

MEGATRENDS: THE NAISBITT GROUP FORECASTING PROCESS

Marilyn R. Block
The Naisbitt Group

With enormous amounts of information available today, the opportunity cost of ignorance is incalculable. Changes in economic, social, political, and technological areas occurring now will have a dramatic effect on our future. By closely monitoring local events through newspapers, trade journals, and other sources, and then placing these events into a larger social context, The Naisbitt Group is able to forecast trends that are likely to affect companies.

Research Methodology

The Naisbitt Group obtains information about the economic, social, political, and technological environment, and its effect on a variety of institutions, through a research methodology called thematic content analysis. This approach examines the present in order to comprehend and manage the plannable future.

Content analysis is a method of studying and analyzing communications in a systematic, objective, and quantitative manner to measure variables. It is a method of both observation and measurement. Instead of observing people's behavior directly, asking them to respond to scales, or interviewing them, the content analyst takes the communications that people have produced and asks questions of the communications. Content analysis generally is used to determine the relative emphasis or frequency of such phenomena as propaganda, trends, styles, and changes in content.

Content analysis is not new -- it first was used during World War II. At that time, the American intelligence community was searching for a way to discover what was occurring inside enemy nations. With the help of Paul Lazarsfeld and Harold Lasswell, now well-known communications theorists, intelligence experts decided to analyze the content of German newspapers.

The newspapers proved to be the best source of information about conditions within Germany. Although information about the country's supplies, production, transportation, and food situation remained secret, the strain on Germany's people, industry, and economy was well documented.

In time, it was possible to determine whether conditions were improving or deteriorating in Germany by carefully tracking local stories about factory openings and closings, production targets, train arrivals and departures, and so forth. Military casualties were estimated by adding up the number of individuals listed in obituaries. Impressed by the accuracy of information, intelligence agents began analyzing the content of newspapers in Japan.

Thematic Content Analysis. There are several ways to evaluate the objects of content analysis. The first and most common of these corresponds to nominal measurement: count the number of items in a defined category after assigning each item to its proper category.

A second form of evaluation is ranking, or ordinal measurement. If one is working with fewer than 30 objects, they can be ranked according to a specified criterion.

A third form of evaluation is rating. Objects are deemed superior, equal, or inferior to other objects on the basis of some objective standard.

More complex, but more meaningful than these methods, is thematic content analysis. This involves more than merely identification of the object. It requires placing the object within the larger context of society. The Naisbitt Group seeks to identify trends as they emerge, before they reach widespread public consciousness. Thus, nominal and ordinal measurement are inappropriate techniques, since one would anticipate very few examples of an emerging trend. More telling is the identification of issues in different geographic areas that in and of themselves easily could be overlooked but, when viewed as part of a national context, suggest trends.

The topic of education offers an example of the value of thematic content analysis in comparison to the other three methods. The proportion of articles in newspapers pertaining to education has remained constant at approximately 14 percent over the past decade. However, the issues within education have changed dramatically. A nominal or ordinal approach would have missed such critical trends as privatization of education, business-education relationships, teacher competence, and declining achievement.

Thematic content analysis serves as an empirical method for studying emerging trends and

facilitates the use of quantitative techniques for correct inferences from the data.

Secondary Data Analysis. Once a trend has been identified through thematic content analysis, secondary data analysis ensures accurate inferences about cause and probable future effect. Secondary analysis refers to the re-analysis, for a new purpose, of data originally gathered by another researcher. Archival data are well-suited for measures of incidence and frequency because these data are not specifically produced for comparison and inference. The outstanding advantage of physical evidence data is freedom from reactive measurement effects; that is, there is no intrusion by a researcher into the various settings to be described which might produce biased information.

Monitoring Social Change. Thematic content analysis is an effective technique for monitoring social change because, simply stated, a newspaper is a closed system. For economic reasons, the amount of space devoted to news in a newspaper -- the "news hole" -- does not change significantly over time. When something new is introduced, something else must be omitted. Newspapers operate on the principle of forced choice within a closed system -- you cannot add unless you subtract.

This forced-choice situation causes the news hole to serve as a mechanical representation of social priorities. By keeping track of the changing content of the news hole, The Naisbitt Group measures the importance of competing issues.

Why are we so confident that thematic content analysis is an accurate forecaster of social change? Because we have proven it time and time again.

Over the years, we have observed a variety of social issues emerge, expand, and then decline. In the early 1970s, for example, the news hole in American papers devoted an increasing amount of space to environmental concerns. What was reduced in the closed system to accommodate the intrusion of environmental concerns? News about civil rights yielded as environment gained. By 1973, the closed system showed a crossover and, for the first time, the environment became a more important preoccupation than civil rights.

These research methods -- thematic content analysis and secondary data analysis -- enable The Naisbitt Group to place seemingly unrelated events in the context of evolving issues, to

delineate appropriate responses to these issues, and to give organizations a basis upon which to make sound decisions.

The Naisbitt Group Data Base

The Naisbitt Group analyzes the content of a diverse mix of printed materials, including local newspapers, trade journals, government papers, and reports. Each week, The Naisbitt Group monitors several hundred local newspapers. These papers represent America's largest cities and smallest towns, industrial regions and agricultural areas, areas of decline and areas of growth. This geographic and economic diversity enables rapid identification of local, state, regional, and national trends.

A smaller but no less critical component of the thematic content analysis data base is trade journals. New developments often appear in specialized publications before exposure in newspapers.

These data sources represent the critical point in the normative cycle of awareness and acceptance of issues and events at which media coverage and public awareness begin to increase and forecasting error begins to decrease. This cycle entails:

Idea creation. Information appears in specialized periodicals and fringe publications. Public awareness is very low, and the likelihood of error in projecting future impact is high.

Elite reports and industry journals. Trade journals, research reports, and specialized newsletters begin to provide information.

Local news. Broadcast and print news begin to cover the issue.

Popular magazines. Coverage by news magazines provides information to a broad segment of the population.

Government awareness. As public awareness about an issue grows, local, state, and federal governments often react to demands for action. At this point, public awareness is very high and the likelihood of errors in projecting future impact has been reduced substantially.

Policy enactment. New policies to deal with the issue in question often occur following government awareness.

The Analysis Process

Trends have two significant elements: events and behavior. If an event occurs that does not alter the way in which individuals behave, it does not presage a trend. If, however, an event results in some kind of behavioral change, it may represent an emerging trend. For example, in 1983, the U.S. government restricted the amount of money it provides hospitals to cover medical services for the elderly. Hospital administrators responded by refusing to take Medicare assignments. This in turn caused many elderly to forgo necessary care because they could not afford it on their own. The event, reduction in federal Medicare support, changed behavior in a way that could lead to a new trend -- increased medical problems among the elderly.

When a similar event occurs in an area unrelated to the first event, and resulting behavior also is similar, this provides additional evidence that a trend is developing.

Critical Thinking

The trend analyst's primary responsibility in reading newspaper articles is to identify events and behavior that create patterns suggestive of trends. This is a difficult task because the amount of information available is increasing exponentially -- estimates suggest that it doubles every two to three years. More than 15,000 scientific and technical articles are published daily worldwide. As delivery technologies improve, the speed with which new information reaches us accelerates. With information reaching us sooner and in greater volume, separating that which is useful from that which is irrelevant becomes an increasingly valuable skill.

Eight questions should be asked in evaluating information received via print and broadcast media:

● **How credible is the source of information?** Too often, we do not look past the conveyor of news to the original source of information. If a newspaper reports that the number of families living in poverty has declined, we accept that information because we respect the newspaper. It is important to consider where the newspaper got its information. If the report indicates that a state agency said the number had declined, it is important to consider how that agency conducts its research and whether it has proven reliable in the past. Often, a news story will credit a "Western analyst" or "university professor" -- the

critical thinker will question whether such a source is credible.

● **Is an event or behavior described?** Frequently, information used in formulating decisions is speculative -- it describes state-of-mind or threats of future action. Reliance on this kind of information is harmful because it elicits actions on the basis of an emotional response to a projected scenario instead of an unemotional response to data.

● **Within what context has the event or behavior occurred?** Information presented out of context can be misleading and result in flawed decisions. The plight of the American farmer is illustrative. During late 1985, when the U.S. Congress was working on the farm policy bill, a number of newspapers published stories about family farms experiencing severe financial difficulty. The obvious response would have been concern that Congress was not doing enough to help this sector of the economy. What many of the news stories failed to report, however, was that large corporate farms and small boutique farms were doing very well. The proportion of farms in trouble was relatively small.

● **What is the historical context?** Historical development is important when it demonstrates relativity. To return to our example of the family farm, many reports indicated that thousands of farms had failed in 1984 and 1985. Without reference to the hundreds of thousands of farms that failed in the 1950s and 1960s, it is impossible to assess the severity of present circumstances.

● **Is anything about the event surprising or unusual?** Many news stories present information that is taken for granted even though the event is new. For example, if the evening news reports a cave-in at a coal mine, we are unlikely to consider this an unusual occurrence. Experience has taught us that cave-ins are a hazard associated with coal mining, and we have heard similar news reports over the years. Anything about an event that surprises us, however, provides new information that can be used to advantage.

● **What is likely to happen next as a result of the event or behavior?** Every event affects some sector of society. A change in birth rates will affect manufacturers of baby food. A forest fire may affect the lumber industry, which, in turn, has implications for home builders. Events should not be viewed as single occurrences. In the information economy, the executive able to

project beyond the event to possible outcomes is less likely to be taken by surprise. Similarly, it is important to avoid the "domino-theory" trap. Events and their outcomes do not progress in straight lines, but rather grow like spider webs. An event can trigger reactions along a number of spokes and around several concentric circles. The recent plunge in oil prices, for example, not only sent shock waves through the oil industry, but had an impact on worldwide securities markets and manufacturing costs. The effects of lower oil prices on many different industries are both independent and interrelated.

● **How important is this event?** Whether we realize it or not, we constantly evaluate the relative importance of events. A news bulletin about freeway traffic is important if we travel the route in question and inconsequential if it is on the other side of town. Critical thinking involves the ability to ascertain the relative importance of events so that we neither overreact to the unimportant nor minimize significant events. Important pieces of information often are missed because they do not have imminent effect. Consider a banker who reads a newspaper article about increased use of technology and decreased labor in American industry. Although seemingly unrelated to banking, there are some important implications. The banker who is able to think critically will immediately consider that capital needs are changing -- capital requirements for people, plants, and equipment will decrease and capital needs for technology to update production will increase. Moreover, the timespan within which capital is required will decrease. Technology is outdated far more rapidly than a physical plant, so industry leaders will be seeking capital far more frequently than in the past. This in turn suggests that short-term instruments will be required.

● **What should you look for as indicators that something is going to happen?** Once you have projected what is likely to happen, it is necessary to identify those things that will indicate whether the projected outcome is probable. Shortly after the explosion at the nuclear power plant in Chernobyl, news reports suggested that the event might be advantageous to American farmers, because the incident had occurred in the heart of Soviet farmland. Indicators that Soviet agriculture was in jeopardy included warnings to avoid drinking water and fresh produce, an Eastern bloc ban on Soviet food, radiation in fresh milk, and so forth. These events do not guarantee success for American farmers -- to assume that they do is to fall into the domino-theory trap.

What they do suggest is a Soviet need for agriculture imports. The spider web analogy provides a broader context within which other competitors play a role. Canada or Argentina might benefit more than the United States.

These eight questions, applied to print and television news, enable trend analysts to develop a critical sensitivity to the quality of everyday information. Critical thinking skills reduce the amount of useful information that is ignored and decrease the tendency to rely on confusing, irrelevant information.

Trends and Forces that will Affect Aviation

Two trends will strongly influence commercial aviation during the 1990s -- consumer protection and time and convenience.

Consumer Protection. The consumer protection issue encompasses both safety and fairness. Although safety always has been a concern, public perception about culpability has undergone a shift in recent years. Public reaction to acts of terrorism directed toward U.S. carriers (e.g., Pan Am 103) and the number of incidents linked to aging aircraft represents the emergence of a growing demand for accountability. Consumers will continue to favor deregulation as it relates to competition, but they will demand regulation that addresses safety.

There is an emerging demand by consumers for "fairness." This is easily illustrated by queuing behavior -- consumers hate to wait in line but they prefer to spend more time in a serpentine line (viewed as socially just) than in a "skip and slip" line -- that is, a situation in which several lines operate simultaneously such that a person who enters a line later may actually get served first because his line moved faster.

In the coming decade, fairness will move beyond queuing to pricing. Today, air fares are like automobiles -- no one has to pay the sticker price. Consumers do not understand the basis on which air fares are determined. We will have a new pricing system within the coming decade.

Time and Convenience. Convenience will be a critical factor. Airlines increasingly are viewed as commodities. Ease of use will be the primary differentiating factor.

One area in which convenience will be vastly improved is ticketing. Within the next ten years, satellite ticketing printers (STP) will become as

pervasive as fax machines. As increasing numbers of corporate offices print tickets, the need for a travel agent will decline. The reservation system is the distribution system for commercial aviation -- whoever controls it controls the business. STP will be the distribution system of choice in the 1990s.