



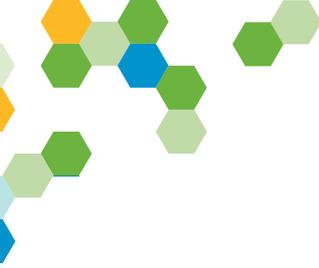
SPECIAL REPORT

# Futurology and companies: how to anticipate and influence in the future?

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Where is the finance sector heading after the emergence of crowdfunding and fintechs? Are energy providers' models sustainable with the growing pressure of self-generating energy in every household? What will be the impact of automation in given sectors or in the economy? What kind of vehicles—and with what kind of propulsion—will dominate our mobility over the next 20 year? Will biosimilar products be leading in the pharmacy market? When will these changes happen? What can we do to be the first to adapt to them? What can we do to adjust our business strategy to this predictable future?.

Futurology is a discipline that has been implemented in nations and companies for decades to answer these questions, to anticipate the future and facilitate decision-making. It has extended along Portuguese and Spanish speaking regions in recent years to improve competitiveness, although it has not settled like in other geographical regions.

In this Developing Ideas report we share a wide vision on futurology and its application to business environment.

## I. FUTURAMA: FUTUROLOGY TOWARDS THE DESIRED FUTURE

The American automotive industry faced a major obstacle during the 1930s: there were only a few kilometers of roads built in the country. There were only financed by the federal government but they were paid by the automotive industry companies and even by drivers. Given the situation General Motors faced the Administration's ongoing reluctance to develop an ambitious roadbuilding program.

At that point, General Motors decided to show its own vision of the future. The objective was that people became aware that their well-being also depended on public investment in infrastructure. This was how Futurama was born in 1939. It consisted in a 3300 m<sup>2</sup> area in the New York Fair. It portrayed how the future would look by highlighting the relevance of car usage and, therefore, the importance of government investment in roads for the country's development. The idea was a success and Futurama became the most visited and most acclaimed pavilion.

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That same year the Transport Administration submitted its first report on motorway systems to Congress approval. In 1942, the first motorway was opened. It had 2300 km and was suitable for trucks.

General Motors' case is not the only one. Futurology helps to improve competitiveness in numerous countries and companies. Analyzing future scenarios allows us to anticipate uncertainty in order to adapt, influence and even, as in this case, accelerate or create a better future.

#### WHAT IS FUTUROLOGY?

The history of futurology dates back to the transition from the 19th to the 20th century. It was when statistical instruments were first used to scientifically predict the future. But it was not until after World War II that it was developed into what it is today. At the present time we could define futurology as the discipline of studying the future in order to understand it and be able to influence it.

Analyzing what could happen in the mid-or long-term enables us to be better prepared for what may come, work on influencing it and even—like in General Motors' case—shape the future. Japan implemented very successfully futurology techniques to drive its industrial upturn after World War II. In the following years its usage began to extend among nations as well as some companies.

Ultimately, decision-making is the process of selecting one of various options to achieve the results that meets our expectations. In some cases, there is a certain degree of uncertainty about the effects and consequences. Futurology can reduce this uncertainty by analyzing the future.

#### 2. BUSINESS FUTUROLOGY: PREVENTING RISKS AND SHAPING THE FUTURE

Futurology has become a competitive tool for companies, a way of facilitating management decisions. A small number of them apply futurology techniques achieving successful outcomes following the intelligence strategy.

In an era of constant change it is crucial for growth to understand where our competitive environment is heading (political, social, economic, consumption, technological...). Many sectors are going through transformations that force them to redefine their commercial objectives and even the entire business strategy.

In recent years certain companies were still reluctant to introduce futurology into their daily routine due to base decision-making on intuition and previous experience. This kind of analysis was seen as complicating the decision-making process and driving up costs.

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There are two assumptions that thrive among organizations and hinder towards futurology are presentism and technical priority.

Presentism is a concept invented by the philosopher Daniel Innerarity. It can be defined as putting excessive emphasis on the present in our calculations of the future. It happens very often. There is a tendency to subconsciously believe that the present situation will last forever without any major alteration. This basically never happens. Things change and more than we would like to admit. Planning the future based on the assumption that the present will remain the same is a sure-fire way to err. The rapid changes experienced since the beginning of the 21<sup>st</sup> century are pushing more and more organizations to seek futurology specialists to help them improve. Long-term (and even mid-term) investment decisions are suffering the deep effects of changes.

The second mistake is to prioritize technical analysis. Contemporary societies have great faith in technical capacities to solve any problem or query. The technical report is usually conclusive in order to adopt a solution. The question is: is there any technology that has not failed at one time or another? Most experts will confirm that there is not. Nevertheless, many companies still trust in technical capacities to give us control over the future. When the Berlin Wall came down, most economists

assured that Germany would not reunify immediately because it was not economically viable. They were ignoring the fact that the decision was not based on economic reports but more importantly on political opinion clearly in favor of reunification.

When the two obstacles are overcome organizations can make progress towards intelligent scenario futurology, with big data analysis, anticipating regulatory risks, technology monitoring and other competitive intelligence techniques. Companies that have not properly analyzed the future ahead, establishing different plans depending on different developing scenarios, have faced serious difficulties and even bankruptcy.

### 3. FUTUROLOGY TYPES APPLIED TO COMPANIES

There are three different approaches for introducing futurology into companies. In some cases, they can be considered as an evolution depending on the desired level of integration.

- **Adaptive focus** (analyze to adapt): where different business plans are developed to adapt to each one of the possible future scenarios analyzed.
- **Influence focus** (analyze to influence): where future scenarios are predicted and we establish how we can influence their evolution.

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- **Proactive focus** (analyze to create): where we actively create the future we desire, as in the case of General Motors.

How organizations face automation is a good illustration of a challenge for nations and companies. Progressive implementation of automated processes will inevitably happen. The fact is not all organizations are preparing themselves for this. Those who wait for change to happen before analyzing how they will adapt will have lost advantage. During the adaptation time these businesses could see themselves out of the market.

The adaptive focus enables us to gain a competitive advantage by studying possible future scenarios and therefore prepare ourselves to quickly adapt to changes. We can move forward to an influence focus to directly share our vision with lawmakers and consumers on how automation should progress. For example, a few CEOs are already speaking openly about where this process should be heading in order to influence the desired future. Lastly, going one step further, some organizations are weaving collaborations with third parties to indirectly influence public opinion, and that it will be this opinion that pushes lawmakers to adopt certain measures.

#### ADAPTIVE APPROACH

The first level of companies' approach to futurology would mean applying a preventative focus to decisions that enables adaptation. Companies should take into account other possibilities that could interfere or hinder our objective and incorporate them into the decision-making process.

A case of success of this focus would be the Royal Dutch Shell's case. In the midst of the 1970s oil crisis Shell was the only company prepared, firstly, for the drop in prices, and later, for when they increased again. This forecast gave them a strategic advantage over their competitors. In the 70s they understood that uncertainty cannot always be eliminated and that it sometimes has to be incorporated into the organization's strategic thinking. This mindset allowed them to behave like other companies while certain conditions maintained.

The fact that they were aware that the situation parameters could change (for a number of reasons that they had already identified) gave them a competitive advantage at the time it happened. They just had to implement the contingency plan that was prepared for this situation. Companies that had not undertaken futurology lost several market points to Shell who managed to overcome the oil crisis with greater ease.

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Mortgage-Floor Clauses in Spain illustrate another example of the absence of a proper future analysis. During the economic boom with mortgage sales at its highest levels the Euribor continued its upward trend without any sign that this growth would stop. Banks in pursuit of more business wanted to make their property loans more attractive to clients. Contracts began to include Mortgage-Floor and Mortgage-Roof clauses. These clauses were independent from fluctuations in the Euribor. They guaranteed the bank a certain level of income and the client a maximum rate of interest. These risk controls resulted in cheaper and more attractive mortgages for clients and created a mortgage market with interest rates well below the European average. The Bank of Spain saw it as a win-win for both, clients and banks. Consumers did not question it as there were no signs that rates would fall in the short term. The government saw it as a way to stimulate the market without creating any problems.

Few studied the possible future scenarios and nobody predicted that this measure—created with positive intentions—could create reputational problems for banks, such as the one with Central European Bank's fall in interest rate.

In any case, the adaptive focus highlights the developing of contingency plans to cover all possibilities. This could have an important impact and give competitive advantage to the company in comparison to the rest of the market (within their own and other related sectors).

#### INFLUENCE APPROACH

A second stage in the integration of futurology to companies is to try to influence the future that analysis has deemed probable. Firstly, it is essential to understand the way in which the subject of interest could develop. Secondly, detect the available methods that can be used to condition this revolution in the desired way.

A good example of this is when Sony opted for the Betamax video system. The company chose the Betamax system based on its obvious technical superiority. When VHS became established as the video standard Sony was taken by surprise. Futurology analysis would have taken other socio-cultural and economic factors into account which along with technical perspective would have endorsed one system or the other. Knowing all these variables could have allowed them to influence the other variables and Betamax would have become consumers' preferred option.

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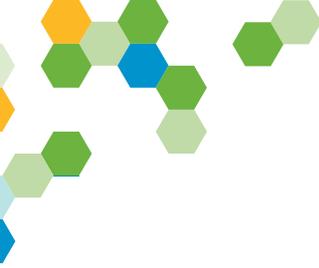
By falling into the technical priority trap, they ignored a decisive factor in the market's surge towards VHS: the American porn industry chose the VHS system. At the time, few people admitted that they had chosen a VHS player instead of Betamax just to watch porn at home. In hindsight, it is obvious that this was a major factor that Sony experts paid little or no attention to. Attempting to simplify the future on the basis of one or two variables is risky at the very least. Futurology broadens the focus to a multitude of factors.

#### PROACTIVE APPROACH

This third approach is a more sophisticated and complex method of influencing the future. The proactive approach is related to those cases where the decision-making organization understands that the desired future will not unfold automatically or via direct targeted actions, but requires a wider strategy leveraging other agents. The case of General Motors is an example: the direct actions of the company taken towards the administration had not managed to overcome the budgetary sensitivities. It was Futurama the action that indirectly influenced public opinion and managed to redirect the situation in favor of its strategy.

Some parallels can be drawn with the lethargic incorporation of liquefied natural gas (LNG) in the open seas. There is a growing consensus over the need to implement LNG as the main fuel for maritime transport. Most of technical arguments (economic and ecological) recommend the initiation of transport using this new fuel. Reluctance stems mainly from two sectors. On one hand, an industry such as maritime resists change. On the other, the government can see little political revenue in this decision. One of the main factors is that public opinion is oblivious to naval fuel's environmental impact. The media sees no media interest in focusing attention on this area of energy. Neither is a priority on the agenda of international environmental meetings. At the current time, one could argue that only the gas industry has a real interest in promoting this change. Nevertheless, it is easy to imagine that public opinion would be in favor of a measure that leads to environmental improvement. In fact, it is likely to be the stance of most Europeans.

Just with technical arguments even thought they might be forthright it is unlikely that these changes will be implemented. It is unlikely that the global gas industry alone can force a transition to this new fuel. The way forward is to conceive the way to provoke the desired change. A deep analysis



of the variables that influence the maritime sector is needed and what would provoke a priority shift in the population's opinion about the environment, find supporters and actions that could activate the change.

Similarly, many business developments today see their growth hindered by factors that did not seem decisive at first

sight. Extensive analysis of the situation in order to analyze the future is increasingly important for achieving and maintaining mid-and long-term business success. Futurology can appear to be an extremely contrived way of meeting objectives but experience also tells us that shortcuts to the future are rarely successful.

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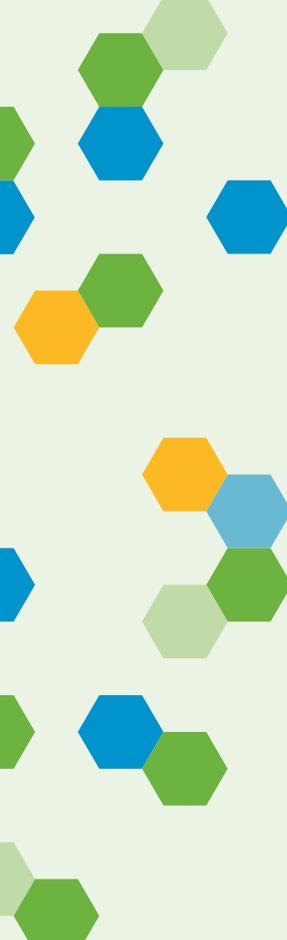
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