

## GLOBAL IMPACTS ON THE ISLANDS

*Jason Connolly, director of Next Generation IT, looks forward to 2019 and the myriad of challenges the tech sector faces.*

This year has certainly been an interesting one for local businesses, with many changes in the macro-economic environment driven by increasing political instability. To explain the drivers and impact of historical events, academics use the acronym SPERM:

**S** SOCIAL

**P** POLITICAL

**E** ECONOMIC

**R** RELIGIOUS

**M** MILITARY

This can be applied to the Channel Islands in the technology context to determine how 2019 will pan out.

### SOCIAL - CHANGING WAYS OF WORKING

Technology is changing our lives beyond recognition, enabling people to connect to their systems from any device anywhere in the world, allowing people to fill spare time with work, improving productivity and in many cases spending more time at home with the family. In the future, driverless cars will whisk us to work and computer chips implanted in our brains will directly connect us to the internet.

An increasing pace of change is inevitable, but adaptable businesses that invest in technology can bring their ideas to fruition fastest, disrupt markets and gain market share. However, technology change is expensive and traditional fixed capacity onsite IT systems cannot adapt rapidly or cost-effectively. An accelerated uptake of cloud computing will give local businesses access to flexible IT infrastructure that grows and adapts with a business, driving digital transformation.

### POLITICAL - BREXIT, TRUMP AND UNCERTAINTY

The destabilising effect of Brexit and Trump's election has profoundly affected UK and Channel Islands' business. Initially, uncertainty and devaluation of the pound held back businesses and the long-term effects are still not known. There will be opportunities and threats depending on what the final deal is.

Brexit poses particular challenges for technology firms. Highlighting the impact, HP, Microsoft, IBM and 31 other tech businesses wrote an open letter to The Times warning Brexit will 'break' IT in the UK.

### ECONOMIC - ECONOMIC MIGRANTS, M&A ACTIVITY AND PROTECTIONISM

The Channel Islands are seen as a safe haven for many wealthy individuals who are fleeing the political uncertainty in the UK. There is an increase in mergers and acquisitions with local businesses striving to increase in size to remain competitive in the global marketplace.

An escalating trade war developing between the US and China is leading to increased protectionism, which is bad for global trade and is fanning a global headwind on business that the Channel Islands will not escape.

### RELIGIOUS - FANATICAL FOLLOWING AND FAR EASTERN COMPETITORS

There isn't a great deal of scope for religion in technology, but perhaps the fanatical following that companies like Apple have enjoyed over the last few years is waning. Far Eastern competitors such as Huawei and Samsung are mounting a solid challenge to the established players' supremacy.

### MILITARY - COMPETITIVE PRESSURES AND THREATS TO BUSINESS

Security challenges are increasing with many local organisations succumbing to ransomware attacks in 2018. Interestingly, local businesses and the regulator are being proactive and viewing cyber security as a competitive advantage. The frequency and complexity of attacks continue to increase exponentially and many security companies are successfully employing artificial intelligence (AI) in their products to fight back.

Experts predict that we are entering the fourth industrial revolution, where unrelenting technological progress is blurring the traditional boundaries between physical, digital and biological realms. This means there are great opportunities for increases in efficiency and standards of living but AI threatens employment, targeting knowledge workers such as accountants, bookkeepers, administrators and legal advisors.

So is 2019 going to be a historical year, either as a return to burgeoning worldwide growth or a continuation of the recent instability? On balance, it's likely to be historical for all the wrong reasons, with continuing uncertainty around Brexit, an escalating trade war between the US and China, and increasingly damaging cyber security breaches. However, the Channel Islands are well placed to weather these storms and benefit from the ensuing uncertainty. ■