

Executive Summary

In late 05/early 06 Firstline commissioned a pan-European survey of top level directors with a view to uncovering their views about the issues and trends that will impact over the next two to three years. The following are key findings based on in-depth telephone interviews, up to one hour or more in length, with 54 business leaders:

- Considerable uncertainty about the economic climate is a hallmark of the majority of respondents:
 - International competition for Europe, saturated markets, political instability and regulatory intervention in business affairs are seen as threats rather than business opportunities.
 - The danger emanates from the traditional competitor – the USA – but also from new players such as China and India... all of whom are characterised by high work ethics/low labour cost economies.
- According to respondents the sectors most negatively affected are, in descending order, the pharmaceutical/healthcare industries and the food and drink manufacturers:
 - Governments trying to lower healthcare costs coupled with growing public mistrust of the industry were the key drivers in the healthcare arena.
 - The trend toward tax and advertising regulations driving the agenda in the food and especially the drinks industry; though the latter is also pleased to report that alcohol consumption outside Western Europe (beer in Eastern Europe and Asia) accounts for good growth in sales.

- Regulation is seen as a double edged sword:
 - On the one hand it tends to organise the marketplace and preserve the power of the companies that are established; but
 - On the other hand it tends to choke risk taking and innovation...without creating the transparency and the corporate dialogue that most consumers and commentators demand nowadays.

- Innovation is the new white knight that will catapult all industries and businesses forward:
 - Innovation is defined very broadly with regard to products and services, but also in the way companies drive their research and development, how they market these products to an ever sceptical consumer, together with how they communicate with their multiple stakeholders.
 - At the same time most respondents bemoaned the dearth of innovation:
 - “There is no such thing as saturated markets, only tired marketing people”

- Transparency in managing relationships with the marketplace, with employees and owners, with governments, society and the media, is the major aspect of innovation that needs to be embedded in most businesses:
 - “If I can make it transparent then I can communicate better and more positively outwards and achieve a completely new form of motivation”
 - “transparency will be a key platform in the trust restoration campaign”

- Not surprisingly, transparency is also closely linked to corporate reputation and corporate social responsibility... but with a twist:
 - Corporate social responsibility will lose its separate identity from reputation management as it becomes part of daily integrated corporate life. It will move from “green wash” or “legitimising spin” to become a valuable differentiator... a

major hedge against the incursion of cheaper goods and services from competing regions.

- The precursor to transparency, innovation and the restoration of trust is a new corporate practice of business and communications ethics, a new system of corporate governance and a renewed corporate emphasis on stakeholder dialogue and management:
 - “There will be more and more stakeholders that we need to take into consideration in relation to a problem; we need to be more progressive, and that is definitely something we need to become better at in the future”
 - “We need to be better at knowing what we mean and at listening...”
 - “We need to spend resources on being more progressive in the debate or dialogue...”

Main findings

General business climate

Q1. How do you see the general business climate developing, in [country], throughout Europe, and globally?

There were mixed opinions, and considerable uncertainty, especially about the prospects for Europe. Opinions about the global business climate were mostly either negative or uncertain.

	Positive	No change	Negative	Mixed/uncertain
Your own country	12	10	21	11
Europe	7	7	13	27
Globally	10	4	17	23

All countries, n=54

These opinions were broadly comparable across the countries. But the British, who viewed European prospects with uncertainty rather than pessimism, were more than averagely pessimistic about global prospects: six of the seven in the UK thought the global business climate, on balance, would worsen over the next 2-3 years.

The French were particularly pessimistic about the prospects for France, also Western Europe, where they saw a lack of dynamism. They were more optimistic for the global business climate on the basis that China would be the growth engine.

The large numbers recorded as 'mixed/uncertain' include many who saw a complex picture emerging, with reasons for optimism as well as pessimism. Several referred to different prospects for different sectors, or to optimism for Central and Eastern Europe countries but pessimism for the West.

The reasons for pessimism were more varied, and generally more clearly articulated, than the reasons for optimism.

Optimism was typically related to global developments, for example the opportunities from globalisation, the current upturn in the global economy, and the advance of democracy. In Germany, deregulation was mentioned as a favourable development. The optimists tended to be either large net exporters, rather than multinationals, or from the

financial services sector, which tended to see uncertainty as an opportunity (insurance) as well as threat (banking).

The pessimists talked about global competition for Europe, saturated (European) markets, political instability and intervention in business affairs, the ageing of the population, the global influence of the US, and rapid change, which was more widely perceived as a threat than as a source of business opportunity. The pessimists were well represented in the pharmaceuticals sector.

Overall, the focus was on understanding threats and uncertainties and managing risk and crises, rather than identifying and exploiting business opportunities.

In the following paragraphs we illustrate these points with a selection of the comments, reported in the respondents' own words - edited where necessary to conceal the identity of the respondents.

Reasons for optimism - respondent's own country

I see it as being pretty favourable with a relatively stable and positive growth, but with some threats such as avian flu, terrorism, inflation and the price on oil.

Denmark, Financial services

That is really a very general question. I believe that the business climate will develop positively, because certain types of de-regulation are about to be implemented. That means, therefore, that every government that comes to power will set a framework, that - so to speak - will encourage business activity.

Germany, Financial services

In general improving. The service directive (EU) will increase competition in important areas in Sweden. Most retail trade is local and won't be affected by global changes in business climate.

Sweden, Retail

Reasons for pessimism - respondent's own country

Globalisation

Because the newly opened markets of South East Asia but also South East Europe will enter our markets more and more and that will result in great competition, it will be a fight for survival and we have the problem because of our cost structure here in Germany, that taxes, salaries etc. make us practically impotent in terms of competing.

Germany, Engineering

Especially manufacturing and service sectors are really being squeezed by global competition. The slump in the European economy is slowly easing but high unemployment figures in Germany and France will make it a difficult recovery. Globally, the Chinese wonder economy seems to have run out of steam and US is still struggling with high oil prices and weak consumer confidence. [This respondent also noted, however, that in their own sector it was getting easier to make profits - as a large company they were well placed to cope, whereas small ones were not.]

Finland, sector not specified

Competition and consolidation

Competition is getting harder all the time. Consolidation will continue, new alliances and partnerships will be formed and we will also see totally new kind of players and competitors entering the market.

Finland, Financial services

We'll experience concentration and convergence: you'll have to be a big company in order to survive.

Denmark, Fmcg

The Italian market is growing whereas abroad things aren't that certain. [But] because of consumer uncertainty, they feel insecure and worried about the petrol situation and the competition grows evermore aggressive

Italy, Automotive

Competition is the major key word. And it is tough. There is no differentiation, everything is the same and can easily be copied. Borders are broken and there is comparison across them.

Denmark, Technology

Political intervention

Unfortunately the problems will increase because of the political restrictions of the government.

Italy, Pharma

Political intervention will be more frequent.

Germany, Energy

Social and political environment

General economic slowdown, increases in income tax, shortfalls in pensions liabilities.

UK, Food & drink

The general concern about the sufficiency of our social security system is growing as the baby boom generation is ageing. People realize that Finland might be unable to sustain the prosperity and the wellbeing of citizens in the future. Also other increasing phenomena - terrorism and nature catastrophes, such as the tsunami and typhoons, affect the Finns and their thinking. People realize that the risks are bigger than before. Both these developments will affect the business positively by increasing the need to insure both people and their property against accidents.

Finland, Financial services

There will be an increasing pressure on transparency in relation to governance and in relation to different processes within the company. And then we might as well adapt ourselves to constant change and insecurity and focus on our ability to readapt at a high pace

Denmark, Technology

General downturn

Unfortunately the coming year will see us standing still and the second year will be even more tense. There is a recession in terms of spending, as a result the market contracts.

Italy, Pharma

In France, in the next five years, the big industries will fall, as in the whole of Europe. The small business will remain.

France, Pharmaceuticals

Mixed opinions, uncertainty - respondent's own country

A certain stability in general, though more difficult because of increased competition and economic crisis

Italy, Food & drink

The overall outlook in Finland is reasonably good. The economy is now expanding at a good pace in spite of some recent hiccups, such as the labour dispute in the paper industry, some struggles in the export industry, etc. However, household demand has remained strong, the economy has remained well-balanced, and inflation has been fairly modest. Of course – given the networked nature of the economy, we should not ignore the risks associated with some international developments (e.g., the effects of Hurricane Katrina on the U.S. economy and the soft German economy). Nevertheless: It will be more difficult and challenging (for our sector) - The competition is becoming far keener.

Finland, sector not specified

Reasons for optimism - Europe and global

Biggest concern is it's a saturated market. Accession countries will help.

UK, food & drink sector

Europe will win because of globalisation. Worldwide the position is a bit more risky because of Asia and China.

Germany, Pharma

Optimistic. Europeanisation/globalisation will continue apace. Big levers are there to get going.

UK, Consultant

Europe in terms of the extension to the EU means that the joining countries will win tremendously in terms of dynamism, just like at the moment Ireland.

Germany, Financial services

The prospects look good because one foresees increasing opportunities as the Oriental market opens up more
Italy, Consumer services

The fundamentals will remain strong as ever but we will be operating in a more demanding environment. The reasons for continuing development and growth of the pharmaceutical industry are, inter alia: a. ageing of the population b. increased growth and affluence of developing countries, opening new markets; c. science and technology, d. existence of unmet needs and importantly e. the growing pressure and influence of demanding consumers/patients that will seek additional solutions to health issues.

UK, Pharma

The steadfast evolution of democracy in the developing countries is contributing to the sense that development there is finally becoming possible.

UK, Pharma

The world is actually a more peaceful world and I am optimistic about what will happen in the future.

Denmark, Pharma

Reasons for pessimism - Europe and global

Europe seems to be in a period of slow growth and hopes of the new EU countries adding a meaningful boost near term are probably not that significant.

Finland, sector not specified

It will be more difficult because of the USA. Because we are increasingly under their influence. That goes for Germany, Europe and the whole world.

Germany, Financial services

Worried about US fiscal management and possibility of lowering dollar.

UK, sector not specified

Geopolitical issues, religion and terrorism chocks the stock market, create rumours and makes it more difficult. It gets more difficult to travel.

Sweden, sector unspecified

Mixed opinions, uncertainty - Europe and global

Demographics and ongoing high levels of unemployment result in declining NSJ (new sources of jobs) in new Europe, rapid economic growth and transfer of service jobs from old Europe.

UK, Food & drink

That is really difficult to answer. It is a question about what ultimately happens in China and Asia, it could be such a bubble which bursts so that everything goes downhill and who is going to worry about the overheating, or do anything about the overheating, that is questionable.

Germany, Financial services

Rise of BRIC [Brazil, Russia, India, China] economies presents challenge to current business model and rise of BRIC champions

UK, Food & drink

Nature with its still unforeseeable developments can influence the economy.

Germany, Energy

Prospects for each sector

There was very little uncertainty, and even more pessimism, about the prospects for doing profitable business in their own sectors.

Q2. On balance, in your sector, three years from now do you think it will be easier or more difficult than now to do business profitably?

	n	Easier	No change	More difficult	Uncertain
France	5	-	2	3	-
Germany	10	-	-	10	-
Italy	10	2	3	4	1
UK	7	-	1	6	-
Denmark	13	2	4	7	-
Other Nordic	9	3	1	5	-
Total	54	7	11	35	1

German opinion about the business climate as a whole was similar to the average, i.e. much more sanguine than recent media comment might lead one to believe. However, their forecast for their own sector

was, without exception, that it would become more difficult to do business profitably. UK opinion was almost as pessimistic.

A few who were pessimistic about the general business environment were nevertheless optimistic for their own sector. These included people in the insurance industry, who saw themselves benefiting from the increasing uncertainty and risk. (It may be worth noting that these were insurers rather than re-insurers, with some opportunity to manage their own exposure.)

The balance of opinion was pessimistic across the sectors, with the pharmaceuticals sector leading the way and food and drink less consistently pessimistic.

	n	Easier	No change	More difficult	Balance (easier <u>less</u> more difficult)
Pharma	12	-	2	10	-10
Food & Drink	12	2	5	5	-3
Other sectors	30*	5	5	20	-15
All sectors	54	7	12	35	-28

*Includes:

7	Financial services
6	Multi-sector
4	Automotive
4	ICT/technology
2	Distribution
2	Consumer services
1	Energy
1	Engineering
1	Other fmcg
2	Not stated

Prospects for the pharmaceuticals sector

On the positive side, one respondent commented on the impact of buy-side fragmentation on supplier-power, which might offset the negatives to some extent:

First of all you have to look in Europe at the phenomenon of fragmentation of funding: every major country and the new countries too, have begun a process of devolvement of delivery to smaller more autonomous units and regions. While the process was set in train for political reasons, the unanticipated economic impact is the release of multiple funding sources for companies that can offer efficiencies and be seen to provide real value closer to the point of delivery.

UK, Healthcare provision

But the negatives were more extensive:

Regulatory reasons – much more risk averse e.g. Exanta (clear benefits defeated by irrational concerns). No one wants their signature on the next Vioxx approval.

UK, Pharma

We do not have a viable pharmaceuticals industry. Those [companies] that exist are directed by big financiers who have no idea about medicines.

France, Pharma

On the supply side of pharmaceutical products the picture is different: First of all the business suffers from a drying of the innovation pipe line, and therefore an inability to satisfy the demand for continuous earning/share growth from organic developments. Growth will have to come from the problematic solution of M&As. Secondly, the invisibility of the industry vs. the consuming public is going to come home to roost in a variety of ways that will continue to open up the "great divide" between suppliers and consumers, rather than provide for the natural alliance between them.

UK, Pharma

In three years and the near term the business climate will become more difficult. Governments wish to lower healthcare costs while long term research and development costs continue to increase. Ministries do not want to pay for R&D. Price reductions are a major issue. Major negative public perceptions – if there is no trust in the industry we will not have permission to operate.

Denmark, Pharma

The importance to this sector of the US market was recognised:

There are primarily four factors that will make the situation tougher in the USA:

- a. Pressure on pricing, coupled with
- b. Regulatory pressures and increased scrutiny from new sources in federal and state levels
- c. The issue of productivity of the R&D investments
- d. Overall corporate reputation – this is the fundamental issue that needs to be addressed across the world.

UK, pharma

Prospects for the food and drinks sector

The prospects for this sector were more balanced, with some positives to offset the negatives. This was one of the most positive comments:

In Western Europe: more difficult, because of the trend: people drink less beer and more wine and alcohol and because of the small number of young people and therefore new customers. In Eastern Europe: easier, because of an increasing consumption of beer. In Asia: even easier, because of an increasing consumption of beer, and because the economy is growing.

Denmark, Food & drink

This, however, was more typical:

Changing economic circumstances and lifestyle changes as well as industry consolidation will mean a downward pressure on prices, less disposable income from a consumer perspective and tightening regulations – both tax & advertising – making it more challenging overall.

UK, Food & drink

Sector prospects in general

Short term thinking among the financial community and investors will make companies act based on what can make short term profits instead of long term sustainable development.

Sweden, not specified

Taxes and hiring and firing rules and sick absence is still major problem

Sweden, Retail

Product differentiation becoming more critical, but more difficult.

UK, Fmcg

Because the pressure of competition in some areas of business will be stronger again. The pressure of competition will be stronger in some lines of business

Germany, Financial services

Because of competition with the Eastern [European] countries and Asia: wages are lower leading to cheaper production. It is not a level playing field.

France, Technology

The consumption climate, which basically doesn't lead to an increase in sales, the costs situation and the location Germany.

Germany, Automotive

Intense pressure on innovation. More difficult to differentiate.

UK, Fmcg

Very difficult to maintain price and margins.

UK, Fmcg

Due to hard competition – more companies entering the market, price erosion exists.

Finland, sector not specified

Because the energy markets are open, the competition will become harder and the State will get much more involved.

Germany, Energy

Trends affecting their business

Dramatic developments

Few respondents foresaw dramatic political, economic or social developments affecting their businesses. As we saw above, the main positive and negative factors affecting the business environment were more chronic than acute. However, there was some concern in several sectors about developments in the regulatory environment, and about mergers, acquisitions and the relocation of companies from Europe to lower-cost locations.

Q4. Do you foresee any dramatic developments, either political, economic or social, which will affect your business positively or negatively?

Regulatory

The emergence of new national and international regulations will definitely drive demand for solutions in the IAM space over the next 3-5 years. Compliance mandates act as one of the main drivers. The following things fall into this category: increasing privacy concerns, evolving legal and regulatory requirements, Sarbanes-Oxley, Basel-II, and their EU and national versions.

Finland, sector not specified

Environmental regulation and NGO's will have a big impact on the business both in terms of the products and production methods.

Finland, sector not specified

Corporate Governance issues might also be one important trend – retail investors might collectively act against companies which don't act according to books – which again arouses media attention.

Finland, sector not specified

Mergers, relocation

Yes, I do think there will be further mergers ... and that means saving costs. Saving costs will have social effects and that in turn affects the income of the State which means that politically something will have to happen... the effect will be negative overall.

Germany, Financial services

Based on the cost situation and the location of Germany, it is naturally the question, how far can the business be maintained in Germany. Therefore, also in the spirit of relocation of jobs into other countries in the widest sense.

Germany, Automotive

Pharma

For the pharma sector, more dramatic possibilities were envisaged:

The most dramatic impact in the UK will be the realisation that at the end of the current budget cycle of 2008 the healthcare coffers will look bare. The great amounts of money the government pumped into the healthcare system here have been spent on salaries and other administrative costs with little of it going to fund long term investments that would support the expectations for greater productivity down the line. The situation in Europe may look similar given the weaker economies and the reduced ability to generate the tax levies needed to fund healthcare comfortably. Thus, it is safe to predict that healthcare will continue to grow in political importance as the tug of war for funds will increase. In the USA the situation will depend on who sits in the House and in the White House. If it is the Democrats, I think we will see a major change to the Medicaid/Medicare bills in terms of tightening the rules on funding of medicines and extra services. This will enhance the role of healthcare as a political hot potato.

UK, Pharma/healthcare

And more speculatively:

- 1 – Dramatic event if patents were abandoned
- 2 – Generic business succeeded quicker than we believe it will
- 3 – Government will not support a healthcare system and turns the responsibility to the healthcare industry

Denmark, Pharma

Trends

Q5. What are the most important among the **current** trends affecting your business? How will they evolve?

The trends identified as affecting their businesses were varied, some sector-specific and some more general. The main headings are:

- Financial
- Compliance
- Structure
- Resources
- Consumer culture.

The following are some typical comments:

Financial

Reduction of costs is an absolute top theme.

Germany, Automotive

Centralized purchasing/procurement of international companies (one-stop-shopping).

Finland, sector not specified

Three of the five French respondents referred to high taxes, including employment taxes and VAT.

Compliance

More efficient risk management (compliance with regulatory requirements, IT security and privacy audits, etc.)

Finland, sector not specified

Legal changes and changes in risks

France, Financial services

Structure

Emigration of parts of the manufacturing industry traditionally requiring highly skilled labour to China, India and Eastern Europe will continue.

Finland, sector not specified

Among the big suppliers we'll see a concentration through mergers and acquisitions while at the same time there will be a boom of smaller suppliers – so called microbreweries.

Denmark, Food & drink

Investment and research will be placed where the qualified people are, so if you can't attract the qualified, investments will be moved to somewhere else – where qualifications are.

Denmark, Pharma

The rise of M&As between the giants (the respondent defines M&As as the "recourse of the desperate")

UK, Pharma

Resources

Environment and energy issues will have more impact on business in a negative perspective ... globalization makes price pressure even harder.

Sweden, sector not specified

The price of raw materials

France, Automotive

Consumer culture

Lifestyle choices > healthy living and governments' attempts to address lifestyle determinants.

UK, Food & drink

The customer doesn't go out anymore and look for a product. Sadly his sideboard has no more room for a new product, what he is looking for is attention and that is what is missing in business today but that is what will win him.

Germany, Distribution

We'll have to pay more attention to health and safety issues, since the consumers are now more aware of these issues.

Denmark, Food & drink

The most important is the tendency among consumers to be individualistic. It me, me, me! This means that we'll see more selective and individualistic brands, because consumers are willing to pay a little extra.

Denmark, Fmcg

Factors that will make doing business easier

Q6. What, if any, specific factors will make doing business easier?

The main theme was European and global harmonisation, financial/fiscal, regulatory, and in business practices:

I hope and believe that there will be a harmonization of taxes and duties across Europe – that there will be political initiatives so that you can do business on the same terms all across Europe.

Denmark, Food & drink

An entry point would definitely be more flexibility of working hours and in European or worldwide comparison a suitable level of wage costs.

Germany, Automotive

A global trade agreement (WTO). It will make it easier for us to do business with our customers around the world especially since Danish dairy products have a great advantage abroad because they are very highly estimated.

Denmark, Food and drink

Change of currency in Denmark from kroner to euros.

Denmark, Financial services

A harmonization of rules and regulations related to foodstuffs in the EU. A shared understanding of the rules and regulations (e.g. regarding safety and additives) means that we will experience fewer problems. We can more easily produce the same product for all markets, when we know the rules and regulations.

Denmark, Food & drink

Through our trade organization and our national and international umbrella organization we will tell the decision makers in the EU that we need clear guidelines directions in order to do long-term planning.

Denmark, Financial services

Transparency of business practices which will become the norm and not the exception will make doing business easier, because we will be able to remove some of the existing barriers.

Globalisation, too, is an opportunity that needs to be put in the right context and explained; and if understood will take centre stage as an important driver... it is about distribution of production capacity and employment opportunities as well as a way of producing products more cheaply and opening gigantic new markets in the BRIC countries.

Denmark, Pharma

Development of the labour market in countries such as China and the East [Europe].

France, Technology

Factors that will make doing business more difficult

Q7. What, if any, specific factors will make doing business more difficult?

Many of the responses reflect the general views about the business climate, reported above. The following additional factors were mentioned. The main theme is increased regulation:

The security regulations will become stricter and that means even more administrative expense.

Germany, Financial services

The most significant adverse change in Europe is the emergence of US-style pressure for increased regulation, added to the pressure and cost of global regulation (read US and Canada). Regulation might make short term political sense, as a way of protecting policies and political institutions, but is ruinous to the need for innovation that is critical to the continuous growth of the healthcare industries.

UK, Pharma

There will always be more and more controls but that doesn't frighten companies whose factories are run honestly.

Italy, Food & drink

The biggest factor that will make doing business more difficult is the need to balance the demands of society for safety and immediate availability of drugs. These will impede innovation; increase the time lag and the costs impacting the ability to bring medicine to market in a timely manner and in a profitable way for us and for people.

Denmark, Pharma

Other factors included global trade and security risks, human resource limitations, and in the case of Finland, an under-developed financial structure:

A more pronounced regional protectionism, if the WTO-discussion vanishes and barriers of customs rise. Depending on the degree of protectionism we'll have to establish regional production apparatuses.

Denmark, Fmcg

Terror, war etc. making it difficult to transport goods.

Denmark, Food & drink

The increasing power of Trade Unions. Each year there are tariff increases, it will be increasingly difficult to pay full salaries.

Germany, Pharma

Leadership issues/lack of good management.

UK, Pharma/healthcare

The immaturity of the VC market in Finland and, in some cases, the lack of VC funding for companies at a seed or growth stage.

Finland, Sector not specified

The French confirmed their concerns about taxation:

[High taxation] obliges us to restrict the number of employees, which leads to employee fatigue and does no favours to recruitment policy.

France, Food and drink

How the sectors will respond

In this section we look at how the various sectors are expected to, or will have to, respond to the opportunities and (mainly) the challenges described above.

Q8. Thinking about [factor], how do you expect companies in your sector will exploit this opportunity / respond to the challenge?

The responses cover all aspects of business, though there is much less depth or detail than the description of challenges they face! The most widely expressed theme was innovation.

Innovation

The only thing that brings about growth in our business is innovative product development that is all that can help us and our research to that end continues

Italy, Food & drink

I believe that the issue of innovation, the evolution of knowledge and the ability to fund and conduct research freely, and then translate those innovations to medicines that people need will be the most critical. This one will possibly get tougher.

Denmark, Pharma

Events such as terrorist attacks and nature catastrophes make people consider if they can really manage their risks. This will open new business opportunities and create demand for new kind of products and services.

Finland, Financial services

More research on engine performance, new body designs, new sources of energy and the possibility to reduce petrol consumption

Italy, Automotive

For the pharma industry, as discussed above, the picture is not great. But don't be mistaken, they will still be around and thriving, except not so many of them and not at the rates we had grown to see previously. Their survival and profit will depend on how they find solutions to the following issues:

- a. continuing to innovate given their dismal record
- b. continuing to innovate given pressure to regulate
- c. continuing to innovate given the threat to IP from China, India and Brazil to name a few.

UK, Pharma

Requires an entirely new approach to innovation and product marketing. This is likely to be slow (from industry responsibility point of view) but will gather pace and a whole new range of products will appear.

UK, Food & drink

Marketing

We have to manage of get across a more attractive and convincing offer.

Italy, Consumer services

We need to be aware of and clarify consumers' understanding and expectations, and in order to do that we need to pay more attention to our communication.

Denmark, Technology

A lot more activity trying to differentiate brands on more than functional benefits with the industry constantly trying to make products safer.

UK, Fmcg

The industry has seen itself as a science industry not as a health industry, does not handle or relate to consumers well.

UK, Pharma

Not just product benefits – we have to get people to buy our product because it does the job, is safe and the company behind the brand has the right set of values.

UK, Fmcg

Hopefully by investing in quality and customer care (to keep the loyal customers), creating real added value to customers, improving availability (new channels) rather than by reducing prices.

Finland, Sector not specified

Not just product benefits – we have to get people to buy our product because it does the job, is safe and the company behind the brand has the right set of values.

UK, Fmcg

There is no such thing as saturated markets, only tired marketing people!

Denmark, Technology

Reputation, communications

An acceptance by industry of its wider responsibilities and an acceptance by governments of a partnership approach to reducing harms to consumers.

UK, Food & drink

The most critical factor that the pharmaceutical industry needs to pay attention to is its corporate reputation – a very broad subject that is summarised by the simple statement (though not simple to execute) of the need to re-establish a trusting relationship with important elements in society. If we can retard the decline in reputation, or even reverse it, then we can restore trust and have less fraught relationships with stakeholders, which will remove some of the harsh and shrill overtones of the public debate on substantive issues such as the risk/benefit ratio of what we make or the IP protection question. The latter are issues of substance that are at the moment not dealt with substantively because they are used in the emotional outcry as markers for rubbished reputation and great social suspicion. The big challenge for us will be to not only talk corporate reputation but actually act in this way, so behaviour delivers credibility.

UK, Pharma

Companies will have to be better at stakeholder relations, better at sensing what the environment is for the company.

UK, Pharma

Successful companies will have to become a lot more transparent – will constrain practices eg of salesforce.

UK, Pharma

We will have to somehow develop a new framework for evaluation of our contribution that spans a longer timescale than the current 5 or 4 year time horizons of politicians.

UK, Pharma

We will have to make a much closer link between the contribution of pharma to health and the economic wealth creation benefit of health. This must be the foundation of the pricing argument, rather than the old way of arguing the cost of R&D.

UK, Pharma

Improved efficiency

We'll develop more refined product sold at an equally higher price. We'll seek to become more cost efficient and increase production.

Denmark, Food & drink

Centralized procurement: consolidated/unified solutions in different countries; more efficient operations, new technology taken into use

Finland, Sector not specified

Human resources

Human resource is important so we need to pay more attention to the education of the employees. They need clear guidelines and goals. We need to become better at educating our company leaders. And to convert our vision into practise, so that it is easier to understand.

Denmark, Technology

Flexible working hours – it will definitely be so that there will be greater readiness for the workers to make concessions. Relinquishment of the performance above tariff, longer working hours, relinquishment of the so-called extra performance, holiday- or Christmas money. Basically, the trend will be definitely in this direction.

Germany, Automotive

Off-shoring and out-sourcing is no longer just an option - it is a precondition.

Denmark, Pharma / healthcare

I do believe that in the business world in general we are in a phase of radical change, it will be a generational radical change and as a result of it we will have to discover new solutions for example also in the management line-up

Germany, Distribution

Constant training/ employing people from countries with a very good knowledge base in IT sector. Good internal communication, good labour relations

Finland, Sector not specified

Stakeholders priorities

Most of the respondents did not foresee any radical change in priorities among their stakeholders, though there would be some change in emphasis or focus, especially towards the consumer or patient.

Q9. Thinking of your various stakeholder groups, do you expect to be focussing on the same priority groups in three years time, or will priorities change? In what way?

We'll prioritize consumers more, seeking a direct contact in stead of a media mediated one, and we'll try to get a better sense of what our customers want. We've always done that, but it is also very important in future. Also, we give high priority to our employees and focus on giving them the proper information on what's going on and what the consumer looks like.

Denmark, Fmcg

Priorities will shift from a sterile focus on 'policy' stakeholder groups to healthy lifestyle groups, with a more consumer focus.

UK, Fmcg

The patient/customer will continue to grow in importance and emphasis versus shareholders

UK, Pharma

Consumer groups will have more prominence as they fight to represent the voice of the new consuming players in the health value chain. They will be demanding consensus like treatment with regard to delivery of services and delivery of products; products will become less important as opposed to the power of brands... which of course puts the pharma industry in a poor starting position in this new game of branding.

UK, Pharma

In the future, we'll give a higher priority to everybody. We can always do better. But especially the public authorities will be of high priority in the future

Denmark, consultant

Nothing much will change and I'll have the same priority. But maybe we'll change focus a bit away from the media and focus

more on the NGOs. When making the production apparatus more efficient a debate of health and safety will probably arise.

Denmark, Food & drink

There will be a seizing of action on behalf of the shareholders.

Italy, Food & drink

Finally, one can expect the regulators to come out from the back rooms and become much more front and centre, more powerful and more visible.

UK, Pharma

Few respondents thought that new stakeholder groups or KOLs would emerge, and none of the French respondents.

Q10. Do you foresee any new stakeholder groups or KOLs emerging?

There will be more and more specialized groups. The wave of new-puritanism will find new battlefields: after tobacco and safety belts, beer, alcohol and soft drinks might be the next victim, but on the other hand maybe the interest in these beverages has already peaked?

Denmark, Food & drink

Maybe. I think the internet [will] play an important role as a means of sharing knowledge and making oneself heard. Groups such as young/teenagers that you don't take into consideration today, will down the road become more important since the internet has given them a mouthpiece. Consumers will be more educated. The younger consumers are used to gather information on the internet. So in the future we have to be aware that the informational gap can easily widen. Internet based community/blogs/online, rumour and accusations

UK, Pharma

In the developed markets we will see the emergence of patient groups as a very important source of influence, as the main voice of the patient, and as a way of organising political activism on behalf of patients. In the developing countries we will see the emergence of new elites of influencers who are also the clients we will gravitate to first. I am afraid the challenge of the "have/have nots" will actually grow in those markets as they become more affluent individually but not necessarily socially.

UK, Pharma

Patient groups – much more vocal – they will be campaigners the same as other NGOs have been.

Denmark, Pharma

Yes, an increasing array of 'public opinion' scientists who better understand public opinion and public science to advocate a position and drive an agenda.

UK, Food & drink

The other group that will arise will be the academics. There will be new partnerships between companies and academia, a la the Novartis Institute in Boston

Denmark, Pharma

Cooperation partners will be a new stakeholder group ... the relationships will become closer as they [business, government, NGOs and media] all need each other. The implications are positive: we will be able to get relevant information and messages through to influencers and decision makers in different fields.

Finland, Sector not specified

There will tend to be closer engagement with stakeholders, more collaboration, as the emerging stakeholder groups become more assertive.

Q11. What developments do you foresee regarding particular stakeholders and KOLs, and their influence on your business?

Industry funded studies with NGO involvement.

UK, Fmcg

In general, traditional NGOs that we are used to get less aggressive as they becomes a part of the society. They seem to put emphasis on just pointing out the problems – not trying to do anything about it. New NGOs acting within the traditional NGO-issues will occur with a more aggressive approach.

Sweden, Retail

These KOLs will increasingly become strategic advisors and influencers that their peers in the same industry and other industries respect and listen to. We must influence these influencers.

Finland, Sector not specified

We have a need for more individualized targets and more targeted communication, because our stakeholders are becoming more segmented. The goal is “genuine dialogue”, even though that is a bit idealistic. In the future for example it might happen that we no longer will communicate to our shareholder through one magazine, but instead through more different channels than today.

Denmark, Food and drink

I have a feeling that some consumer organisations and political parties might perceive us in a negative way in the future. That they will place us on the same footing as the tobacco industry.

Denmark, Food & drink

They will be more critical and put focus on ethics e.g. the discussion of corporate sponsorship of other companies or organisations.

Denmark, Financial services

Finally, one Danish respondent referred to the lack of dialogue between government and the public regarding healthcare:

There isn't really a dialogue between government and ordinary people (patient groups) on healthcare priorities.

Denmark, Pharma

This may point to possible opportunities, in all sectors, for businesses to intervene proactively to create such dialogues between stakeholders, to the benefit of their own reputations.

Emerging issues

Q12. Will [issue] be as important an issue, for your business, in three years time as it is now, or more important, or less?

Transparency heads the list of emerging issues, followed at a significant distance by reputation risk management, CSR and health and safety.

Emerging issues	More	Same	Less	Not now, nor in future	Not sure
Demands for more transparency	47	4	1	1	1
CSR	34	17	2	1	0
Health and safety issues	34	10	1	8	1
Reputation risk management	31	17	1	2	3
Threat of consumer/patient litigation	30	11	5	7	1
Business ethics	27	16	3	2	6
Human rights in developing countries	26	15	0	11	2
Corporate governance	23	18	2	4	7
Shareholder pressure	23	22	5	4	0
Intellectual property rights	22	18	6	6	2
Anti-business sentiment	15	16	10	13	1
Swing to more left-wing governments	14	24	2	13	1
Political instability	12	30	5	5	2
Anti-globalisation sentiment	11	17	9	15	2

All countries, n = 54

The analysis by sector shows broad similarities, the largest difference being that reputation risk management seems to be less highly prioritised in the food and drink sector than elsewhere.

Table . Rank order of emerging issues, by sector

	All sectors	Pharma	Food & drink	Other sectors
Demands for more transparency	1	1=	1=	1
Reputation risk management	2	4=	9=	2
CSR	3=	1=	3=	3
Health and safety issues	3=	4=	1=	8=
Threat of consumer/patient litigation	5	1=	3=	5=
Human rights in developing countries	6=	4=	3=	8=
Business ethics	6=	4=	6=	5=
Corporate governance	8	8=	9=	5=
Shareholder pressure	9=	11=	6=	4
Intellectual property rights	9=	10	6=	10
Anti-business sentiment	11	8=	9=	12=

Political instability	12	11=	12=	11
Swing to more left-wing governments	13	13	12=	12=
Anti-globalisation sentiment	14	14	12=	12=

All countries, n = 54

In the following paragraphs we set out the comments made by respondents about the most important of the emerging issues, as they evaluated them.

Transparency

Transparency was stated to be important because of the demands of consumers, employees, shareholders and the EC. Whatever the particular company's stakeholder focus, it is likely to remain at the top of the list over the next few years.

Because of the increasing demands of the consumer and the greater enlightenment of the consumer.

Germany, Financial services

The shareholders simply demand to know more about what is happening within the company, the same goes for the employees. If I make it transparent then I can communicate better and more positively outwards and achieve a completely new form of motivation.

Germany, Engineering

The maximum transparency will be requested, the CEE will always more demanding and that is a positive fact

Italy, Food & drink

There was an indication that, for the pharma sector, transparency needed to increase:

Transparency will be a key platform in the trust restoration campaign. As long as the world will accept confidentiality on commercially sensitive matters, they will also demand complete openness on everything else. The pharma industry will grow to know that the world doesn't come to an end, and the business doesn't collapse if more is revealed and discussed logically.

UK, Pharma

Reputation risk management

Given the generally pessimistic view of the business environment over the next 2-3 years, it is to be expected that reputation risk would be high on the list of priorities. The challenges will be greatest in countries and sectors facing the most difficult conditions:

Based on the situation of employees resulting in possible job reductions, possibly at least more working hours, possibly less money in the wallet... at least here where we are represented in this location, we naturally could have a problem, in order to maintain our image or our reputation.

Germany, Automotive

The media, as well as stockholders and stakeholders more generally, are mentioned as a source of reputation risk:

Media will make sure that all possible events which have an impact on companies' reputation will be covered. This will increase the need for reputation management in the companies.

Finland, sector not specified

As stockholders and stakeholders make the connection between business success and reputation management then expectations increase.

UK, Food & drink

There is recognition of the positive link between reputation and brand differentiation:

This comes hand in hand with the need to be brand driven and the need to build additional protective measures than just IP, which will become more difficult to defend.

UK, Pharma

It is internal as well as external:

We can differentiate ourselves by having a more clear profile both within the company and in the eyes of the outside world. And reputation risk management is an indispensable part of this.

Denmark, Technology

Finally, there is one suggestion that reputation risk management and CSR may in future become more separate:

This is the part that will become more distinct and a separate capability, while CSR becomes part of daily corporate life

UK, Pharma

This is already apparent in some organisations where the CSR function reports directly into the C-suite, and a few others where it is closer to HR. Based on discussions with some of our CSR clients who have a focus on behaviour rather than communications, we feel it may be a live debate in any markets where CSR has become associated in stakeholders' minds with 'greenwash' or 'spin', and where the need to correct this has been recognised.

CSR

The remark made above about the separation of CSR from reputation management is borne out by the following:

It will be more important because it will no longer be a case of portraying a certain image but certainly something of far more substance

Italy, Financial services

But others may see CSR as losing its separate identity, as it becomes integrated into the operations of the business:

CSR is very interesting. It will become more acceptable, thus more embedded in the company's operations, so by definition it will become less distinct and obvious as a separate entity.

UK, Pharma

It may also be seen as a valuable differentiator:

CSR will be our answer to the Chinese.

Denmark, Food & drink

There are indications from Germany of a reaction against CSR - either because it is not the business of companies to spend scarce resources on non-core activities, or because of cost pressures and the need to focus on the business basics:

It is more a question of individual responsibility than something that the company has to feel responsible for.

Germany, Financial services

Less important - because at the moment everything revolves around the cost structure.

Germany, Energy

The bottom line is that only profit counts and that the human factor takes a back seat. It is a result of globalisation that in order to be competitive we can no longer take into such consideration the human factors.

Germany, Engineering

And in France it may be linked to the political climate:

Depends on the legislation. If it is to the left, CSR will be less important.

France, Food & drink

But most of the comments were confirmation of the need for CSR in the coming years, either because it is ethically right or for more cynical (though still ethically valid) reasons.

As a big international corporation we'll be asked to have attitudes and opinions also in relation to ethical issues. That we need to be prepared for a dialogue.

Denmark, Food & drink

They will be increasingly critical and demand more transparency. It is therefore important that as a company we demonstrate that we are a good citizen and that we are a part of the surrounding society. That is that we have opinions and take on a social responsibility.

Denmark, Food & drink

Being cynical: Not taking on our social responsibility means less profit. We need to focus on the environment and since we are a global company doing out-sourcing we also need to act

responsibly with regard to payment and working conditions. There is no way we can end up as Nike being associated with sweat shops in The Third World. We need to act morally and ethically correct.

Denmark, Consultant

Expectations for industry behaviour are increasing exponentially.
UK, Food & drink

Health and safety

Health and safety is sometimes about the workplace and more often about consumers, depending on the nature of the business:

"...we need to build confidence with consumers on safety."
UK, Food & drink

There will be a strong demand from the consumers that will be exploited by the government authorities.
Italy, Food & drink

There will be an increase in the amount of information and knowledge given to consumers and they will be more attentive as a result. So therefore it will be more important
Italy, Pharma

Because the type of machine is quite different, the machine structure is different, the time pressure under which we have to work and lastly the norms and regulations we have to conform to here in Germany
Germany, Engineering

Consumer/patient litigation

The rise of this issue was widely blamed on US influence:

I don't know whether we shall get American style relations, but a certain americanisation of rights, for example legal liability law or something like it will come.
Germany, Financial services

The first legal cases have already come up, as a result of the consumer groups who have called for a boycott.
Germany, Energy

The consumers demand trust and quality. And with the US as a model, I think we'll see a tendency to more trials in the future.
Denmark, Pharma

Consumers [becoming] more and more demanding because they have more choice. The lawyers will encourage it more and more, to expand their business.
France, Technology

Alas [it will increase] for a long time to come, which of course interferes with the absolute need to drive improvement in corporate reputation and increase the dialogues with society, The lawyers are becoming too important.
UK, Pharma

Human rights in developing countries

Opinions were evenly divided about whether this issue would grow in importance, and the comments offered by the respondents reflect this:

Something terrible has to happen first. In terms of our business, it will not be touched.
Germany, Financial services

Something will be done because on a wide scale there has been an increased consciousness also an obligation on the part of the industrial nations to act. It is obvious that uprisings and terrorism only arise out of misery and poverty
Italy, Pharma

The specific arena would be the rights of consumers in those countries to ethical release of information, ethical access to the right medicines, and ethical pre clinical trial behaviours
UK, Pharma

Unfortunately there is a lot of talk and little action perhaps increased awareness in society will bring about a small improvement
Italy, Food & drink

Only one respondent raised the question of the role of industry vis-à-vis government in providing health, though no doubt others in the pharma sector would sympathise with it:

The raging and big debate is of course on the right to health that is deemed to be part of the human rights palette. Which then begs the question, who is accountable for the delivery of this human right to health, and what is the relevant role of governments as distinct from the role of industry?

UK, Pharma

Business ethics

This issue also divided people. Some saw it as essential to business survival:

Because I believe that our society is regaining these values, that one has to behave ethically clean.

Germany, Distribution

Ethical investment will become a bigger issue.

UK, Fmcg

Without ethical changes our sector couldn't go on.

Italy, Food & drink

Following client demand.

France, Financial services

Others thought that business was performing better than its stakeholder recognised - a communications challenge:

Companies have taken this on in a major way, and investors and other guardians of the public good are actually behind the curve. Their expectations lag the actions of business. Once these actions become obvious, the pressure will be reduced.

UK, Pharma

Several thought business ethics were declining:

They are declining generally but some people still have personal ethics.

Italy, Consumer services

One talks a lot about business ethics but actually they don't exist anymore.

Germany, Financial services

Another approach to business ethics was to write about it in the business statement or staff manual:

It is covered by the Business-Statement.

Germany, Automotive

In many organisations this would perhaps not be enough to ensure compliance with ethical best practice. But then, we are not sure that it is enough to rely on 'higher authority' either:

You might as well go and get yourself blessed!

Italy, Food & drink

Corporate governance

This issue was thought to be growing in importance by just under half of the respondents, but only two of them offered additional comments, both from Germany: "What is that?" and "Not here in Germany." We have found in previous research that this (largely Anglo-Saxon) concept has been hard to communicate to many Germans. Evidently this aspect of 'americanisation' is not yet universal, though most respondents in this survey had no problem with it.

Swing to left

This was not widely thought to be an emerging issue, except possibly in France, but the following comments are of interest because they refer to different opinions about whether left wing government is good or bad for business. The differences may point to different public affairs strategies across Europe.

First, a negative view, referring to the social consequences:

A consequence might be that we open our borders once again to all nationalities, that we have more unemployment, that the gap between rich and poor widens. The middle class in Germany will be brought to it's knees as a result.

Germany, Financial services

Second, a more positive view:

This might give companies a bit more faith.

Italy, Pharma

Third, a reaction that is partly positive from the social perspective, i.e. healthcare, but not for the longer term, nor for the pharma sector:

The politics of a central left government brings about change at a social level because they have the health service more at heart. But in that case the growth of the health service wouldn't necessarily give a boost to research as with the reduction in price of pharmaceuticals there would be little money left to invest in research which is essential if we want to provide better products.

Italy, Pharma

Anti-globalisation sentiment

This issue was last in the list of emerging issues, and was widely thought to be at its peak or declining. But there is a recognition that some lessons have been learned by business, and should not be forgotten:

There is the example with Attack: they have lost the game about proving globalisation is a bad thing, so that they can't do anymore, but at the same time the companies have realized that they have to be more aware.

Denmark, Food & drink

In both cases the amount of benefit created by business is seen as greater than the difficulties created by business, except as discussed by a variety of fringe groups who use business as a club to hit their own governments on a variety of issues.

UK, Pharma

It's history. The world is global. It's a fact!

Denmark

However, some thought the issue was still alive - no longer emerging but fully emerged:

Globalisation will be seen as an advantage for rich and big nations. Various trade restrictions to protect national labour/heritage/business will increase.

Finland, source not specified

People will react stronger than today because of the threat on their own jobs.

Denmark, Financial services

With regard to this issue, and other near the end of the emerging issues list, it is worth remembering that the scorpion has its sting in its tail.

KOL Relationships

Q13. Do you think the relationships between business, government, NGOs and the media will become closer and more co-operative than at present, or will they move further apart over the next few years?

Just under half the respondents thought relationships would grow closer over the next few years, but there was some disagreement and considerable uncertainty.

	Closer	No change	Further apart	Mixed/not sure
Pharma	6	1	2	3
Food and drink	6	2	2	2
Other sectors	11	6	5	8
All sectors	23	9	9	13

All countries, n = 54

Closer

They will become closer. Simply because the Government realises that working closer together with both industry on the one hand the NGOs on the other will be more profitable for all rather than creating distances and conflict.

Germany, Pharma

NGO's will cooperate with media to get their messages across even more efficiently – they are very clever to use the media for their purposes. For ordinary people the news and articles in the media represent the truth which is why the business needs to be in cooperation with NGOs.

Finland, Sector not identified

They will become more cooperative as health and medicine becomes a topic that everybody is interested in... this will necessitate greater proximity and a much greater understanding of the different time frames that distinguish the partners. Media works on immediacy, politics looks to five years max and we look at a 15 year horizon. Different methods of thinking and behaving occur as a result of this fundamental distinction, but if we understand the differences we can also bridge them.

UK, Pharma

Further apart

I think that they will move further away from each other because the contact to the base, to the political heart is no longer there. The media on the whole is unpredicable and we as a company have little chance of influencing anything.

Germany, Engineering

In Finland there has been a close relationship between business and government. It has been declining last 20 years and will probably continue to do so. NGOs have gained visibility within industry, like Green Pease is a real factor for forest industry and this in context with public opinion and media will gain ground also in the future. Media has also been developing at best from information channel for business to a critical and knowledgeable eye overseeing business.

Finland, Sector not specified

More adversarial. In the UK the degree of acrimony will depend on how any political administration reacts to the financial squeeze we anticipate. The media will become even more demanding, and the consumer pressure will create more opportunities for unfriendly encounters. In Europe, the same process will pertain with even greater acrimony as the consensus "among friends", kind of political give and take, gives way to a more Anglo-Saxon style of politics and policy making.

UK, Pharma

Unfortunately the media is too powerful in terms of showing enormous scandals, terrorism. It will degenerate still further and become even more powerful.

Italy, Food & drink

Q14. What will the implications of any such development be for your business?

The comments were almost all about the ways in which closer KOL relationships will benefit business, if it takes advantage of the opportunities. Most of them came from Denmark:

This must be taken into account and addressed as an integral part of a PR strategy and execution. Also, the role of a PR agency will become even more strategic. This oftentimes requires a new approach, and it is highly questionable whether these skills exist or will exist within an organization.

Finland, sector not specified

We need to be better at knowing what we mean and at listening. We are part of a political system and we need to be more progressive.

Denmark

We need to spend resources on being more progressive in the debate or dialogue. We need to have attitudes and opinions.

Denmark, Food & drink

There will be more and more stakeholders that we need to take in to consideration in relations to a given problem. We need to be more progressive and that is definitely something we can become better at in future.

Denmark

Co-operation is only good. We would like to get in touch with as many as possible. "Samtale fremmer forståelsen" ("Dialogue Promotes Understanding"), as Mobilix said in Denmark a few years back.

Denmark, Food & drink

The role of the NGOs will remain critical and sees that in the future it will be possible that [we] would expect to outsource some patient services to NGOs.

Denmark, Pharma

But some French respondents also looked forward to benefits from stakeholder relations:

Good relationships are great for us and for the planet. It is up to us to adapt ourselves to the world.

France, Technology

The greatest single challenge

Q15. Finally, what is the greatest single challenge that will face your company over the next few years, and how will you respond to it?

The main emphasis was on the business basics: costs, prices, competition, quality; and on innovation.

The biggest challenge we face is to defend our reputation as a Benchmark in terms of quality and to try and increase it. Globally we will place this right at the top of our list of priorities and really focus on it, because we know it to be one of our fundamental values and with the help of the corporate culture that has led to this high quality we will try to do everything in our power to maintain these high standards in the future.

Germany

Keener competition. We must keep innovating, differentiating ourselves, and leading the other key players in all areas of our business: product, technology, consulting methodology, customer service, marketing & PR, sales channels, partner loyalty, agility, vision, and the true ability to execute.

Finland

Differentiation. The importance of being different. And our responds will be to orientate ourselves towards our costumers and to be innovative.

Denmark, Financial services

Doing successful and profitable business in hard competition. It requires increased cost-efficiency and being a pioneer and leader in the sector by introducing and marketing effectively new products, services and channels.

Finland

Facing up to more and more punishing purchasing policies.

France, Technology

The challenge is to reach profitable growth. To grow and make money while doing it. That we do by staking on product development – new and more refined products sold at a higher price – and by taking care of our brand image.

Denmark, Food & drink

The challenge will be to create understanding for the value of new technology, and to prove that it is socioeconomic profitable to implement it.

Denmark, Pharma

The last word also came from a Danish respondent:

Survival!

Technical note

The survey was administered by telephone to 54 top-level managers in large corporations, at board level or one below, in seven European countries:

Sector	France	Germany	Italy	UK	Denmark	Finland	Sweden	Total
Pharma	1	2	2	4	3	-	-	12
Food & drink	1	-	4	2	5	-	-	12
Others	3	8	4	1	5	6	3	30
TOTAL	5	10	10	7	13	6	3	54

The interviews were conducted in December 2005 and January 2006 by Firstline consultants, with the support of the Paul Curtis Marketing Research Consultancy in France, Italy and Germany. The survey was designed and analysed by Stakeholder Studies Ltd.

The interviews were based on the following topic guide:

Introduction

We are preparing a paper on some of the issues and trends that global businesses may have to deal with over the next two or three years, and would be grateful for your input.

Your contribution may be on or off the record, as you prefer. If you prefer to speak on the record, we will send you a draft for your approval before publication, and you will be able to edit any reference to you, or quotations from your interview, at that point.

1. How do you see the general business climate developing, in [country], throughout Europe, and globally?
2. On balance, in your sector, three years from now do you think it will be easier or more difficult than now to do business profitably?
 - Easier ...
 - More difficult ...
 - No change ...
3. In what way?

4. Do you foresee any dramatic developments, either political, economic or social, which will affect your business positively or negatively?
5. What are the most important among the **current** trends affecting your business? How will they evolve?
6. What, if any, specific factors will make doing business easier?
7. What, if any, specific factors will make doing business more difficult?
8. FOR EACH MAIN FACTOR IN TURN
Thinking about [.....], how do you expect companies in your sector will exploit this opportunity / respond to the challenge? PROBE AS FULLY AS POSSIBLE.

Factor 1.....
 Factor 2.....
 Factor 3.....

9. Thinking of your various stakeholder groups, do you expect to be focussing on the same priority groups in three years time, or will priorities change? In what way?
10. Do you foresee any new stakeholder groups or KOLs emerging?
11. What developments do you foresee regarding particular stakeholders and KOLs, and their influence on your business?
12. Will 'sustainability' be as important an issue, for your business, in three years time as it is now, or more important, or less? REPEAT FOR ALL IN TABLE BELOW.

	Same	More	Less	Not important now or in future	Comments
CSR					
Issues related to human rights in developing countries					
Anti-					

globalisation sentiment					
Anti-business sentiment					
Shareholder pressure					
Business ethics					
The threat of consumer / patient litigation					
Health and safety issues					
Political instability					
Swing to more left-wing governments					
Demands for more transparency and fuller disclosure					
Intellectual property rights					
Reputation risk management					
Corporate governance					

13. Do you think the relationships between business, government, NGOs and the media will become closer and more co-operative than at present, or will they move further apart over the next few years?
14. What will the implications of any such development be for your business?
15. Finally, what is the greatest single challenge that will face your company over the next few years, and how will you respond to it?