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THE STRATEGIC ENVIRONMENT FOR COMPANIES: GUIDELINE SCENARIOS

GENERAL SUMMARY

“When it’s urgent, it’s too late,” claimed Talleyrand, already stressing the need for intelligence and scenario-building as tools for exploring possible futures to assist in decision-making and action, and hence in building the future (policy and strategy).

Leaders are all in the position of the sea-captain. At one and the same time,

- they must, with the aid of the **look-out** (i.e. with what are known today as systems of intelligence or “strategic intelligence”) - if not indeed of exploratory scenarios - strive to anticipate how their strategic environment may possibly develop;
- and, with the aid of the **tiller**, taking into account their own scope for manoeuvre and the long-term project they deem to be desirable, they must implement a strategy.

So, organizations have increasingly equipped themselves with systems of economic and/or strategic intelligence, without, however, always possessing sufficient means to fulfil the ambitions embodied in them. As a consequence, one often sees the departments in question, overwhelmed by the immense tasks before them, striving to deal simultaneously with information and thinking on:

- **the general development of the external geostrategic and geopolitical global context**, of climate change and energy supplies, of science and technology, of prospects for the world economy and trade, of trends in values and lifestyles and so on. This represents a considerable amount of work which is frankly beyond their capacities. Too often, it leads them to attempt to carry out individually analytical work that it should be possible to pool;
- **the development of their own sector of activity**, their respective strengths and weaknesses, the play of alliances and conflicts – a task which, inevitably, and here because of its truly strategic character, has to be carried out internally by each company for itself.

Taking the view, then, that, where the first of these dimensions is concerned, a pooled intelligence system could without doubt be constituted, Futuribles International has taken the initiative of launching a subscription study on the “**Strategic Environment for Companies to 2010/2020**”, aimed at providing its partners with “Guideline Scenarios” on the trends within the world, European and French contexts that companies are likely to face.

The aim was certainly not to engage in an encyclopaedic project, but rather to provide, in an attractive, synthetic form, easily digestible elements of information on the key issues. Futuribles International (in collaboration with its partners), has thus identified **TWELVE major issues to 2010/2020**.

TWELVE MAJOR ISSUES

1. **The planet**. Given greater and more diversified risks, will it increasingly become a huge POWDER KEG or will it be able to provide itself with institutions and procedures conducive to a PACIFICATION of international relations?
2. What are **the major environmental risks**, particularly in relation to climate change and the turmoil that it may engender, including in the medium and long term? More generally also, what of certain major problems: for example, the problem of water supply, a potential source of new conflicts?
3. Shall we move **towards new energy crises** as a consequence of hydrocarbon reserves becoming scarcer, particularly given the physical limits of those resources and the very high growth of demand in the rapidly industrializing countries (China, India...)? And also as a consequence of price pressures?
4. What are **the medium and long-term global prospects for the economy and trade**, taking into account the strengths and weaknesses of the main zones, their respective developmental trends, the heightened competition prevailing between the old industrial and the rapidly industrializing countries? Where are the major hubs of development? What are we to make of the BRIC group (Brazil, Russia, India, China)?
5. **Will the Europe of 25 be strong or fragmented?** Will it succeed in achieving successive enlargements, including the indispensable forging of peaceful, partnership relations with its periphery, and in simultaneously carrying

through the no less necessary process of deepening the union?

6. What are the broad developmental trends in **the sciences and technologies**, particularly the information and communications technologies, the biotechnologies, the nanotechnologies and the cognitive sciences, and what developments are to be expected from “the convergence of technologies”. What are the present and potential applications of these technologies, their social acceptability and their possible impacts sector by sector?
7. Over and above their performance measured by classical economic indicators, modern economies are undergoing fundamental structural change due to their tertiarization (“**the knowledge economy**”), which profoundly modifies their mode of operation. What does the knowledge economy mean for us? What are we to make of the disconnection between economic growth and the consumption of raw materials? Of the disconnect between the real (the production of goods and services) and financial spheres? Of the inescapable globalization of the economy and its corollaries, increased competition and offshoring? Will the European economies, and the French economy in particular, be capable of meeting **the challenge of competitiveness and innovation**?
8. Are “**corporate social responsibility**” (CSR) and **sustainable development** merely modish phenomena, if not indeed marketing ploys to attract consumers increasingly concerned with ethical issues? Or are they, rather, signs heralding a new capitalism?
9. Faced with the same external environment, the different countries (or labour market areas) perform very differently in employment terms. Why are levels of employment so different even between European countries? Are we, thanks to economic growth and ageing populations, moving **towards a general labour shortage** and/or persistent sectoral recruitment difficulties?
10. All the industrialized countries are going to be faced with a very rapid **ageing demographic** with wide-ranging effects. What will be the intensity of this and the timescale - and, above all, the economic, social and political impact? How will the seniors market, inter-generational relations and the European “systems” of social protection develop?
11. Will the clear trend towards the **individualization** of values and lifestyles continue, including the diversification and fragilization of family structures, forms of employment, and practices in respect of housing and mobility? And what effects will this have on community life, citizenship, social solidarity and attitudes to work?
12. **Public policies and institutions**, particularly in France, are both omnipresent and ineffective. In spite of the declared resolve of various governments of both Left and Right, the **modernization of the state** has run up against some powerful rigidities. How will the simultaneous process of decentralization and deconcentration play itself out? What does the hypothetical advent of a **strategic state mean**? What will be its aims and mode of organization, and how effective will it be?

On each of these key question,

- some broad trends and
- some major uncertainties have been identified and
- contrasting micro-scenarios have been developed which have subsequently been combined to produce general scenarios.

FIVE MAJOR SCENARIOS TO 2010/2020

We should bear in mind that it is not the aim of a scenario to foretell the future. The future is, in its essence, not foreseeable with total certainty. On the other hand, not everything is possible: a range of possible futures is open (it is from the French phrase “futures possibles” that we derive the name Futur-ibles), all of which have their roots in the present, these possible futures not being equally probable at every moment (they do not come into effect at the same moment) and their “life expectancy” being unequal...

We began, therefore, by drawing up a **long-term diagnosis of the present situation at the global, European and French levels.**

This diagnosis can be summed up very quickly by stating that the planet is a powder keg and the only leadership is the – increasingly contested - leadership of the USA; that Europe, while expanding, and while confronted with the challenge of deepening itself, is developing, rather, on a pattern known as “reinforced co-operation”; and that in France the economy is in underlying decline, society is resistant to change and the state is a mediocre manager rather than a strategic organ.

1. The most probable scenario is, therefore, the so-called “recessive trend” scenario, which is characterized by the persistence of an unregulated globalization subject to major upheavals, by an “à la carte” Europe greatly handicapped where both expansion and deepening of the union are concerned by, among other things, difficulties internal to some of its members (particularly Germany and France).

The situation in France is characterized by significant de-industrialization, which is not really offset by new productive activities that now play a leading role in driving the economy. Endemic unemployment and underemployment co-exist here with a degree of ageing of the population, the onset of which is earlier and more sudden than generally anticipated.

The situation deteriorates and could give rise to one (or several) major explosion(s) by 2008-2010.

2. Everything would clearly be rather better in the event of an – improbable - major upturn in economic growth and job creation, as described in the so-called “**Postwar Boom Revisited**” scenario, though there is every chance that such an upturn would induce French and European leaders to look to growth to solve all their problems, rather than proceeding to the fundamental reforms that are required. This would be immensely naïve on their part!

France, for example, is in danger of facing major recruitment difficulties on a long-term basis, while at the same time experiencing an underemployment incompatible with the preservation of the welfare “system”.

A major break with the past is therefore probable in the short or medium term in France.

3. Hence a third possible scenario from 2008 onwards is that of an authoritarian **“new liberal order”**. This is characterized by a re-centring of the world-economy on the Pacific (around the USA and China), by a dilution of Europe which, being incapable of asserting itself on the political level, dissolves into the world economy, but does so without possessing any real competitive advantages.

Having noted the incapacity of the state and French society to reform themselves, **an authoritarian, free-market regime that is Thatcherite in inspiration is established in France**. It carries out a thoroughgoing reform of the state (the minimum, but strategic, state) and, above all, entirely recasts the welfare “system”, which is criticized for its pernicious effects and inefficiency.

4. A fourth scenario, equally possible towards 2008-12 is entitled **“a new social contract”**. While being more social-democratic in inspiration, this is also characterized by very thorough reform, for example, of the welfare “system” (not unlike what has happened in Sweden).

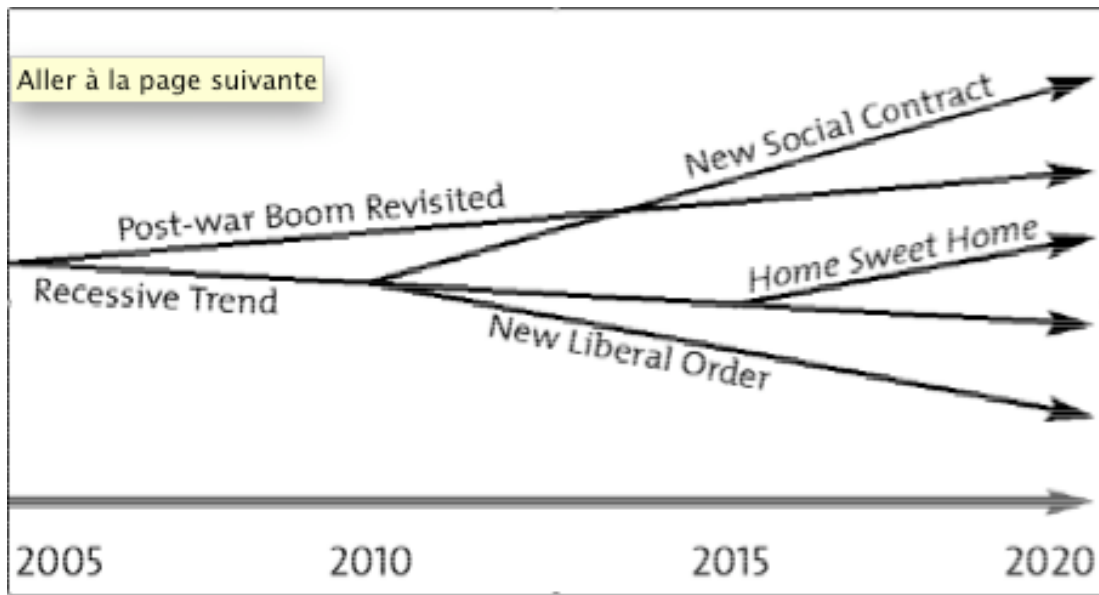
For this scenario to come about, it would doubtless be necessary to form a federal Europe of five to seven countries around Germany, France and, for example, the Benelux countries, in the realization that the Europe of 25 was incapable of moving forward in concert.

This federal Europe adopts a common security and defence policy, develops the European research space and can begin to assert itself against the United States and the new Asian powers.

5. A fifth scenario cannot, however, be excluded. This is the scenario named **“home sweet home”**, but which might equally well be termed the “picturesque” economy. It is characterized by the fact that, in a pacified international setting of a bi-polar character (China – USA) and a context of economic growth, France, confronted with deindustrialization, may play the card of **“the residential economy”**.

Enjoying an extensive natural and cultural heritage and a positive image in terms of quality of life, the driving forces in the country are senior citizens (French and foreign nationals) and tourism.

The **branching of the various scenarios** is depicted schematically in the following diagram:



The authors stress, however, that even though the present – long-standing – trends are very worrying, the future is not predetermined either so far as France, Europe or the world is concerned. But important breaks with the past can be predicted and are, to some extent, distinctly necessary.

FOR MORE INFORMATION:

Subscription study: “The Strategic Environment of Companies to 2010 and 2020: Guideline Scenarios” (under the direction of Hugues de Jouvenel, with the participation of Geoffrey Delcroix, Céline Laisnay, Véronique Lamblin and Sophie Sicard). Paris: Futuribles International. 16 November 2004, 320 pp

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