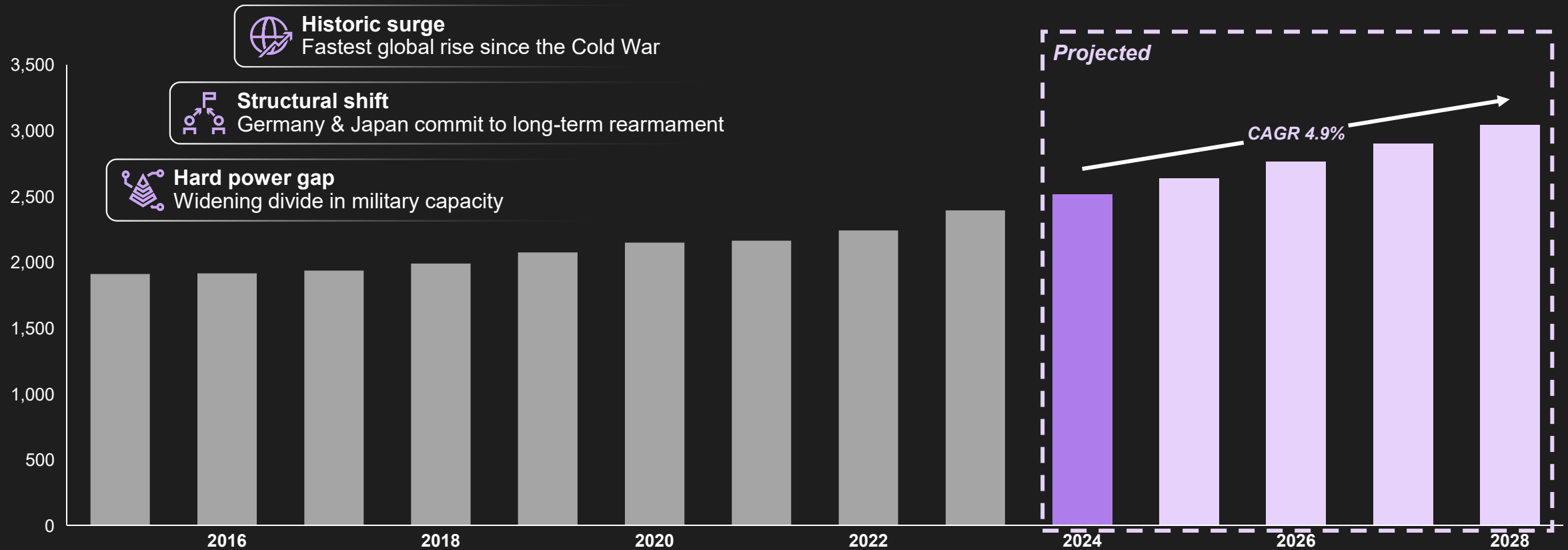


**Geopolitical
Reordering**

The global
operating
environment
at a **critical
junction**

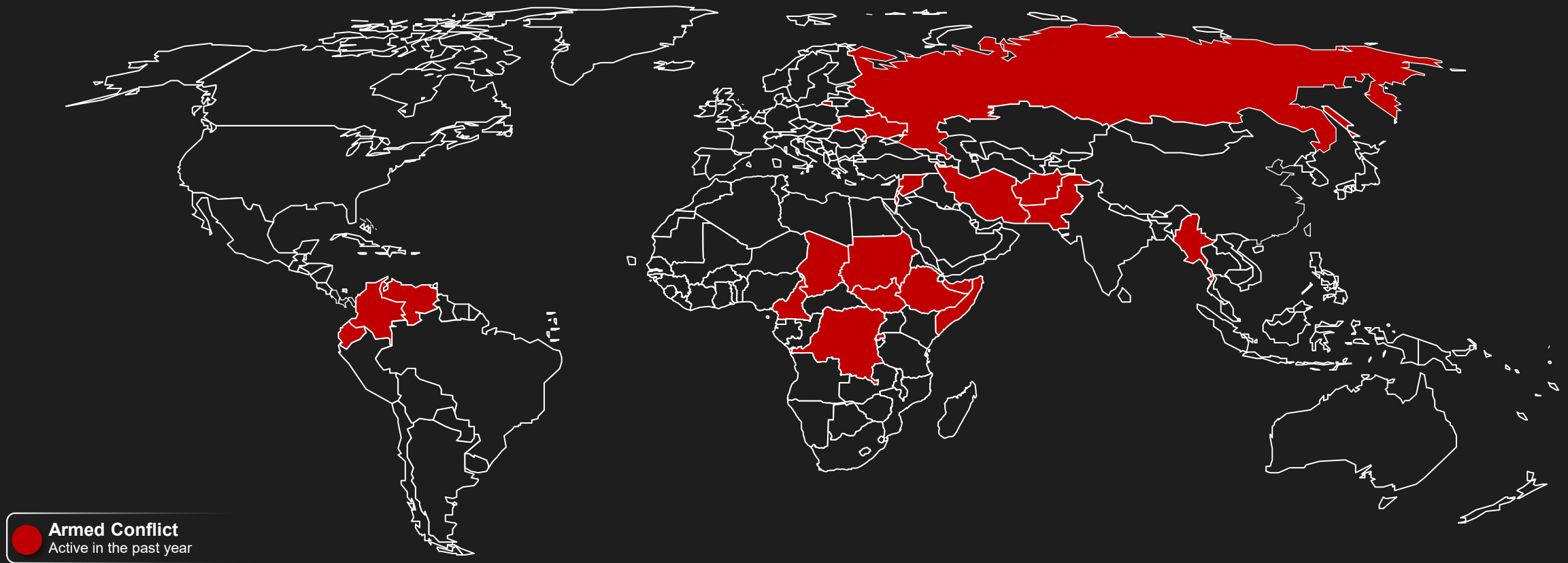
The institutions of the international order are being intentionally disrupted – fueling an intensifying security dilemma

Global Military Expenditure^{1, 2, 3, 4}
(USD bn, 2015 to 2028)



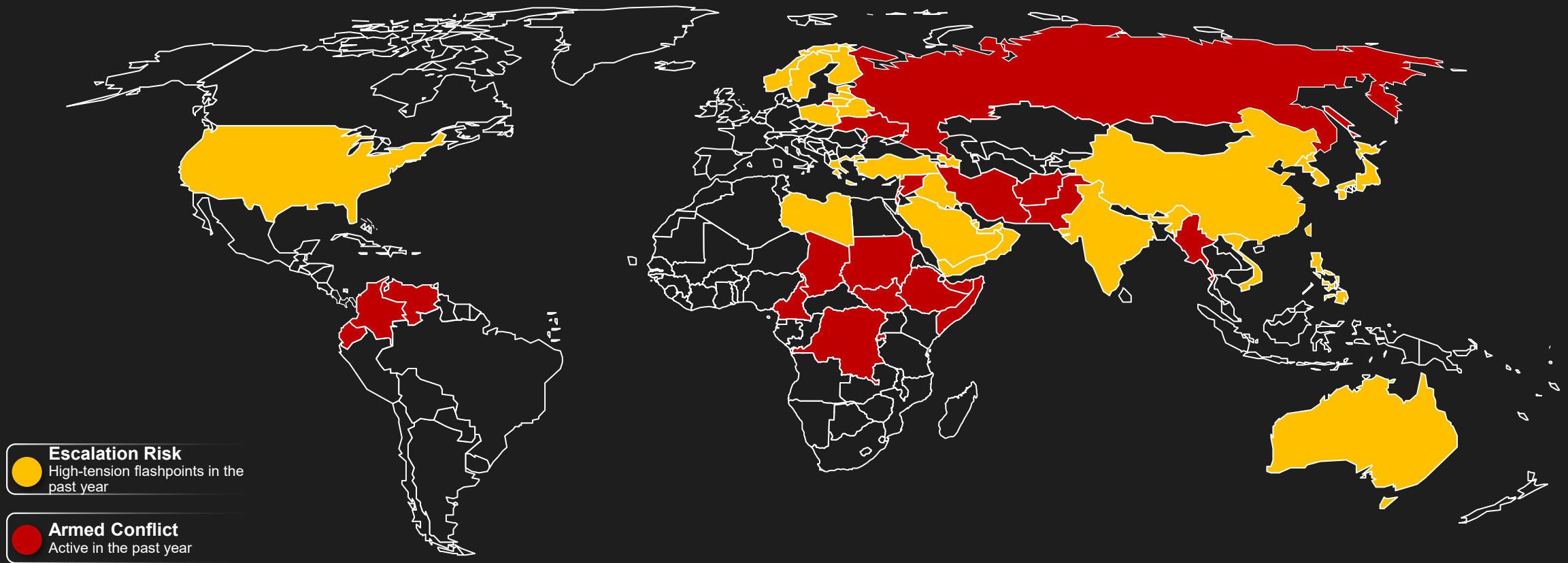
As the consensus on global norms fades, the use of force is once again resurgent as an instrument of national power

Ongoing Armed Conflicts (Past 12 Months)



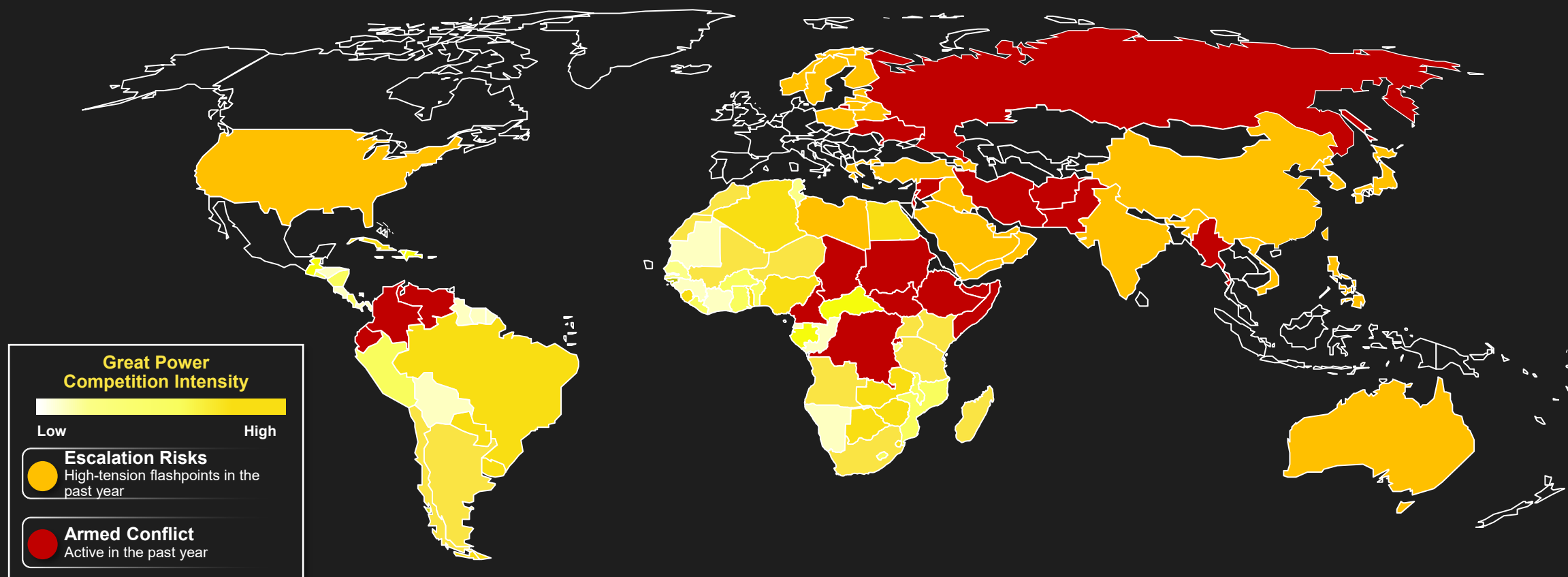
The perceived opportunities for brinkmanship and the potential for miscalculation are expanding the scope of escalation risk

Ongoing Armed Conflicts and Escalation Risks (Past 12 Months)



And the strategy of great power competition increasingly features systematic orchestration of actions across domains and theatres

Conflicts, Escalation Risks, and Secondary Theatres of Great Power Competition⁵

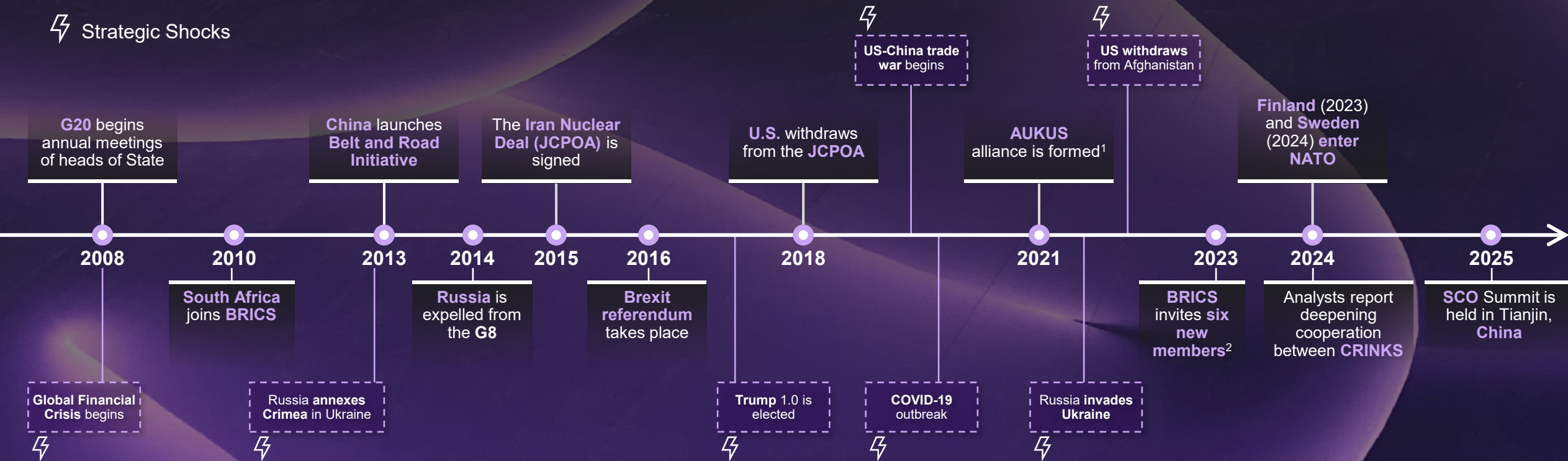


SHIFTING GEOPOLITICAL ALLIANCES

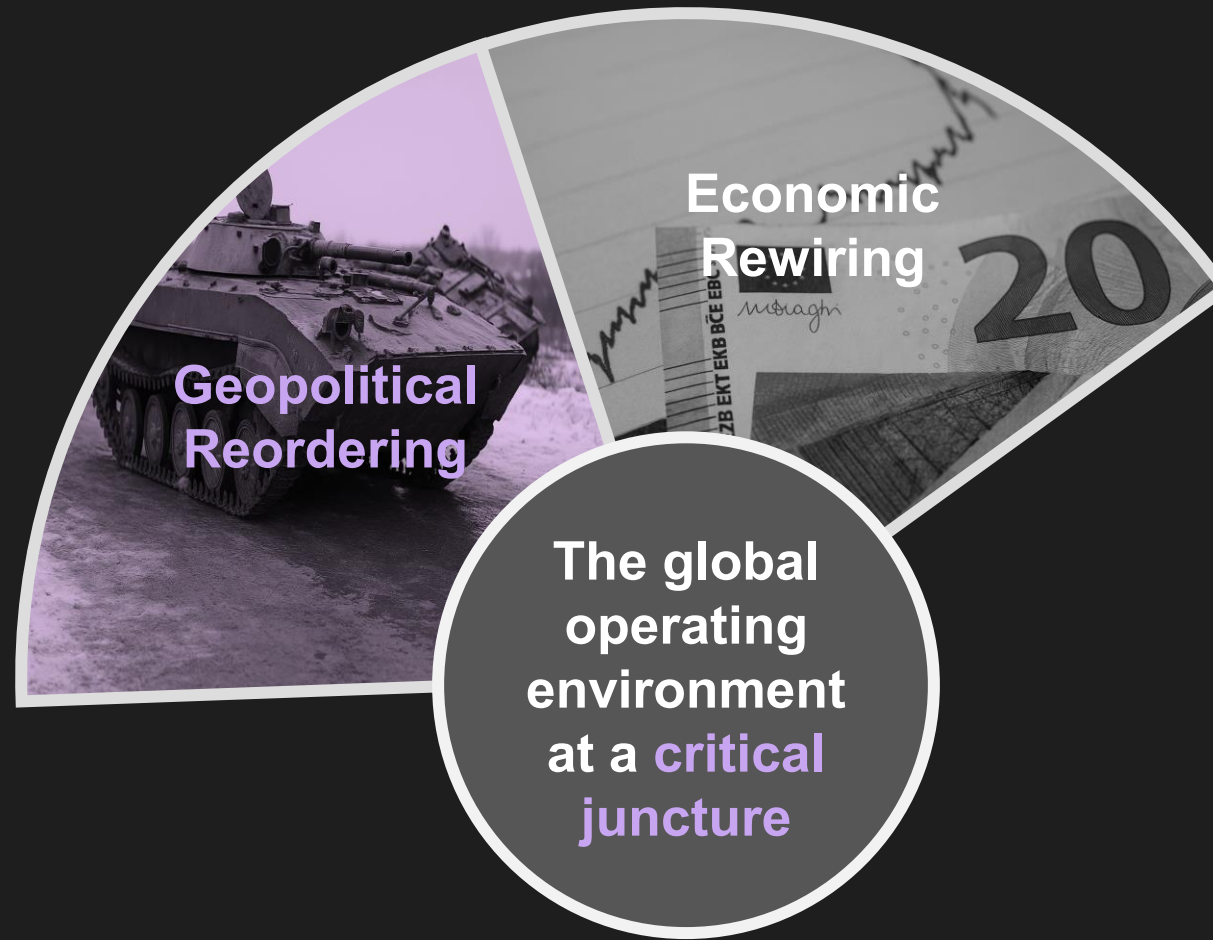
These changing incentives and the increasing frequency of strategic shocks are reshaping alliances – pointing to the shape of a new, multipolar order

Strategic Shocks and Geopolitical Realignments (2008 to 2024)

⚡ Strategic Shocks



1. The QUAD (revived in 2017) also plays a key role as a strategic forum among the U.S., Japan, India, and Australia. 2. Argentina later withdrew under its new government; Saudi Arabia has delayed full accession pending leadership review Sources: [War on the Rocks](#), Kearney Foresight | National Transformations Institute



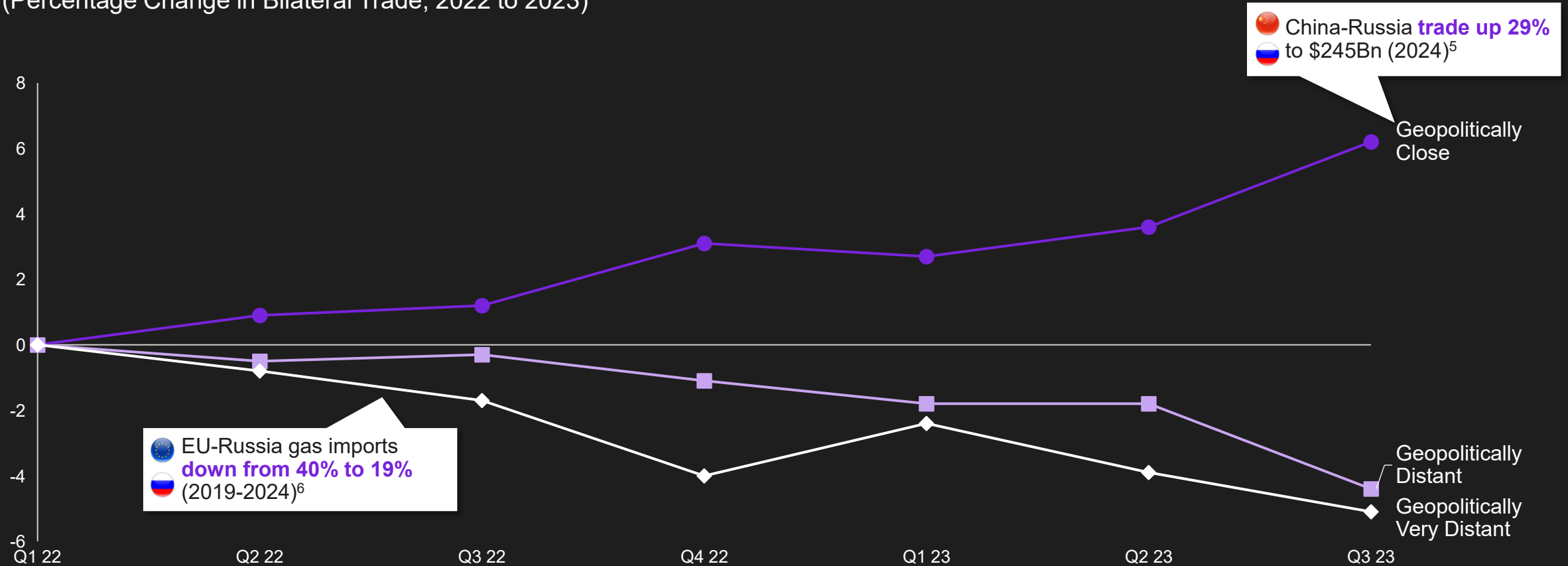
2

The transition to a more localized, distributed, networked and costly system of global trade is accelerating

As countries relentlessly seek to reduce their exposure to geostrategic coercion, global economic fragmentation is deepening

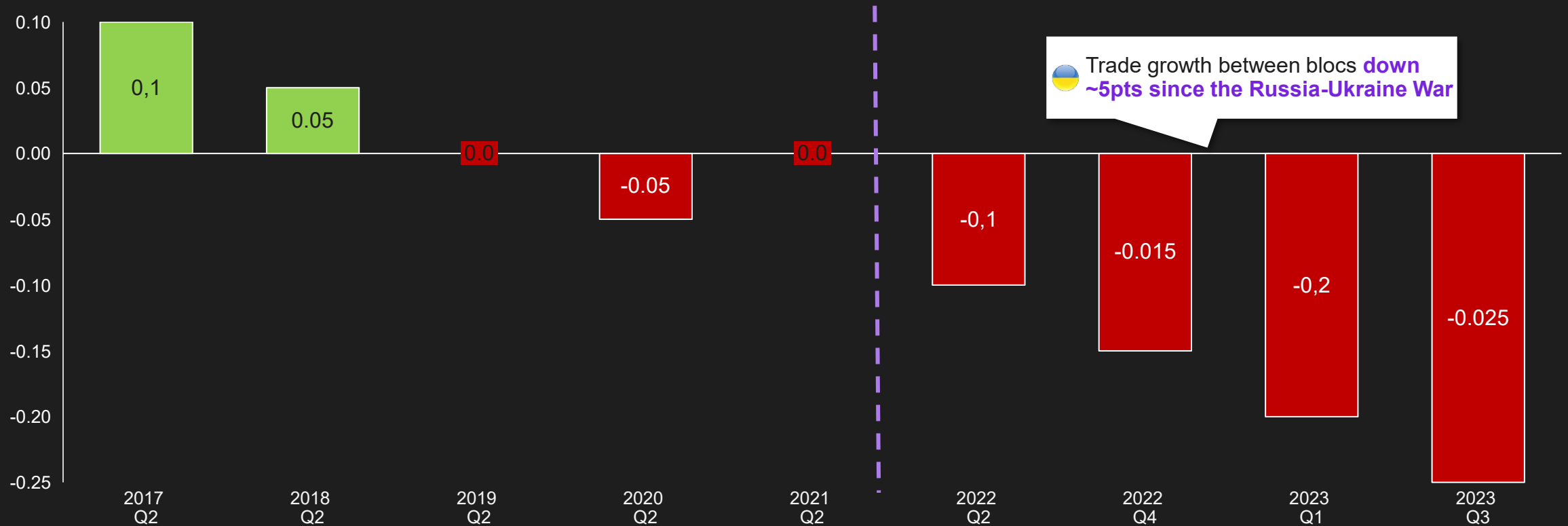
Geopolitical Considerations Impact on Trade Flows⁴

(Percentage Change in Bilateral Trade, 2022 to 2023)



In parallel, inter-regional trade is slowing while regional trade integration is deepening

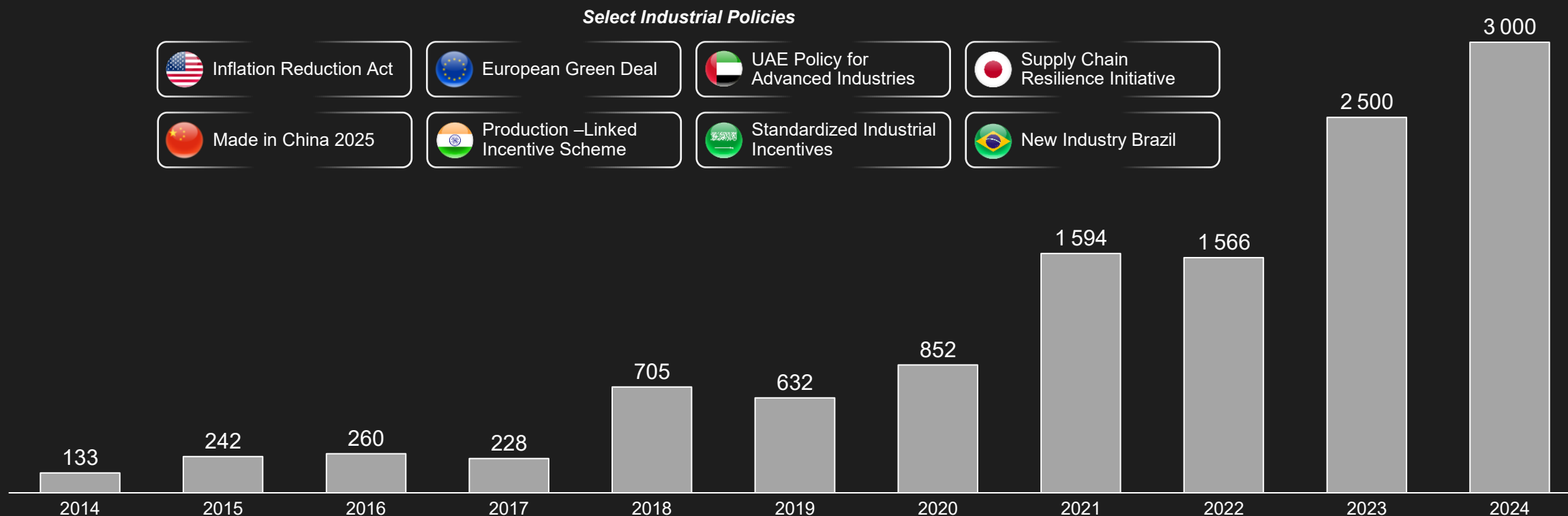
Semi-Elasticity of Inter-regional Trade Growth¹
(Average Weighted Trade Growth in ppt, 2017 to 2023)



Globalization is also being disrupted by industrial policy as countries seek to correct historic imbalances and drive competitiveness and job creation

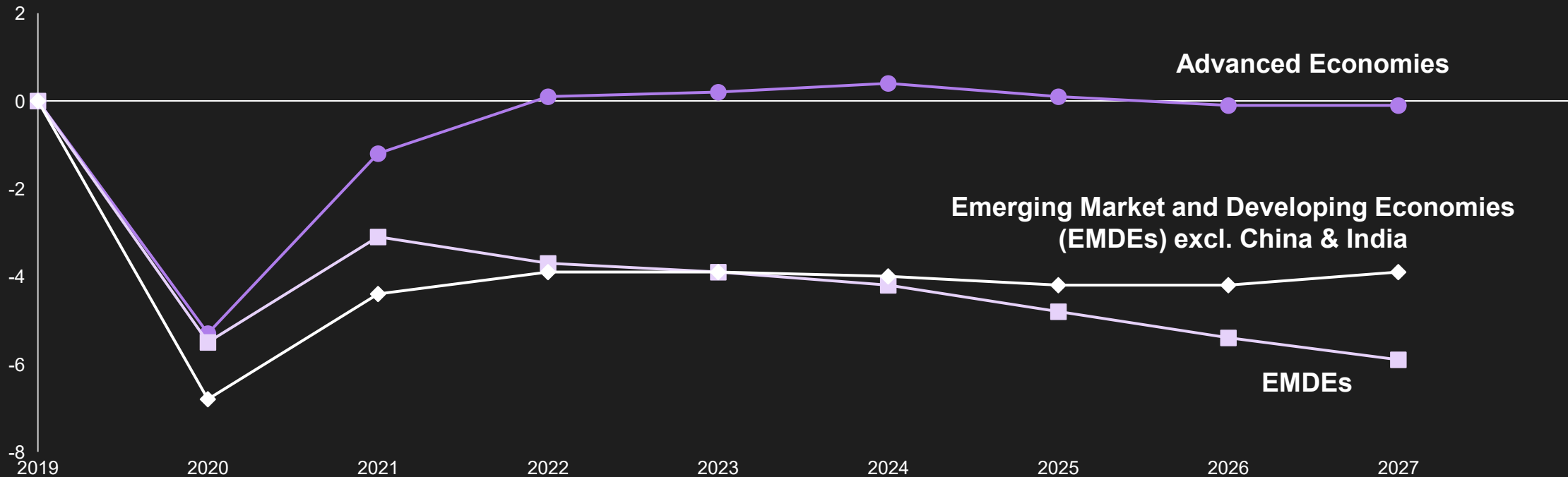
Total Number of Trade-Distortive and Industrial Policy Interventions¹

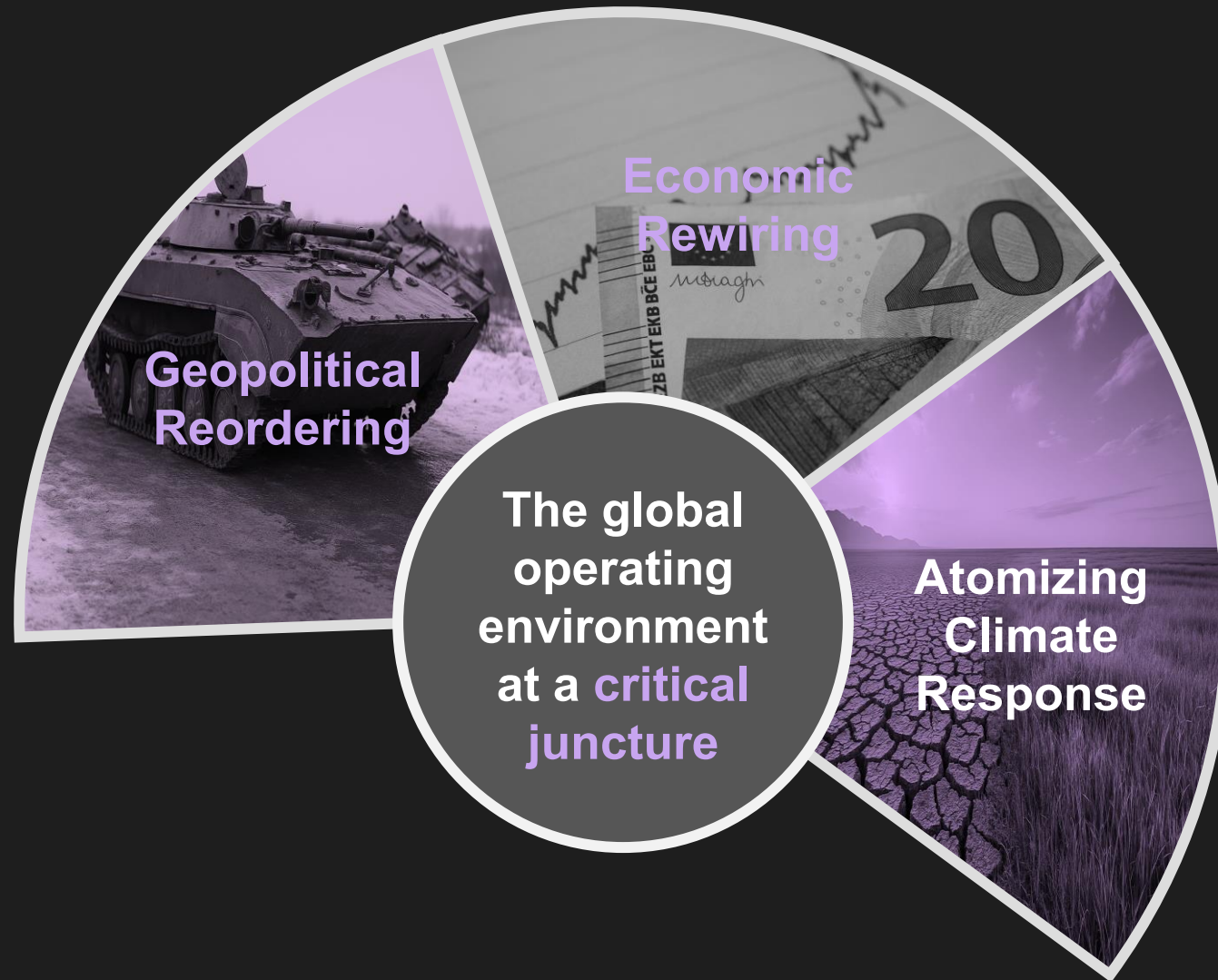
(Number of interventions, 2010 to 2023; 2024: H1 actuals + H2 forecast)



This deepening fragmentation is contributing to the adaptive pressure on countries that is likely to compound economic divergence

Per Capita Output Losses Relative to Pre-pandemic Trends
(2019 to 2027)¹



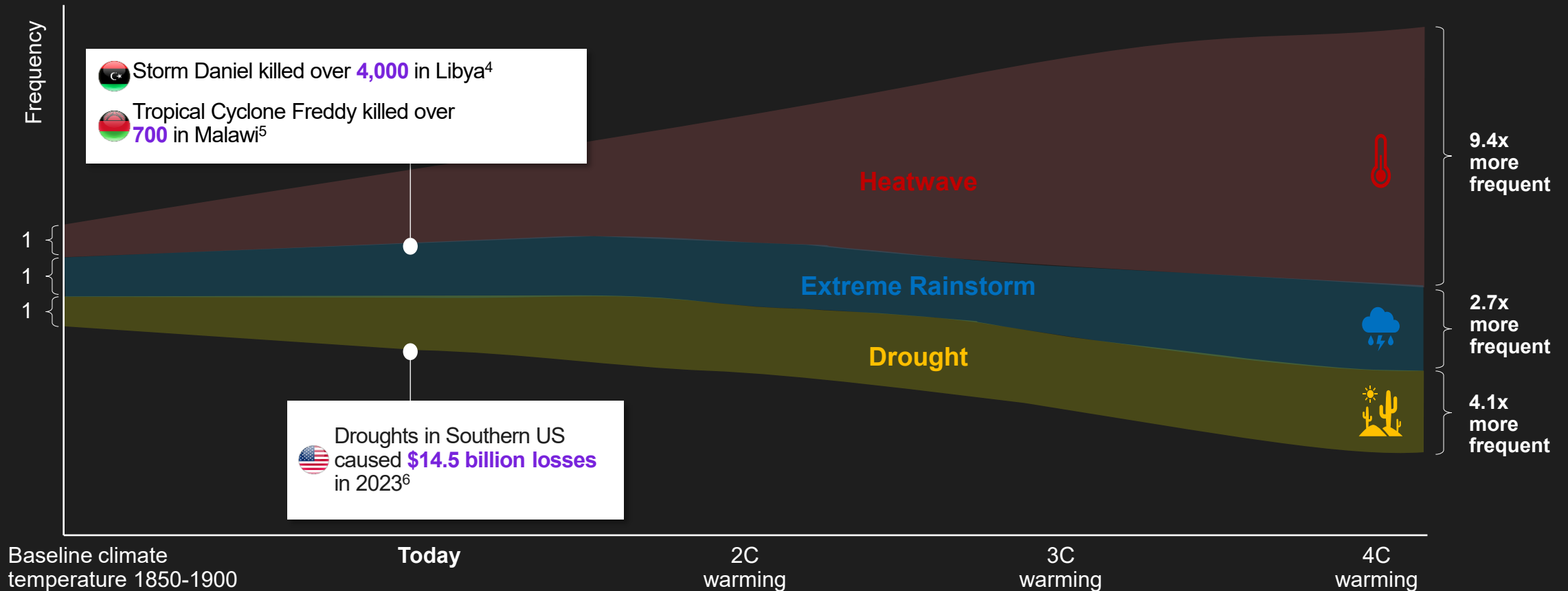


3

Despite the acceleration of global warming and the escalating costs of extreme weather events, policy approaches are diverging

The frequency and severity of extreme weather events is likely to continue to increase around the world, causing significant economic losses

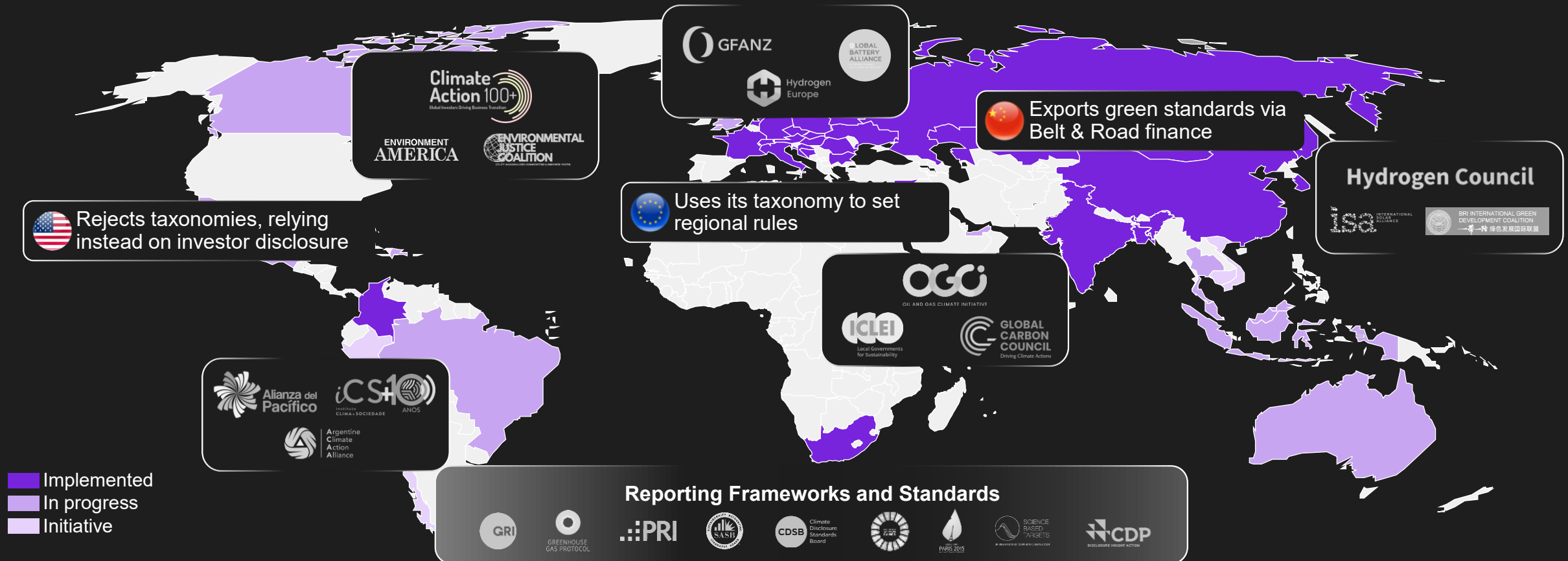
Frequency of “Once-in-a-Decade” Extreme Weather Events³

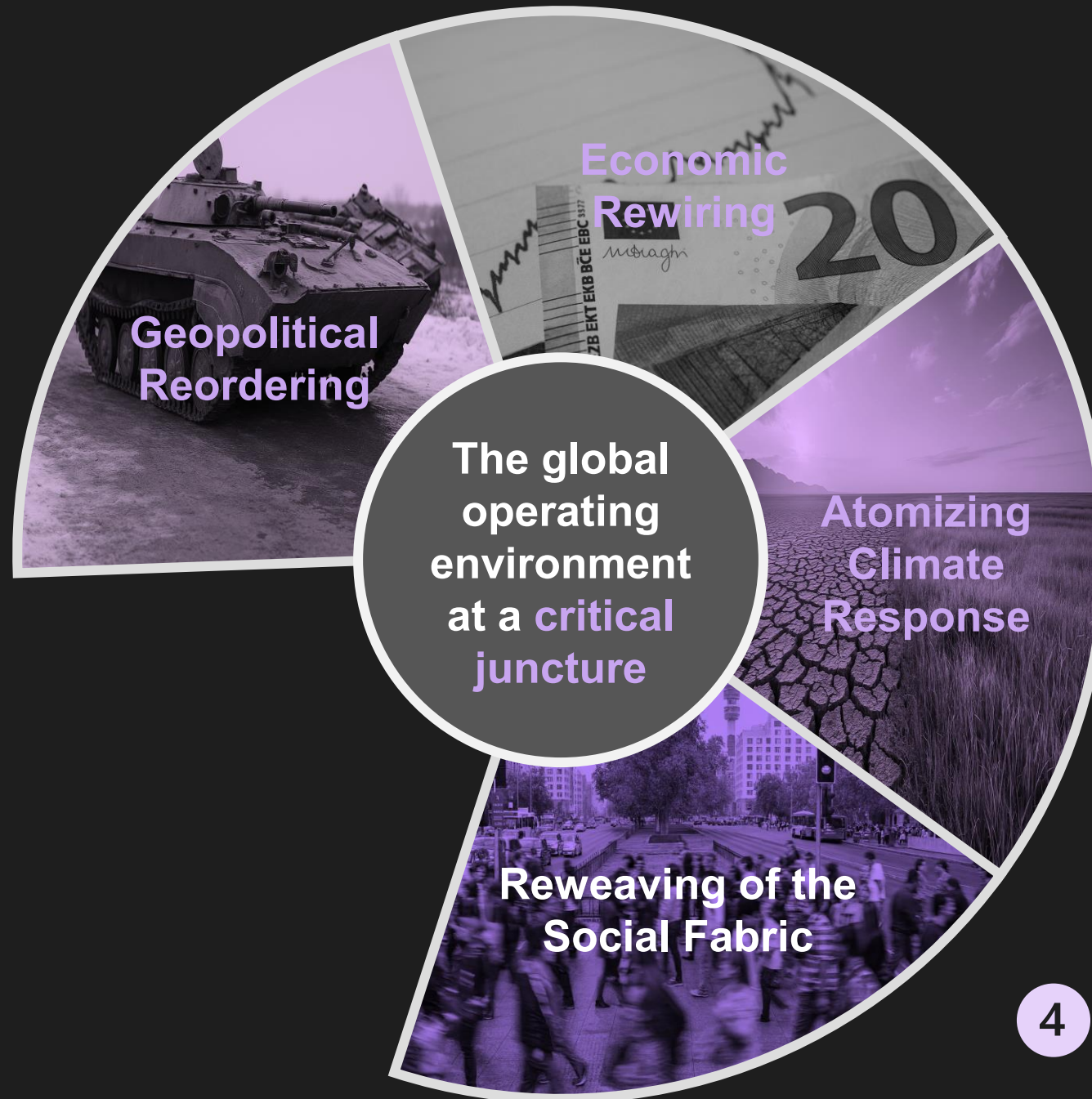


DIVERGING ENVIRONMENTAL REGULATIONS

As perceived national interests diverge and global institutions weaken, the environmental policy and regulatory landscape is atomizing

National Sustainable Finance Taxonomies, Climate Coalitions, and International Reporting Frameworks and Standards (2024¹)





Polarization, technological change, and a chaotic information environment are reweaving our social fabric

4

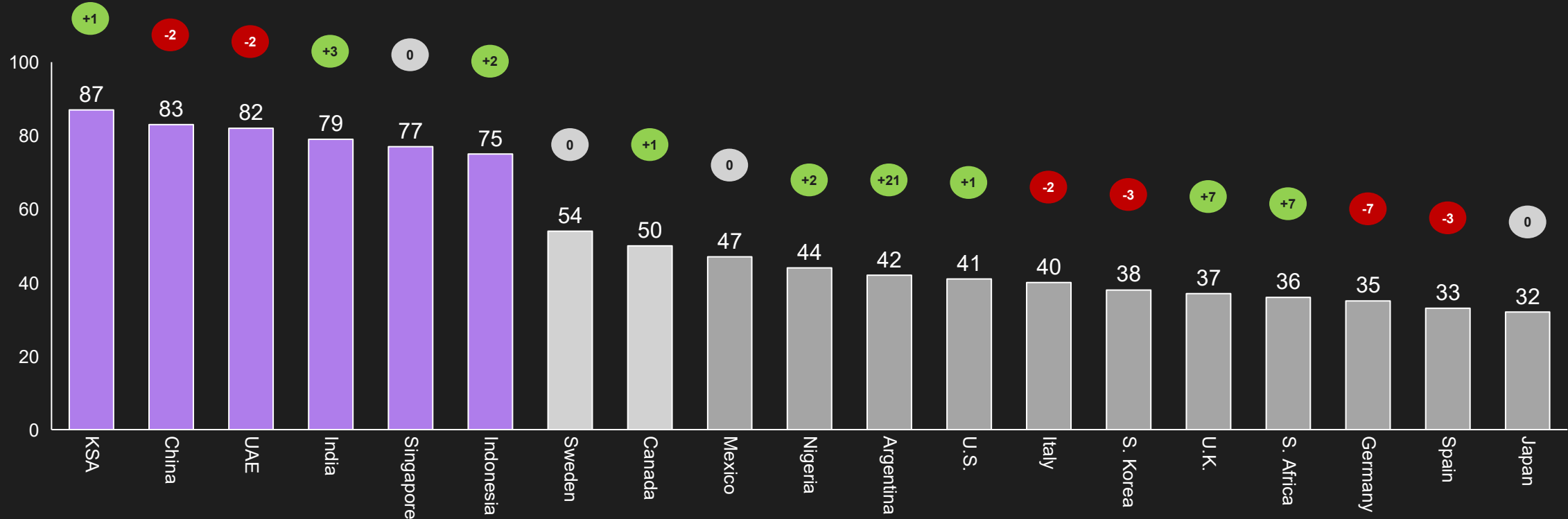
DECLINING TRUST IN PUBLIC INSTITUTIONS

The patterns of trust in public institutions reveal the intense pressure facing governments – and their differential ability to deliver results for citizens

The wide variance in trust in government¹

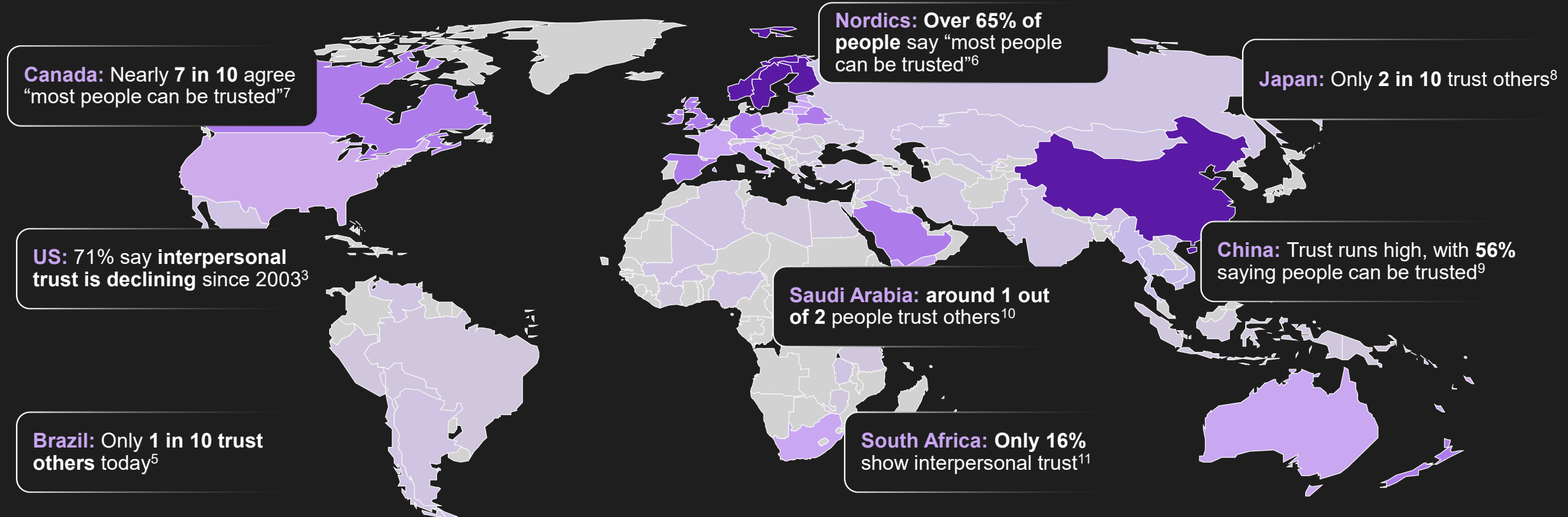
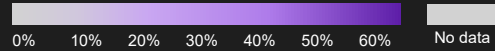
(Public Trust in Government, %, 2025)

Trust (60-100)
Neutral (50-59)
Distrust (1-49)



Accelerating technological disruption of social relations and deepening political polarization are eroding interpersonal trust in many countries

Share of People Agreeing with the Statement “Most People Can be Trusted”
(Percentage of citizens, 2023¹)

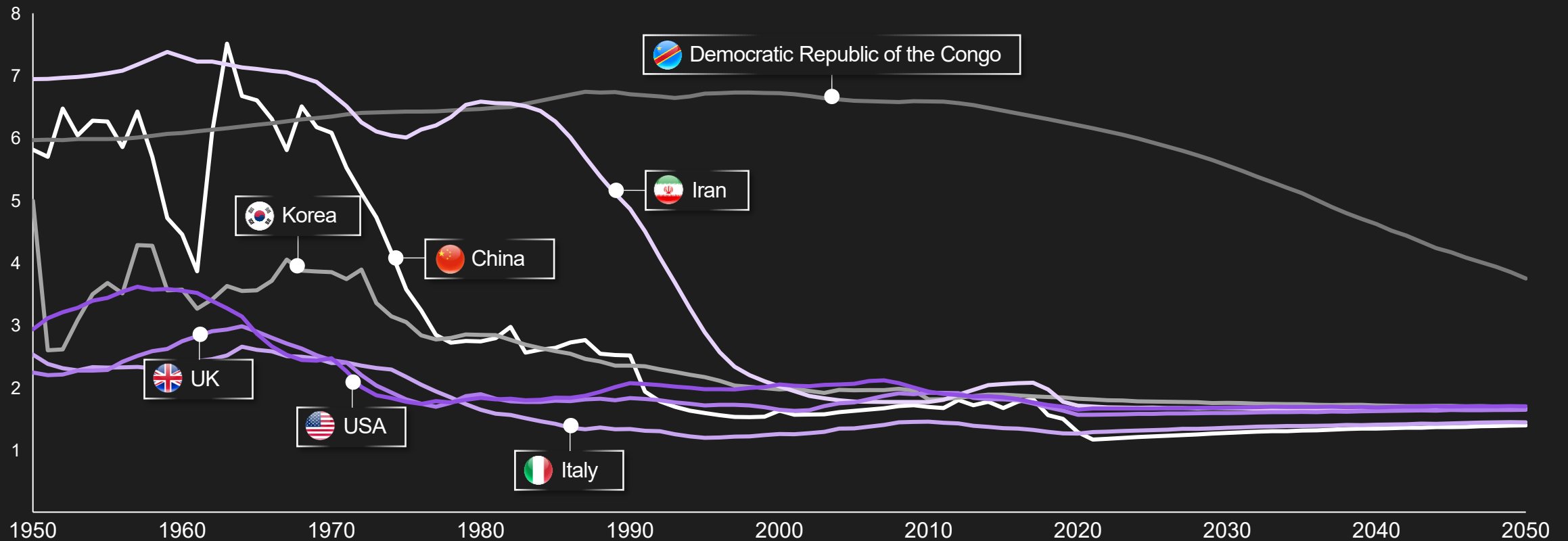


FALLING FERTILITY

In parallel – across the world – the entire context of socio-economic coherence is being reshaped by demography

Total fertility for select countries

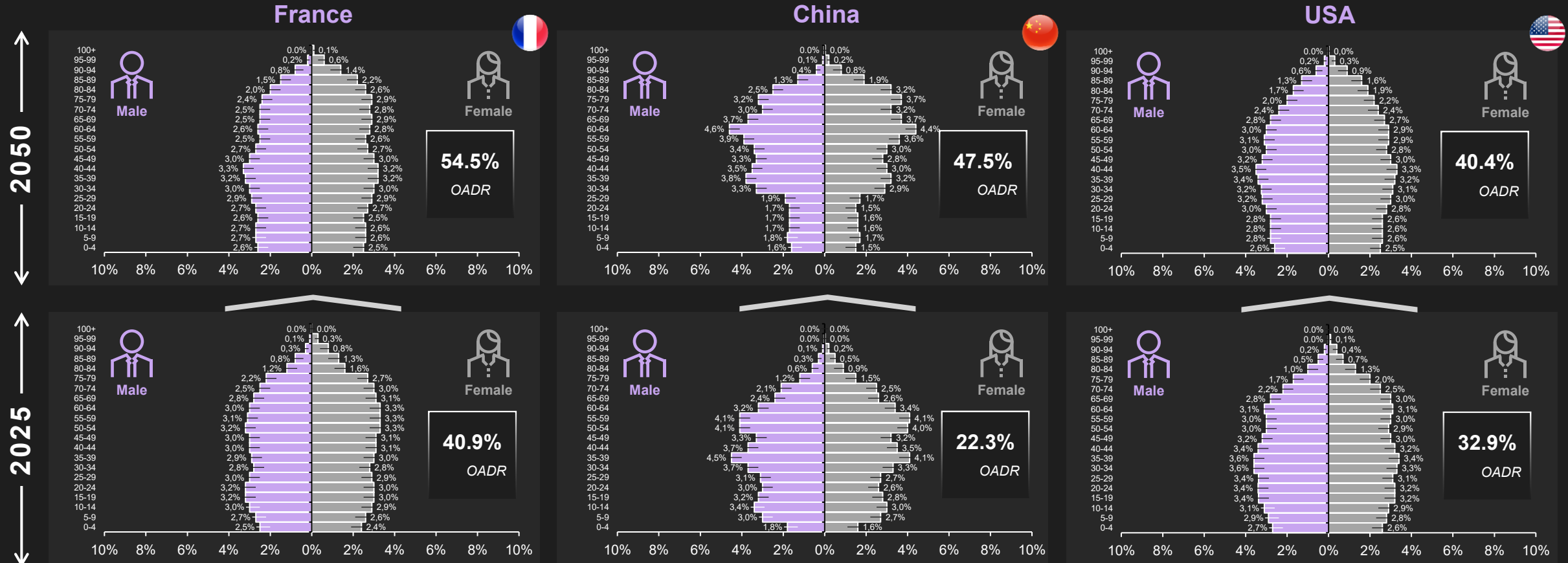
(Average live births per woman, 1950 to 2050)



In advanced economies, surging old-age dependency will increasingly strain fiscal systems, social cohesion, and long-term growth

Population Age Pyramids and Old-Age Dependency Ratio (OADR) Trajectories For Select Countries

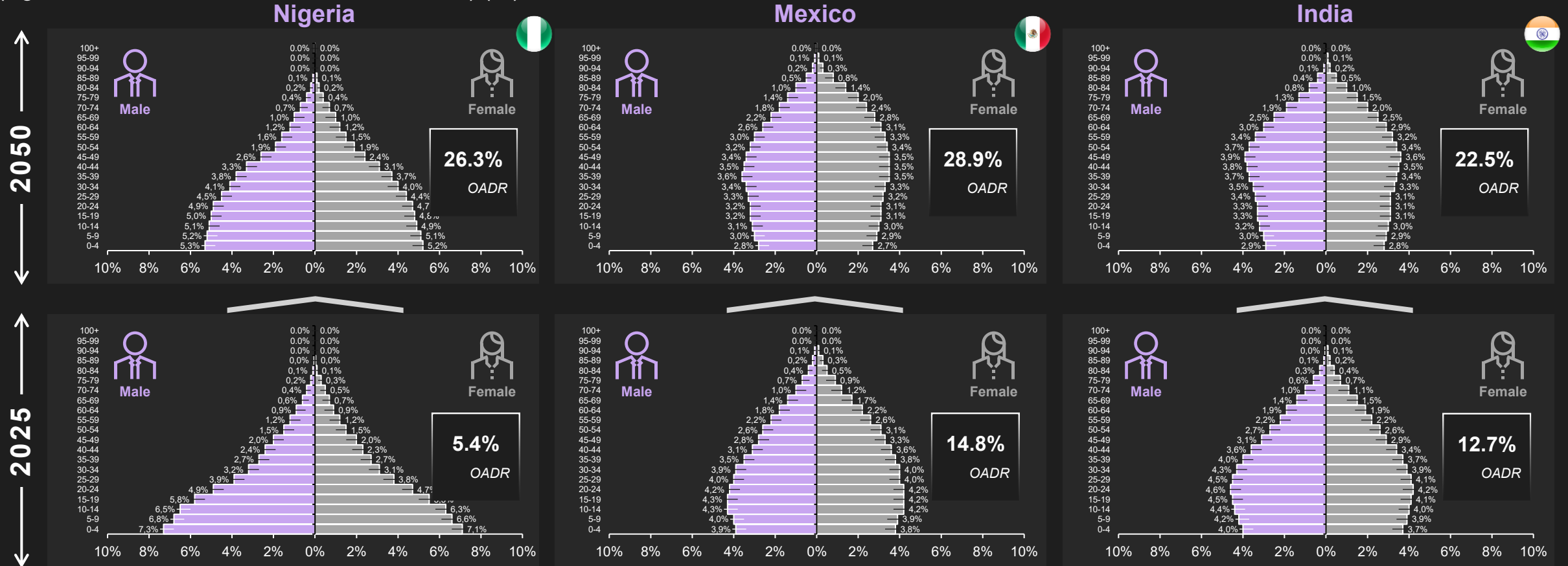
(Age Structure¹ and OADR², 2025 and 2050) (%)



The ability of developing economies to realize their demographic dividend will hinge on institutional reform – and how AI disseminates

Population Age Pyramids and Old-Age Dependency Ratio (OADR) Trajectories For Select Countries

(Age Structure¹ and OADR², 2025 and 2050) (%)



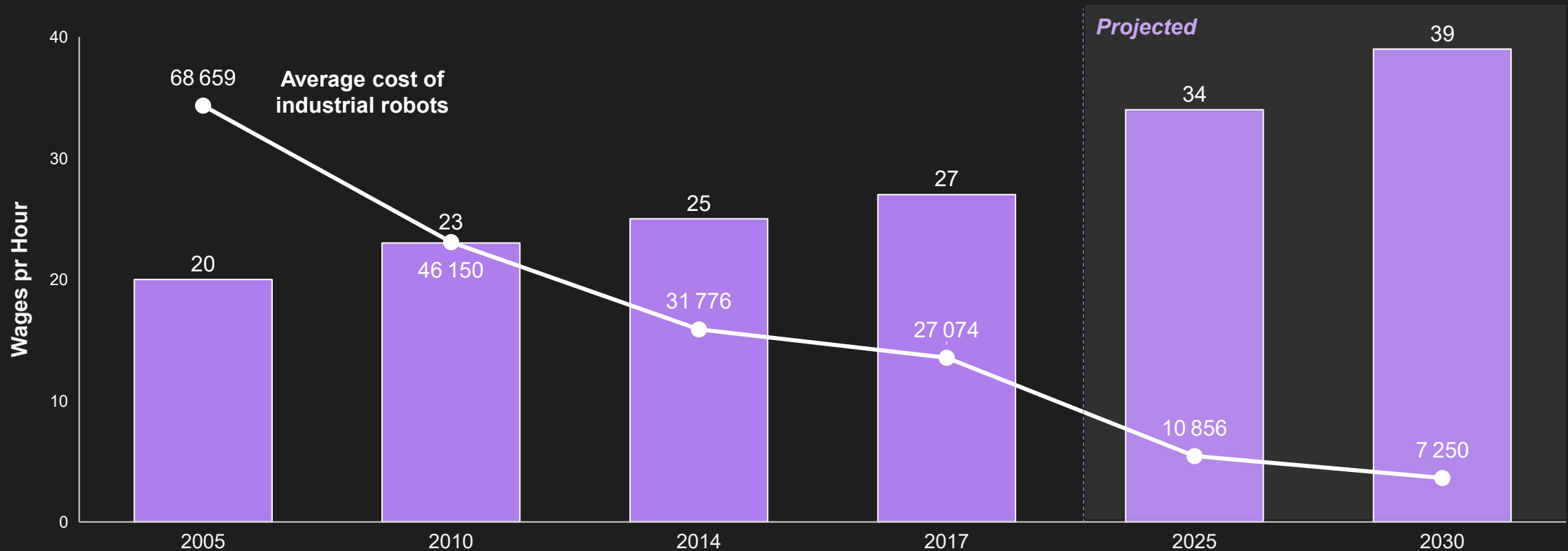
5

Artificial Intelligence
and advanced
automated systems
will fuel productivity,
disrupt labor markets,
and transform
knowledge creation



Driven by intensifying competitive rivalry, advanced automated systems will become radically more affordable and widespread

Manufacturing Wages vs. Average Cost of Industrial Robots¹
(Wages per hour, average cost of industrial robots, US\$, 2005 to 2030)

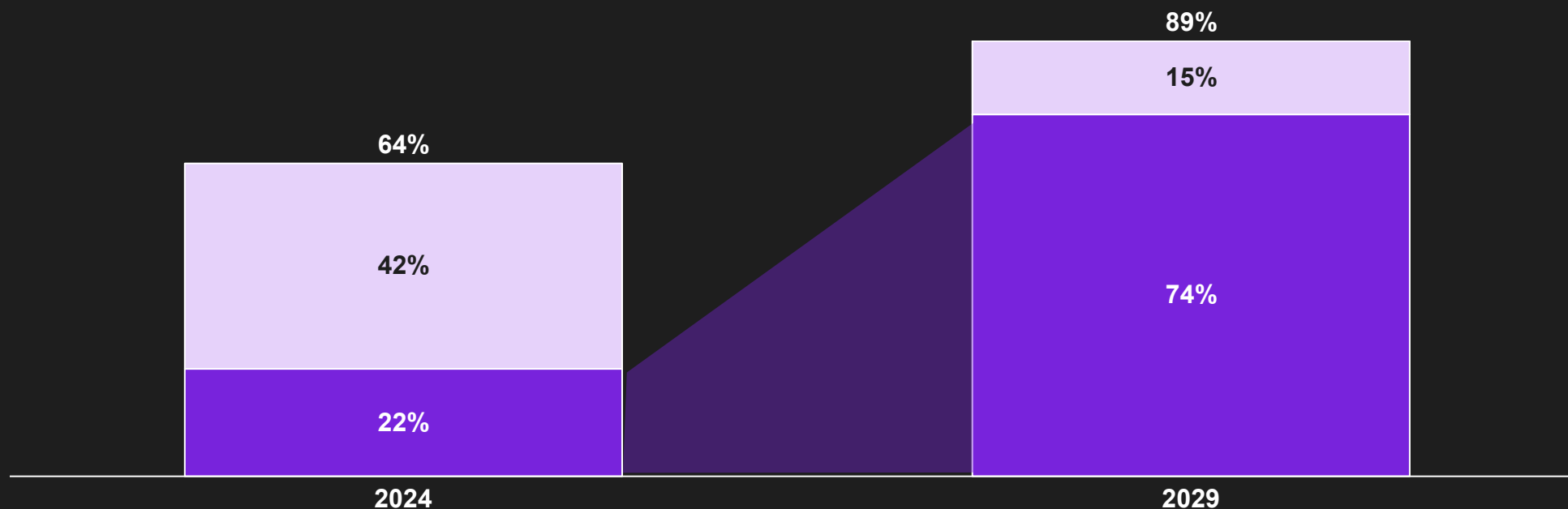


Discontinuous leaps in the capabilities of AI are likely to disrupt labor markets deeply and rapidly than prior waves of innovation

Share of Fortune 500 CEOs Who Expect Generative AI to Impact Company Headcount¹
(% of CEOs, 2024 to 2029)

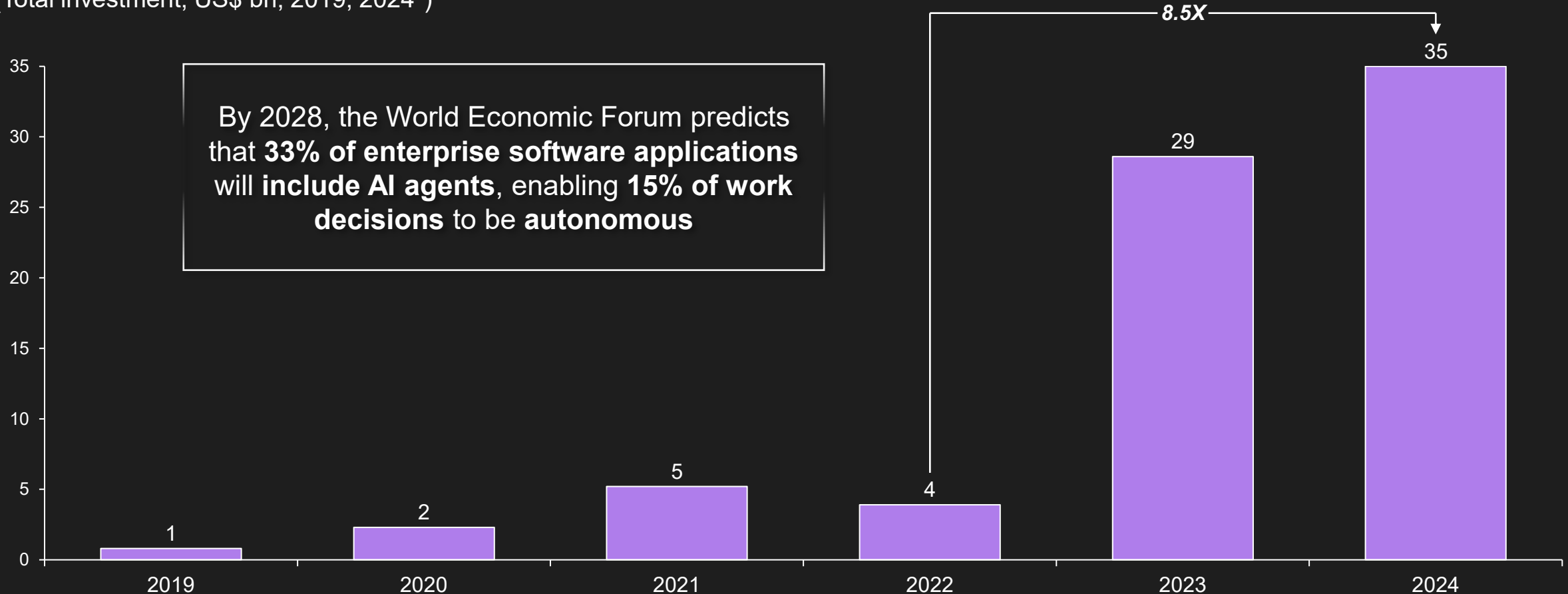
■ Unchanged Labor Need
■ Lower Labor Need

By 2029, over **70%** of CEOs expect AI to **reduce labor needs** — more than **3x today's share**



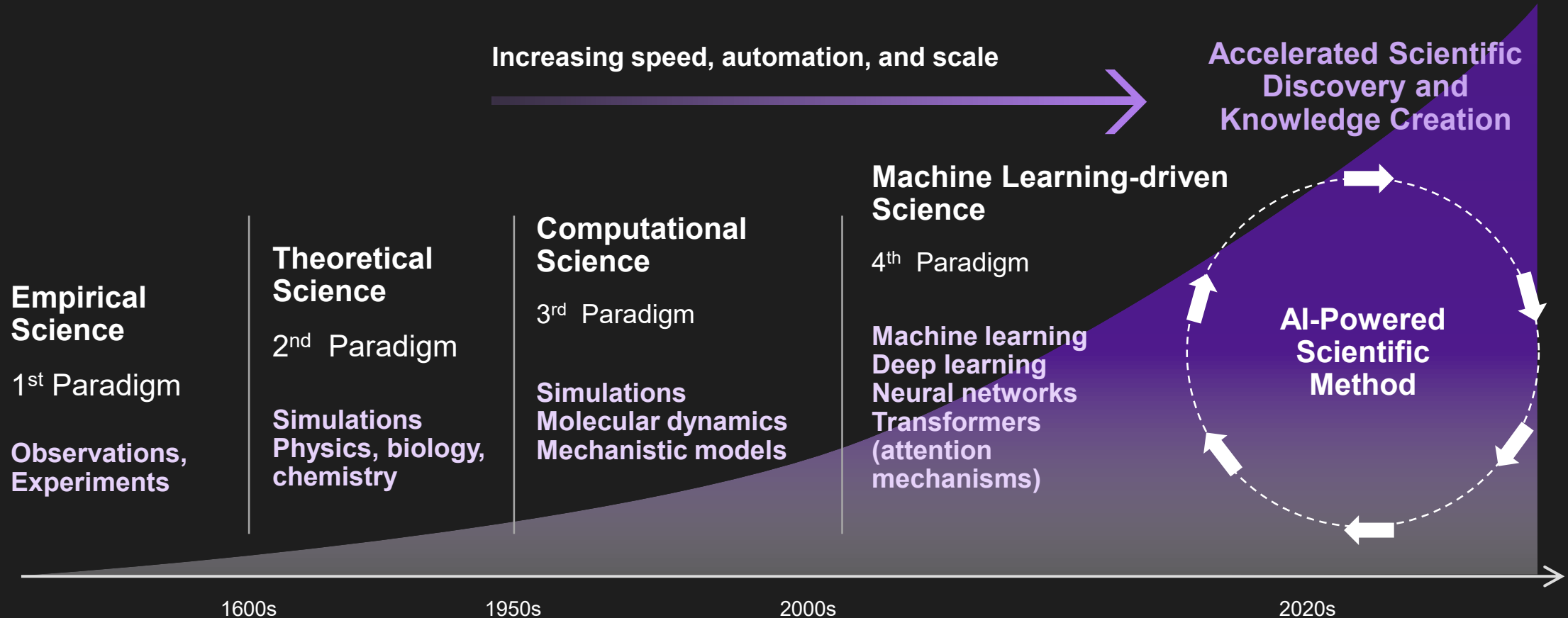
AI assistants will reach stunning levels of sophistication – transforming the capabilities of those with access to them

Global private investment in generative AI
(Total investment, US\$ bn, 2019, 2024¹)

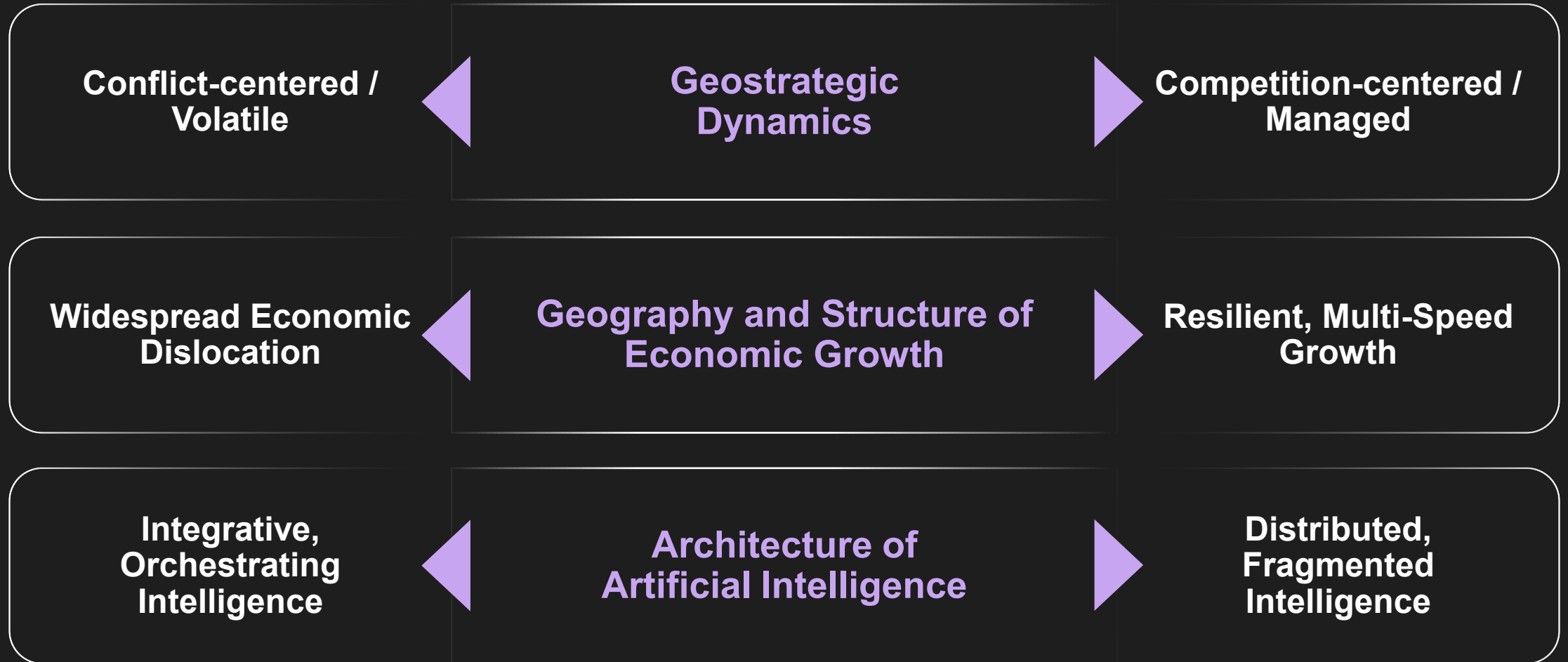


AI is on the cusp of radically accelerating scientific discovery – and knowledge creation more broadly

The Evolution of the Scientific Method



Through 2030, the evolution of dynamics within three dimensions of uncertainty will decisively shape the global business environment



Given the depth of uncertainty we face, global businesses must be prepared for a diverse range of scenarios

