

Idea for a ten-minute presentation by Mr. Jorma Ollila on 'Company of the Future Round Table', Amsterdam, 27 October 2009

The good feeling Company of the Future

Ladies and gentlemen, the focus of my presentation will be the year 2050 – nice round figure, mid-way through the 21st century - 40 years from now; roughly one working generation.

Forecasting 2050 is no less or no more difficult than predicting 2025 or 2040.

If we turn back the clock 40 years, we arrive in about 1970.

We have but one year to go before the release of the Intel 4004, the **world's first computer microprocessor**; a 740 kHz chip comprising 2,300 transistors.

The world's most complex computer component in 2009 is Intel's 2 GHz Itanium Tukwila Quad Core, a turbo powerhouse that packs over 2 billion transistors onto a single chip.

A mere 40 years have passed from 2.300 to over 2 billion transistors. Amazing.

In 1970, the **world population** was 3.7 billion. Today it's almost 6.8 billion. And in 2050 we may have surpassed the 9 billion plus mark. Astounding.

These two developments are prime examples of the squeeze we're in: a breathtaking technological progress while at the same time an alarming growth in population and associated consumption.

Both developments will be with us for some time to come. The future will be one with **technological fireworks** combined with continued **explosion in population and consumption**.

Decrease human footprint

The late American poet Ogden Nash once observed: "Progress might have been alright once, but it has gone on too long."

Does that sound cynical to you? Well, Shell scenarists foresee a doubling of the world's energy demand between now and 2050.

Leaving climate fears aside, it's obvious that this **potential demand cannot be met with existing resources and technology**.

So the overriding challenge is to **decrease the human footprint** on the only planet available to us.

This demands the creation of greater prosperity plus at the same time the ousting of existing wasteful lifestyles and finite raw materials by sustainable ones.

Limits to the growth of the world population should be an inherent part of this fundamental change of direction.

But what do we actually see at this moment?

All the talk is about limiting consumption and emissions in a great hurry while at the same time politicians from across the political spectrum are anxiously trying to restart the sputtering economic engine.

They are doing so with the aid of **mountains of borrowed and even freshly printed money**. Money intended to boost consumption.

It's almost like driving a car with one foot on the gas pedal and one on the brake at the same time. It will create friction and heat, not necessarily speed and direction.

Don't we need to restart the economic engine, you might ask.

Of course we do, as the inescapable fundamental change in direction I just mentioned, can only be financed by a thriving economy.

But we should also realise that there's **no return to the status quo** from this economic crisis – it must be **'forward to a new direction'**. Business as usual does not work any longer.

That's why I don't agree with Ogden Nash's observation: progress is still alright, and can never go on long enough, provided this progress is heading in the right direction.

At the same time I think we must address the speed at which targets have to be met – overstressed targets could result in hasty decisions that often lead into a blind alley. And blind alleys mean a waste of talent, time and money.

Emotional 'feel good' content

In my vision of 2050, one thing will remain unchanged: there still will be **consumers and producers**, with some form of **government over and between them as a regulator**. And all three groups will have their support troops.

I see another constant, namely **consumers** who want to be surprised by products and services that are new or improved, are safe and available at affordable prices. A new dimension will be that people will truly want to **consume without the nagging feeling that they are destroying the planet by doing so**.

The company of 2050 will be one that satisfies those needs. Is that new? No, the same counts for the company of 2010.

Consumers want a good feeling when buying products or services from a company – if not, they will easily switch to a competitor.

So what's the difference between today and 2050?

I expect consumers to be **even more demanding** in 2050 than now.

Improved ICT will have made markets and companies even **more transparent**.

Therefore marketers must give products and services **a stronger emotional 'feel good' content**.

Even the most insignificant of products will contain a higher technology and ‘brains’ component – the same will be true for the back-office facilities of service providers.

Generic qualities

What generic qualities must a ‘company of the future’ have at its disposal to survive as the fittest in this exhausting race?

In his book “**The living company**” management guru and ex Shell planning co-ordinator Arie de Geus already mentioned that the vast majority of companies die prematurely – most of them before reaching their 40th or 50th birthday.

According to De Geus **long-lived companies share four basic characteristics:**

- sensitive to their environment,
- cohesive with a strong sense of identity,
- tolerant, in the sense of not having strong centralised controls over attempts towards diversity,
- conservative in financing.

Next spring the **Austrian professor in company history Christian Stadler** will publish the results of a study he and his team have conducted since 2003 on European companies that have successfully managed to live through more than a century.

He selected nine companies as examples of “**outstanding corporations**”.

To my delight both Nokia and Shell were among them.

Professor Stadler’s first conclusions have already been published in the Harvard Business Review.

They come quite close to the observations of Arie de Geus.

Successful corporations are not lead by ‘larger-than-life-personalities’, concludes Prof. Stadler.

Success only originates from leaders

- who can listen to their organizations,
- who act in a culturally sensitive way in a time of change,
- who facilitate learning, and
- who acknowledge their own limitations.

Survival, according to Professor Stadler, is assured for the company that can **align its strategy and organization with the environment.**

And for the company that is able to gain the breathing space required to take the necessary actions, also when **unexpected events** unfold and threaten it.

And last but definitely not least, they do not forget the **mundane task of making money and building up reserves** despite a constant temptation to push into new directions.

Energy sensitivity

I would add ‘**energy sensitivity**’ to all these virtues.

Energy is emerging as a strategic, cost and risk factor for businesses.

Carbon credits, energy security issues, the return of rising energy costs; not just energy producing companies have to cope with these challenges, it’s a daily worry for a growing number of energy consuming companies as well.

Energy is a major cost factor that influences the competitive position of a company. At the same time **consumers expect companies to operate responsibly** with respect to the environment.

Ladies and gentlemen, these are in brief the challenges that companies, consumers and governments are facing on the eve of 2010.