

# Controlling in the globalised world 2.0 – Forecasting competence, adaptability & resilience

The logo for the International Association of Controlling (ICV) is a blue circle with the letters 'ICV' in white.

Edition 39

## ICV Think Tank Updates

### Dear Readers,

In an increasingly globalised and dynamic world, it is essential for companies to strengthen their **forecasting capabilities** and increase their **adaptability**. The ability to accurately assess geopolitical developments and build scenarios plays a key role in managing risk and identifying opportunities. Controlling makes a crucial contribution by creating competitive advantages through regular risk assessments.

The ability to change and adapt is another key competence that companies need to succeed in a rapidly changing environment. Flexible processes and agility make it possible to respond quickly to change and make strategic adjustments. In addition, **resilience** - the resistance of a company - is becoming increasingly important. Companies need to be able to develop strategies and business models that are robust in the face of unforeseen events, for example by investing in redundant capacity and alternative supply chains (see O'Keeffe et al., 2024). The **2024/2025 annual theme** of the ICV Think Tank is **“Controlling in the globalised world 2.0 - forecasting competence, adaptability & resilience”** and is dedicated to these topics.

Globalisation is generally understood as a process that “leads to ever greater interweaving of international goods, commodity and capital markets through the dismantling of trade barriers, the harmonisation of regulatory frameworks and technological progress” (Brühl, 2015). We define Globalisation 2.0 as the current global economic developments that contrast general interdependence with fragmentation, isolation and decentralisation. The aim of this work is to equip controllers with the necessary tools and strategies, e.g. in terms of flexibility and resilience, to successfully meet the challenges of the globalised world 2.0. The exchange of ideas and best practices should lead to innovative solutions that strengthen the competitiveness and stability of companies in the long term.

In this newsletter, we would like to delve into this topic and talk about the driving factors and effects of the current great power conflict between the US and China, as well as the role and challenges of other global players in this context in an interview with Chief Economist Edgar Walk (Metzler Asset Management) on our “Insights” page. The interview provides a comprehensive overview of the current geopolitical and economic challenges and offers recommendations for companies on how to position themselves in this complex environment. As a new member of the ICV Think Tank, we introduce you to Gerald Fahrenbrück on our “Connect” page. You can also find out about our recommended reading and how you can collaborate with our team.

We would like to thank the experts from the ICV Think Tank, Edgar Walk and Gerald Fahrenbrück, for their help in compiling this newsletter and hope that you will find it an enjoyable and stimulating read.

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#### Literature references:

Brühl, V. (2015). Globalisierung 2.0. In: Wirtschaft des 21. Jahrhunderts. Springer Gabler, Wiesbaden.  
O'Keeffe, D., Harris, K., Kimson, A. (2024): Drei Fähigkeiten, die Unternehmen in herausfordernden Zeiten brauchen, in Harvard Business manager, pp. 62-65.

## INSIGHTS | INSIGHTS INTO THE PRACTICE | Edgar Walk in a quick interview with the ICV Think Tank on current geopolitical issues and their impact on the global economy

**ICV Think Tank:** Mr Walk, what are the factors driving the current great power conflict?

**Edgar Walk:** The world is changing. The transition from a unipolar to a multipolar world order is increasingly marked by the great power conflict between the United States and China. This conflict has not only geopolitical, but also economic and technological dimensions that are having a profound impact on the international system.

In this new multipolar world, clear blocs are emerging. On the one hand, there is an alliance of China, Russia, Iran and North Korea. These countries are pursuing common interests and strategies to consolidate their position in the global order. On the other side are the US, Western Europe, Japan, South Korea and Australia, which continue to defend Western values and the existing international system.

*"In this new multipolar world, clear blocs are emerging."*

A third bloc is forming around countries such as India, Brazil and Indonesia. This so-called "Global South" adopts a neutral stance and seeks to avoid being directly affected by the tensions between the major powers. These countries see the multipolar world order as an opportunity to safeguard their sovereignty and promote their own economic and political interests.

The current great power conflict is manifesting itself primarily in trade and technology issues. The US has imposed punitive tariffs in response to China's large trade surplus. Under the presidency of Donald Trump in particular, aggressive trade measures have been taken, which could be intensified with punitive tariffs of at least 60% on all Chinese imports, if he is re-elected.

*"The risks of an escalation of the conflict are significant."*

At the same time, the two countries are competing for supremacy in key technologies such as 5G, artificial intelligence and quantum computing. The US has imposed sanctions on Chinese technology companies such as Huawei and enforced global export restrictions on high-value semiconductors to slow China's technological progress. These measures are aimed at securing US technological leadership and slowing China's rise in this area.

The risks of escalation are significant. China's territorial claims and militarisation of islands in the South China Sea are creating tensions with neighbouring countries and the US, which want to ensure freedom of navigation in the region. In addition, China regards Taiwan as a renegade province and seeks reunification, while the US supports Taiwan militarily and diplomatically.

*"For German companies, it means holding as little liquidity as possible in China."*

Another potential source of escalation is China's support for Russia. If this support increases, the US could respond by imposing financial sanctions on China. Such measures would have far-reaching consequences for the global economy and could further exacerbate tensions between the two superpowers.

For German companies, it means holding as little liquidity as possible in China. The Chinese market could also be closed to German companies in the event of a conflict in Taiwan.

**ICV Think Tank:** How do you see the role of the “Global South” in the current geopolitical climate?

*“Growth will only be possible if German companies are successful in the countries of the Global South.”*

**Edgar Walk:** The “de-risking strategy” of many companies means reducing their presence in China. This means that China is no longer a growth market for German companies. Growth will only be possible if German companies are successful in the countries of the Global South. India and Indonesia in particular are markets with huge growth potential. However, German companies in these markets will often have to compete with Chinese companies, which have a competitive advantage due to extensive state support. These markets will therefore be highly competitive. Interestingly, although there is talk of 'deglocalisation', de facto deglocalisation is not taking place. All that is happening is that trade routes are shifting. In other words, we still live in a globalised world. But rising protectionism could actually lead to deglocalisation in the future.

**ICV Think Tank:** What are the main reasons for the potential deindustrialisation of Europe?

*“While other regions of the world invest considerable resources in promoting innovation, the necessary financial resources seem to be lacking in Europe.”*

**Edgar Walk:** Europe has lost much of its innovative strength in recent years. This is reflected, among other things, in the fact that there is not a single European company among the world's 25 largest companies with the most patents in key technologies. By contrast, there are three companies from South Korea - a country of around 50 million people. This is a worrying development and raises questions about the causes.

One of the main reasons for this gap could be a declining education system. Pisa results show that European students are falling behind their Asian and North American counterparts in key areas such as maths and science. There is also a lack of investment in research and development. While other regions of the world invest considerable resources in promoting innovation, the necessary financial resources seem to be lacking in Europe.

In addition, infrastructure is deteriorating. Dilapidated transport routes and inadequate digital networks are major obstacles for many businesses. Excessive bureaucracy also plays a role: lengthy approval procedures and complicated regulations deter potential investors and hamper economic dynamism.

*“Young, innovative companies are often the drivers of technological breakthroughs and economic growth.”*

Another weakness is the low number of start-ups. Young, innovative companies are often the drivers of technological breakthroughs and economic growth. But Europe lacks a favourable environment for such start-ups. Bureaucratic hurdles, difficult access to venture capital and a lack of a culture of failure hinder the creation of new businesses.

In addition, energy-intensive industries in Europe face a particular challenge: high energy prices. These are affecting the competitiveness of European companies and are forcing some production processes to be relocated abroad.

Another competitive disadvantage is the increasing competition from Chinese companies, which often benefit from extensive government support. In the US, this is often referred to as the first China shock. After China joined the World Trade Organisation in November 2001, cheap imports from the Middle Kingdom triggered a wave of bankruptcies among American industrial companies.

Many jobs were lost, especially in the Midwest, which, according to studies, fuelled the wave of populism in the US (see, among others: Autor, Dorn, Hanson and Majlesi (2016): "Importing Political Polarisation? The Electoral Consequences of Rising Trade Exposure").

Europe could face a similar fate - the so-called second China shock. Favourable production conditions and government support for Chinese companies could cause European companies to lose further ground. Comprehensive measures are needed to counter this trend: strengthening the education system, targeted investment in research and development, improving infrastructure and reduction of bureaucracy are necessary to make Europe a leading centre of innovation again. This is the only way the continent can survive global competition and secure its economic future.

**ICV Think Tank:** How could a major wave of protectionism affect the European economy?

*"If Donald Trump wins the presidential election in November, there is a risk of further escalation."*

**Edgar Walk:** The US, under President Donald Trump and more recently under President Joe Biden, has already imposed punitive tariffs on China, and Brazil and Indonesia have recently taken similar measures against China. This reflects a growing concern that imports from China could displace domestic industry. There is also concern in Europe, where the European Union has been able to prove that Chinese companies have received state support in violation of World Trade Organisation (WTO) rules. In response, the EU has imposed tariffs on Chinese electric cars. These subsidies allow Chinese companies to sell their products at lower prices, distorting competition and undercutting European companies. The introduction of tariffs on Chinese electric cars is therefore an attempt to rebalance the playing field. If Donald Trump wins the presidential election in November, there is a risk of further escalation. Trump has said he will impose tariffs of 10% on all imports and 60% on Chinese imports. This scenario carries the risk of a protectionist spiral: if a country imposes tariffs on China, Chinese exporters will try to sell their goods in other markets. This will force the affected countries to impose punitive tariffs as well, which could further destabilise the global trade landscape.

*"The current development clearly shows how fragile the global trading system is."*

The EU faces a complex challenge. While European companies that already produce for many foreign markets could remain relatively unaffected, companies that are mainly exporters face painful losses of market share. Industries that rely heavily on the Chinese market could be particularly hard hit.

The current development clearly shows how fragile the global trading system is. A protectionist spiral could not only strain relations between major economic powers, but also disrupt global supply chains and lead to a decline in international trade. European businesses need to prepare for a challenging environment where flexibility and adaptability will be key.

The coming months will show how the trade conflicts develop and what measures will be needed to stabilise global trade relations. What is clear, however, is that the global economy is facing one of its biggest challenges in decades.

**ICV Think Tank:** What measures should European countries take to offset the growth disadvantages resulting from demographic change?

**Edgar Walk:** Europe has the oldest population in the world, with a chronically low birth rate and a very low participation rate for those over 65. It is estimated that Europe will be the only continent where the labour force will shrink over the next 10 years - by around 0.5 per cent per year. Economic growth is the sum of the growth rate of the labour force plus the growth rate of productivity. Over the past 10 to 20 years, Europe has achieved productivity growth of around 1.0 per cent per year. If productivity remains at this level over the next 10 years, there is a risk that GDP growth will slow significantly to an average of just 0.5 per cent per year. Productivity growth can be boosted by public and private investment and innovation. In particular, digitalisation, artificial intelligence and automation can make an important contribution.

*“The growth prospects for Europe are low in light of the demographic outlook.”*

Our welfare system is only sustainable if productivity growth can be increased and people work longer. But the European welfare state model, which finances early retirement by taxing the shrinking productive sectors, is a major obstacle.

1. Increasing birth rates: Political initiatives to reduce childcare costs and promote family formation are essential.
2. Increase labour force participation: Involving older employees and making working models more flexible (e.g. working from home) could be particularly helpful.
3. Immigration: A targeted immigration policy could compensate for the shortage of labour and support economic growth.

The growth prospects for Europe are low in light of the demographic outlook. German companies must therefore increasingly look abroad (to the US and the Global South) for sales growth and workers.

**ICV Think Tank:** How dependent is Europe on China for its energy transition?

**Edgar Walk:** China has a global monopoly on solar modules and the solar module value chain. China is also dominant in battery technology and production. Europe should develop its own production facilities to avoid becoming too dependent.

**ICV Think Tank:** What challenges does climate change pose for the global economy, particularly with regard to investment in adaptation?

*“Much more private capital must also flow into infrastructure in the future.”*

**Edgar Walk:** Climate change is inevitable and will happen. The world is on course for a temperature rise of more than 2.5 degrees. So far, investment in decarbonisation has been too low and too slow. It is estimated that Europe alone will need to invest several trillion euros in decarbonisation and adaptation over the coming decades. European governments will not be able to cope with this volume alone. A significant amount of private capital will need to be mobilised. This would require the completion of the banking and capital markets union. Much more private capital must also flow into infrastructure in the future.

**ICV Think Tank:** What role do raw materials play in the decarbonization strategy, and what conflicts might arise?

*“Europe needs a raw materials strategy to secure the necessary raw materials from other sources.”*

**Edgar Walk:** There is also a high dependency on China for many raw materials, such as rare earths, which are needed for a successful decarbonisation strategy. Europe needs a raw materials strategy to secure the necessary raw materials from other sources. Moreover, economic history shows that innovation has often been able to replace scarce raw materials with other readily available raw materials. With this in mind, more public investment in research and development would make sense. Europe also seems to be falling behind the US and China in this area.

**ICV Think Tank:** What can you recommend to controllers regarding the developments you have outlined?

*“Companies that mainly export should consider a new strategy.”*

**Edgar Walk:** The world is changing rapidly and the geopolitical risks for companies are increasing. It is therefore worth keeping an eye on political developments as well as economic ones. Globalisation has peaked. However, it is still unclear how the world trading system will evolve. At the moment, we are only seeing adjustments in supply chains and some relocation of production, but these do not call globalisation into question. The imposition of punitive tariffs against China has not yet changed the situation in many countries. However, with the re-election of Donald Trump, protectionism could gain new momentum and deglobalisation could accelerate. Companies that already produce locally in many countries are likely to be less affected. Companies that mainly export should consider a new strategy. This is especially true as growth prospects in Europe are rather subdued due to demographic trends and there are good growth prospects in many countries in the Global South.

**ICV Think Tank:** Thank you very much, Mr Walk, for your insights.

### Edgar Walk

Chief Economist , Metzler Asset Management

Edgar Walk joined Metzler in 2000. As Chief Economist in the Asset Management division, he is responsible for economic forecasting. Due to his close cooperation with portfolio management, his focus is not only on economic analysis but also on capital market issues. Before joining Metzler, Mr Walk studied economics in Tübingen, specialising in East Asian and Japanese regional studies. To deepen his knowledge, he spent a semester abroad at Doshisha University in Kyoto, Japan. He then completed the postgraduate programme 'Advanced Studies in International Economic Policy Research' at the Kiel Institute for the World Economy.



**CONNECT** | In this section, we present contributors, interview partners or companies of the Think Tank members in each issue.

The ICV Think Tank is a think tank and innovation laboratory where ideas are generated, discussed and developed. Our members come from a variety of backgrounds, including consulting, academia and practice. Each year, the core team is supplemented by a changing group of experts. This interdisciplinary composition enables a broad exchange of experiences and different perspectives on the challenges and opportunities of modern controlling and working environments. Today we would like to introduce you to one of our newest members, Gerald Fahnenbruck from HAYS.

### A warm welcome | Gerald Fahnenbruck

We welcome Gerald Fahnenbruck as a new member of the ICV Think Tank! Gerald brings an impressive range of experience and expertise to the Think Tank. He graduated from Northumbria University with a degree in International Business, Strategic Management and Marketing Communications. After graduating, he began his career in e-commerce as a customer analyst and consultant, including several years at Expedia. Since 2008, Gerald has worked at Hays in a variety of expert and management roles. Since April 2024, he has been Head of Product Line - Contracting Germany and is responsible for the future-oriented further development of Hays' product and service portfolio. He has been involved for many years with the 'future of work', innovation and change in the world of work.

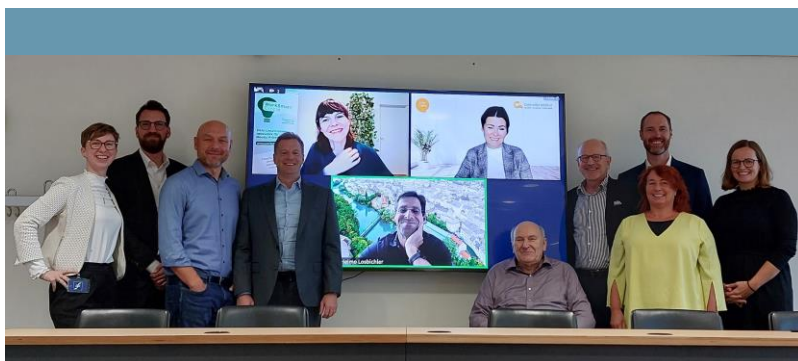
Hays is an international recruitment company specialising in the provision of specialist and management staff and workforce solutions.

In addition to his work at Hays, Gerald Fahnenbruck has been the owner of Schreibfuchs Remshalden since 2015, underlining his entrepreneurial versatility and commitment.

With his extensive experience and strategic understanding, Gerald Fahnenbruck will be a valuable asset to the ICV Think Tank. We look forward to working with him and the fresh perspectives he will bring to our discussions and projects.



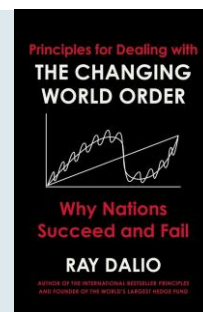
**GET IN TOUCH** | Have we piqued your interest and would you like to find out more about our dialogue in the ICV Think Tank? Or would you like to contribute to this year's theme? Then please do not hesitate to contact us. We look forward to meeting you. You can reach us at the following email address: [cpmc@fs.de](mailto:cpmc@fs.de).



You can contribute to the Think Tank on this year's theme: Are you an expert in adaptability, forecasting or resilience? We cordially invite you to join us in exchanging ideas on our annual theme and discussing the implications for management accounting. We value your expertise and perspectives in developing innovative approaches and solutions.

**RECOMMENDATIONS** | Here we present reading recommendations that are thematically relevant to the current newsletter and our annual theme.

Ray Dalio, a well-known investor and hedge fund manager, analyses the rise and fall of great empires and their recurring patterns in 'The Changing World Order: Why Nations Succeed and Fail'. He examines historical examples such as the Roman Empire and the British Empire to understand economic and political cycles. Combining historical analysis with current developments, Dalio offers valuable insights into the factors that determine the success and failure of nations. The book is a compelling read for anyone interested in economic history and global trends.



In 'Rethinking Germany', the authors Klaus Burmeister, Alexander Fink, Beate Schulz-Montag and Karlheinz Steinmüller present eight detailed future scenarios for Germany. The book aims to shed light on possible developments and challenges that Germany could face in the coming years and decades. This book is valuable reading for anyone interested in analysing Germany's possible futures and offers a wide range of perspectives for politics, business and society.

**REVIEW** | You can also find out more about previous focal points of the ICV Think Tank.

### Thematic focus 2023/24: Controlling and New Work

The topic "Controlling and New Work - ways of working, skills, talent acquisition" focused on current trends in the changing world of work and their impact on controlling. Our think tank examined how the principles of New Work are changing roles and processes in controlling, what new skill profiles will be required in the future, and how education and training programmes will need to adapt to shape the future of controlling.

### Thematic focus 2022/23: Sustainability controlling

Last year, the focus was on sustainability, in particular the environmental, social and governance (ESG) dimensions. Sustainability controlling plays a key role in supporting the transformation process towards a sustainable business and in meeting regulatory requirements. It assists management in achieving sustainability goals and ensuring the rationality of these measures.

Information on these and other key topics can be found on the [ICV Homepage](#) as well as in the [ICV Online-Shop](#).



Inspired by our last annual theme, 'New Work', we have developed and reorganised our ICV newsletter format. The 'Quarterlies' have become the "ICV Think Tank Updates". At regular intervals we will provide updates on the work of our Think Tank in the form of deep dives into studies, practical examples or key findings. There will also be more opportunities to engage with us - we look forward to the exchange.

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