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PREPARING FOR FUTURE IN AUTOMOTIVE GLAZING AFTERMARKET

– case Sekurit Partner Program in Saint-Gobain Autover

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TULEVAISUUTEEN VALMISTAUTUMINEN AUTOLASIALAN JÄLKIMARKKINOILLA

- case Sekurit Partner-ohjelma Saint-Gobain Autoverilla

Yritysten toimintaympäristö muuttuu kiihtyvällä tahdilla. Muutokset vaikuttavat kaikkialla ja myös autoalan jälkimarkkinat ovat turbulenssissa. Enää pelkkä fyysinen tuote ei riitä, vaan ala on muuttumassa varaosien myynnistä tieto- ja osaamiskeskeiseksi palvelubisnekseksi. Muutoksia ei voi ennustaa, mutta niihin voi varautua ja niitä voi ennakoida.

Megatrendien, trendien ja heikkojen signaalien löytäminen ja ymmärtäminen auttavat muutoksen ennakoinnissa. Kirjallisuuskatsauksessa nämä käsitteet käydään läpi yleisellä tasolla sekä perehdytään syvemmin autoalan suurimpiin trendeihin. Megatrendien, trendien ja heikkojen signaalien löytäminen toimintaympäristön tarkkailulla on edellytys ”tulevaisuuskestävän” strategian luonnissa sekä skenaarioperusteisessa strategiatyössä, joiden pääperiaatteet on myös esitelty.

Tutkimus on tehty toimeksiantona Saint-Gobain Autoverille, joka toimii autolasialan jälkimarkkinoilla myyden autolaseja sekä niihin liittyviä palveluja. Tutkimuksen aiheena on vuonna 2016 viidessä Euroopan maassa pilotoitu uusi strateginen ohjelma, Sekurit Partner, jolla yritys vastaa muuttuneen toimintaympäristön haasteisiin. Tutkimuksen tavoitteena on pilottivaiheen Sekurit Partner -asiakkaiden analyysi, tulevaisuuden asiakasvalintakriteerien pohtiminen sekä oikean palveluportfolion löytäminen.

Tutkimus tehtiin online-kyselynä kaikille pilottivaiheen Sekurit Partner asiakkaille sekä Sekurit Partnerin myynnistä ja markkinoinnista vastaaville maaedustajille viidessä eri maassa. Kyselyt sisälsivät myös avoimia kysymyksiä, joiden tutkimusote oli kvalitatiivinen muuten pääosin kvantitatiivisessa tutkimuksessa. Tuloksien pohjalta pystyttiin vetämään johtopäätöksiä liittyen tulevaisuuden palvelutarjontaan ja asiakkaiden valintaan sekä nykyisten asiakkaiden laatuun.

Pääasialliset tulokset esitettiin Sekurit Partnerista vastaavalle organisaatiolle huhtikuussa 2017, jossa tulosten pohjalta järjestettiin työryhmätehtävät (future workshops). Näiden workshopien ideat tukivat tuloksia ja niitä tuodaan esiin tutkimusta täydentävinä.

Tässä työssä osa teoriaosasta sekä empiirinen osa ovat salaisia.

ASIASANAT: megatrendi, trendi, heikko signaali, tulevaisuus, ennakointi, autolasitus, jälkimarkkinat

MASTER´S THESIS | ABSTRACT

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PREPARING FOR FUTURE IN AUTOMOTIVE GLAZING AFTERMARKET

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The change of operating environment of organizations is accelerating. Changes affect everywhere and automotive glazing aftermarket is also in turbulence. Physical product is not enough anymore and the whole industry is transforming from selling spare parts to information and knowledge based service business. Changes can not be predicted but companies can prepare themselves for them, anticipate them.

Spotting and understanding the megatrends, trends and weak signals help in anticipating the change. In literature review these terms are gone through on general level. Some of the biggest trends in automotive industry are presented more deeply. Spotting megatrends, trends and weak signals by environmental scanning is prerequisite for creating future-proof strategy and scenario based strategy work. The main principles of these theories are also presented.

The research of this thesis has been done as a directed research for Saint-Gobain Autover which operates in automotive glazing aftermarket selling automotive glazing and related services. The research case is a new strategic program, Sekurit Partner, which was piloted in five European countries in 2016. This program is answering to the challenges of changing operating environment. The target of the research is analyzing Sekurit Partner pilot phase customers, thinking about the customer selection criteria in future and finding the correct service portfolio.

The research was done as online survey for all Sekurit Partner pilot phase customers and Sekurit Partner Market Leads who are responsible for selling and marketing the program in five different countries. The questionnaires included also some open questions which were analyzed with qualitative methods in mainly quantitative research. Conclusions about future service portfolio and customer selection as well as quality of current customers could be drawn based on the results.

Main results were presented for organization responsible for Sekurit Partner Program in April 2017. Future workshops based on the results were also arranged. The ideas collected from the workshops were supporting the results and some of them are also presented in this thesis as complementary ideas.

Part of the theoretical part and the whole empirical part of this thesis are company confidential.

KEYWORDS: megatrend, trend, weak signal, future, anticipation, automotive glazing, aftermarket

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1 INTRODUCTION

Change of operating environment has been accelerating the past five decades. In 1970's the change was static and terms short-term and long-term planning were used. In 1980's different trends were regularly following to each other and they were easy to forecast. In 1990's changes started to be faster and hard to predict. Strategic leading, future research and alternative scenarios became terms of the decade. In 2000's we talk about fragmented, chaotic, discontinuous and uncontrolled future which makes it almost unpredictable. (Sydänmaanlakka, 2014.) To perceive the future as a bit more organized we can name a few major trends, megatrends, describing the future world. We can also find and define smaller trends and even smaller weak signals, that may tell some valuable information about the future.

Changes, megatrends and trends are also heavily affecting automotive aftermarket industry which is in big turbulence. The physical product is not enough anymore and the automotive aftermarket has started the transformation from selling automotive parts to knowledge based service business (GfK, 2016). Actions have to be taken in order to be competitive also in the future. The research of this thesis has been done as a directed case study for Saint-Gobain Autover International, that operates in automotive glazing aftermarket.

1.1 Company and case introduction

Saint-Gobain Autover belongs to international Saint-Gobain Group. Saint-Gobain was founded 352 years ago in France and now belongs to 100 biggest industrial companies in the world. Turnover of Saint-Gobain is about 40 billion euros and it has more than 170 000 employees in 67 different countries. It operates in three sectors:

- Innovative materials including flat glass and high-performance materials
- Construction products including plaster, acoustic and thermal insulation, wall facings, roofing and pipe
- Building distribution serving new building, renovation and home improvement markets

Flat glass and automotive glazing belongs to Innovative materials. The brand name of automotive glazing is Sekurit. Saint-Gobain Sekurit has globally 38 plants in 40 different countries and it manufactures automotive glazing which is delivered to almost every manufacturer globally (OEM). In automotive aftermarket Sekurit is one of the leading manufacturer in Europe and it manufactures original spare parts. Sekurit has also one plant in Pyhäranta, Finland where I have been working since 2005. Saint-Gobain Autover is the wholesaler and distributor of the automotive glazing. It distributes windscreens, side and back lites and related accessories to automotive aftermarket including independent and authorized glass fitters, car dealers, repair shops and garages. Saint-Gobain Autover has an office and warehouse also in Helsinki, Finland. The final step of the supply chain is customer service also on b2c level. In this area Saint-Gobain owns glass fitter chain called Glassdrive.

Figure 1. Automotive glazing manufacturing and distributing chain of Saint-Gobain.

Even though I work for Saint-Gobain Sekurit, I am conducting my research for Saint-Gobain Autover because I am interested to complete my industrial experience with more commercial view in sales and marketing. This is the core area of Autover business. The strategy of Saint-Gobain Autover is to be a strategic premium partner in automotive aftermarket by offering original spare parts and needed accessories for all car models and by offering all the skills and knowledge related to automotive glazing under one roof.

Megatrends and trends that are affecting automotive aftermarket are presented in chapter 3. As a result of the megatrends, trends and exploding technical development, auto glazing is including more and more technical properties. In the near future the windscreen is turning to be a visual display, area of glazing in cars will grow and the shape of glazing will be very multifarious and complex compared to today's windscreen or side/back lite. Therefore glass fitters will need a lot of immaterial knowledge around the physical product (Kovasiipi, 2016.)

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1.2 Research focus and research questions

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1.3 Structure of the thesis

Literature review is comprised of chapters 2-4 concentrating on the analysis of environment, especially in the future point of view. Megatrends, trends and weak signals are presented on general level and more deeply on automotive aftermarket level. How to find and take advantage of them is presented in chapter 4 which is binding megatrends, trends and weak signals through environmental scanning to strategic future work. The book *Matkaopas Tulevaisuuteen* written by Futurologist Elina Hiltunen (2012) was one of the main sources offering prevailing and comprehensive information about the subject.

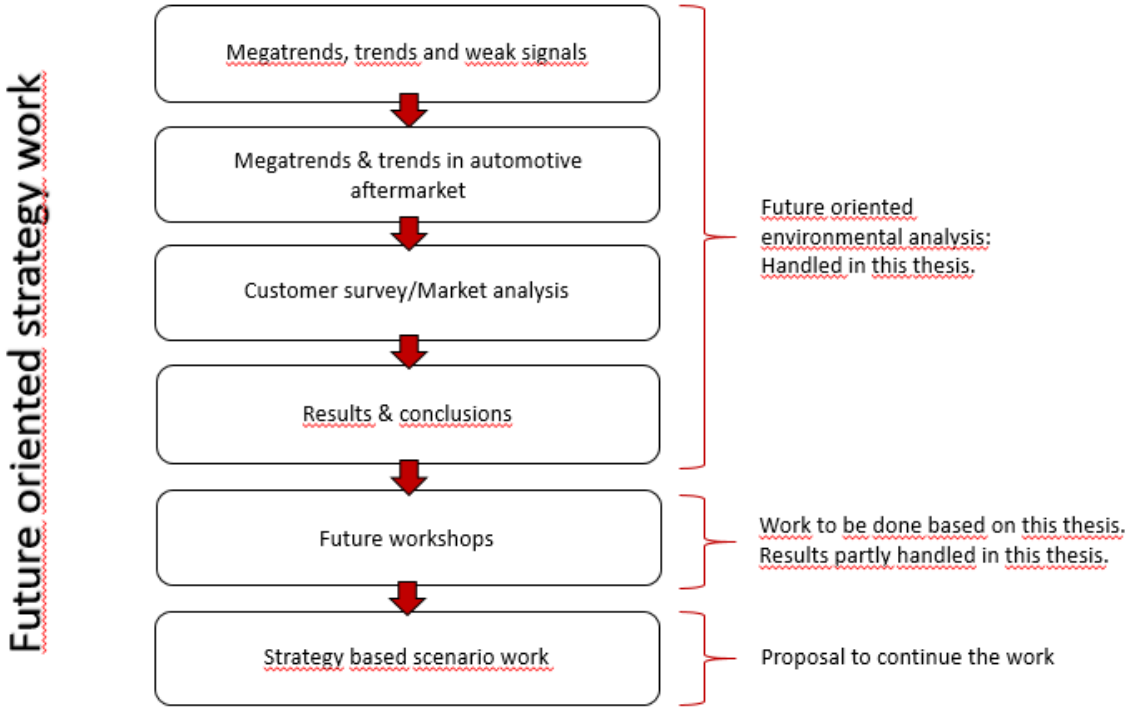

Figure 2. Meaning of this thesis (drawn by the author).

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2 MEGATRENDS, TRENDS AND WEAK SIGNALS

2.1 Megatrends

American futurist John Naisbitt has launched the term “megatrend” in 1980s’ and describes the term in book Megatrends 2000 as follows: *“Megatrends just do not come and go. These big societal, economical, political and technological changes develop slowly and after they have born, they affect us for a period – from seven to ten years or even longer. They reflect the scale and spirit of the typical change of the decade.”* (Naisbitt & Aburdene 1990; 17.)

Megatrend is also described as major, global and at least 10 years development trend which include numerous sub-phenomenons. Despite of these even opposite sub-phenomena the development has one major direction which can be seen as megatrend. (Mannermaa, 1999; Juntunen, 2015.) Megatrends are growing slowly and affecting very widely (Hiltunen, 2012). They have a power to reshape landscape of economic opportunity and risk. In today’s highly competitive business world spotting a megatrend and more importantly, understanding how it affects business, can offer a huge advantage. (Deimler et al. 2010.) So knowing megatrends and what the world could be looking like after 5-20 years, is not enough. It is important to understand how megatrends are affecting our future business, do customers need our products and services, what they would maybe need instead and how we could be a part of that.

It takes time and commitment to track down megatrend opportunities, and to position your organization to benefit. The ability to spot a megatrend and its effects usually requires mental or even physical distance from busy day-to-day business. Deimler et al. (2010) say it descriptively: “*Companies that “get” megatrends are like expert hikers who, if lost in the woods, climb to the highest hill for a better perspective on where they are, where they need to go, and how the weather is shifting. In a similar way, tracking a megatrend requires a high-level view across topics, sectors, industries, and regions to gain perspective and find a clear path to growth through rough terrain.”* (Deimler et al. 2010; 1.)

Organizations do not have to survive alone in tracking the megatrends as many consults and offices are publishing the lists of them. In different publications they are also called as global trends or supertrends. The lists are naturally very similar. (Hiltunen, 2012.)

Good examples of past megatrends are for example industrialization and democracy (Merisalo, 2012). Here are introduced some listings of today's megatrends from different sources:

LISTINGS OF MEGATRENDS

20 important megatrends (Z-Punkt, 2016)	**3 megatrends** (Kiiski Kataja, 2016)	**9 megatrends to year 2030** (KPMG International, 2014)
Demografic change	- Technology will change everything: digitalization, virtu-alization, robots, artificial intelli-gence, biotechno-logical, energyte-chological etc. in-novations are changing the world faster than ever - Global interdependence: trading has moved to online and people, goods, ideas and services are mov-ing around the world - Sustainability crisis: consequences of urbanization and climate change need solutions	Demografics
Growing individualisation		Rise of the individual
Social and cultural disparities		Enabling technology
Reorganization of health care systems		Economic interconnectedness
Blurring of traditional gender roles		Public dept
New patterns of mobility		Economic power shift
Digital culture		Climate change
Learning from nature		Resources stress
Ubiquitous intelligence		Urbanisation
Technology convergence		
Globalisation 2.0		
Knowledge-based economy		
Business ecosystems		
Changes in the work world		
New consumption patterns		
Upheavals in energy and resources		
Climate change and environmental impacts		
Urbanisation		
New political world order		
Global risk society		

Table 1. Different listings of megatrends (drawn by the author).

I will describe five important megatrends more deeply and present some statistical facts that are proving the real existence of them. I have chosen these megatrends for deeper analysis because they are meaningful for my case company and have to be taken into consideration when thinking about the future of the automotive aftermarket industry. But how are the most powerful megatrends and trends affecting automotive industry? This is presented in chapter 3.3.

2.1.1 Demografic changes

Ageing is a global phenomenon, not only in industrial countries. According to forecast of United Nations Department of Economic and Social Affairs (2009) the percentage of population over 60 years old will be 22 % in 2050. In year 2009 this number was 11 %. Some other interesting numbers from the forecast:

AGEING IN DIFFERENT AREAS

Area/country	2009 (% population aged 60 years and over)	2050 (% population aged 60 years and over)
World	11	22
Developed countries	21	33
Least developed countries	5	11
Asia	10	24
Africa	5	11
Europe	22	34
Finland	24	32
China	12	31
USA	18	27
Brazil	10	29

Table 2. Population over 60 years old in 2009 and 2050 (UN Department of Economic and Social Affairs, 2009).

World population has been growing fast in the past few decades. According to the report of United Nations population of world exceeded 7 billion in 2011. It is forecasted that it will grow to 9,3 billion in 2050. Over 90 % of population growing happens in developing countries and population grows mainly in cities. Population growing is affected by prolongation of lifespan and decreased level of infant mortality. Families' number of children has decreased globally during the last 60 years but still the population is growing approximately with 75 million people every year. This creates huge challenges for the world and cities. (UN Department of Economic and Social Affairs, 2009.)

2.1.2 Urbanisation

In global perspective every second two provincials move to city. Rural people are moving because of better services and jobs but unfortunately the jobs and increasing number of people do not always match. This leads to slums. (Hiltunen, 2012.) Rural-to-urban migration is just one of the three drivers of urbanisation, accounting for about 25 per cent of urban population growth. The other two factors are natural population increases and the reclassification of rural areas into urban ones. (Cities Alliance, 2010.) International coalition of cities, Cities Alliance, has listed facts about urbanisation. Here some of them:

- More than half of the world's people live in cities.
- Nearly two billion new urban residents are expected in the next twenty years.
- Over 90 per cent of urban growth is occurring in developing countries, which add an estimated 70 million new urban residents each year.
- By 2030 all developing regions, including Asia and Africa, will have more people living in urban than rural areas.
- The urban population of the world's two poorest regions, South Asia and Sub-Saharan Africa, is expected to double over the next 20 years.
- Cities account for some 70 per cent of global GDP.
- No country has grown to middle-income status without industrialising and urbanising.
- More than 70 per cent of Africa's urban population lives in slums
- Around 1/3 of the urban population in developing countries – nearly one billion people – lives in slums, according to estimates.
  (Cities Alliance, 2010.)

These facts clearly prove the topical and continuing megatrend of urbanisation.

2.1.3 Technology convergence

Technology is stepping into almost every part of life: work, entertainment, transportation, health, education and communication. People are increasingly prepared to adopt new devices. Here is one example about spreading and adopting a new technology: In 1973 Motorola launched the first mobile phone. In 2010 there was over 5 billion mobile phone

subscriptions in the world. In practise it means that there are more mobile phone subscriptions than tooth brushes (possibilities to clean water). (Hiltunen, 2012.)

Technological innovations are divided to incremental and radical innovations. Incremental innovations involve small improvements to existing technology whereas radical innovations involve a fundamentally new way of solving a problem. In addition to mobile phone some other examples of radical technological innovations that have changed markets in the past decades are Aspirin, automobile, digital music, microprocessor, internet, medical diagnostic imaging and fiber optics. (Shane, 2009.)

2.1.4 Resources stress

Increasing consumption, growth of wealth, growing population and technological development are leading to reduction of raw materials (Hiltunen, 2012). Kumpula (2008) has listed facts related to consumption and raw materials, here are some of them:

- World energy consumption is forecasted to grow 50 % by year 2030. Big part of the energy will be got from fossil sources for a long time still.
- Investors are transferring their money to raw materials, for example gold.
- Global paper consumption grew sixfold in 1950-1996.
- Water is slowly renewable natural resource. About 98 % of world's water is salty. The rest freshwater resources are competed by people, agriculture, industry, plants and animals.
- Almost half of the world population lives on areas, that suffers lack of water. According to United Nations two third, which means about 5,5 billion people, lives in these areas by year 2025.
- About one fifth of world's original forests still exist. It means about 1,3 billion hectares. In 1990-2000 area of natural forests decreased by 160 million hectares which is about 4 %. Biggest part of destroyed forest was tropical forest.
- Resident of Western countries consumes even 10 times more metals in average than resident of developing countries.
  (Kumpula, 2008.)

2.1.5 New consumption patterns

The consumption is increasing because the world population and prosperity is growing. It can be forecasted to continue and not only in developed but also in newly industrialized and developing countries. (Hiltunen, 2012; Z-Punkt, 2016). This is problematic because the natural resources are limited. Especially growing global middle class is increasing the consumption. By 2030 this middle class will grow by 3 billion people and main part of this class lives in Asia. In year 2000 only 10 % of consumption of global middle class took place in Asia but this share is expected to grow to 40 % by year 2030. (Hiltunen, 2012.) According to OECD report global middle class will grow from 1,8 billion in 2010 to 4,9 billion in 2030. This growth happens mainly (85%) in Asia. (Kharas, 2010.)

In addition to increasing consumption there can also be seen some changes in consumer habits and consumer preferences. In the West people pay more attention to sustainable consumption decisions and they also spend more to services and convenience products. There is a rise in popularity of hybrid consumption and virtual shopping models, as well as collaborative consumption. (Z-Punkt, 2016.)

2.2 Trends

Hiltunen (2012) defines a trend as follows:

"Trend tells about the direction of a change in recent history and today, which can continue the same way in the future" (Hiltunen 2012; 94-95).

The emphasis is on the word "can" because there are no guarantees, that trend is automatically continuing in the future. Some trends have more history ballast than the others and therefore they are stronger. Trends with bigger history ballast continue more likely also in the future compared to trends that have not such a power and are not so anchored to history. This is connected to the theory of path dependence. It means that certain choices which have been made in history have led to certain path. Different choices lead to different paths and it is not easy to turn off from that path or choose another path instead, at least it will take a long time. (Hiltunen, 2012.)

Megatrends are normally most anchored to history so they are changing slowly. However, sometimes one wild card or coincidence can change the trend direction dramatically. Examples of trends with history ballast are ageing of population, climate change and increasing usage of internet. Examples of trends without history ballast are share prices, fashion trends and prices of oil and raw materials. (Hiltunen, 2012.)

Trends are affecting to every part of life and one basic way to categorize them is to divide them in social, technological, economic, environment and political trends (STEEP). Trends can be related to big changes of operational environment or be more detailed and accurate views concerning for example consumer habits. But in order to be called a trend, it has to be spread to wide masses. (Hiltunen, 2012.)

Logic of trend forming and spreading is quite similar to adopting a new innovation (Hiltunen, 2012).

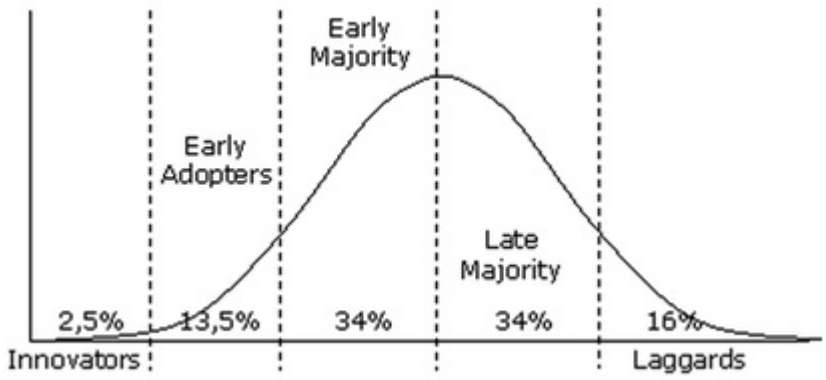

Figure 3. Innovation diffusion curve (Value Based Management, 2016).

- Innovators take the pain to come out with some innovation
- Early Adopters take the initiative to adopt the new innovation/trend
- Early Majority is next adopter in accepting the change
- Late Majority adopts the new idea/trend after it has been accepted by the majority
- Laggards are traditional and adopt the change once it has been accepted by all and become the trend (Value Based Management, 2016.)

Trends are remarkable tool of commercial communication and for companies it is essential to understand the flows in operational environment. According to Merisalo trends are even the base of customer-oriented service and product development as well as perceiving strategic guidelines in the future. (Merisalo, 2012.) However, it has to be remembered

that as Hiltunen (2012) described the trend there are no guarantees that the trend will continue, at some point all of them are more or less dying down. For a company it is important to knowledge how powerful and anchored the trend is an take it into consideration when developing new products and planning the future. I still mainly agree with Merisalo that by following, challenging and creating trends the company maintains the market grip (Merisalo, 2012).

2.3 Weak signals

There is some discussion about different interpretations and definitions of weak signals. Some sources describe weak signal as an issue that changes and transforms itself and to which organizations can affect. Whereas other sources see a weak signal as separate indication of some rising phenomenon and weak signal itself stays unchanged being just a sign. (Rubin, 2016.) In this thesis I am following the latter definition that weak signal is just a separate sign of a rising phenomenon because it seems to be clearly the more common definition.

Some literature sources are also talking about wild cards and weak signals as the same. For example Mannermaa (1999) makes a direct comparison between these two terms. In this thesis they are separated. Wild card is fast, widely spread and unexpected occurrence whereas weak signal is a sign of emerging issue (Hiltunen, 2012). Wild cards are worth of thinking and organizations should prepare themselves also to possible unexpected occurrences because they may carry a huge risk but I am not digging deeper into wild cards in this thesis.

Weak signals are the first signs of emerging issues and potential future changes. Their visibility is normally low. (Hiltunen, 2010.) *"Weak signals are signs about rising phenomenons that can be something big in the future – or not"* (Hiltunen 2012, 108). Again there is a word "can" which was used also in connection of trends. What comes to weak signals, the word "can" is even more important because weak signal is something new that you sense the first time ever. It has no history at all and therefore it is not yet a trend or even close. It may be just a hint of a possible new trend.

The figure of change curve visualizes the trend forming process. In the beginning of change only a few people know or use the new thing and some weak signals can be spotted. When the new thing is adopted by bigger masses, the signals become stronger

and emerging issue becomes a trend. At some point this new thing may affect most of people's lives and everyone knows it. A trend has transformed to megatrend. (Hiltunen, 2012.)

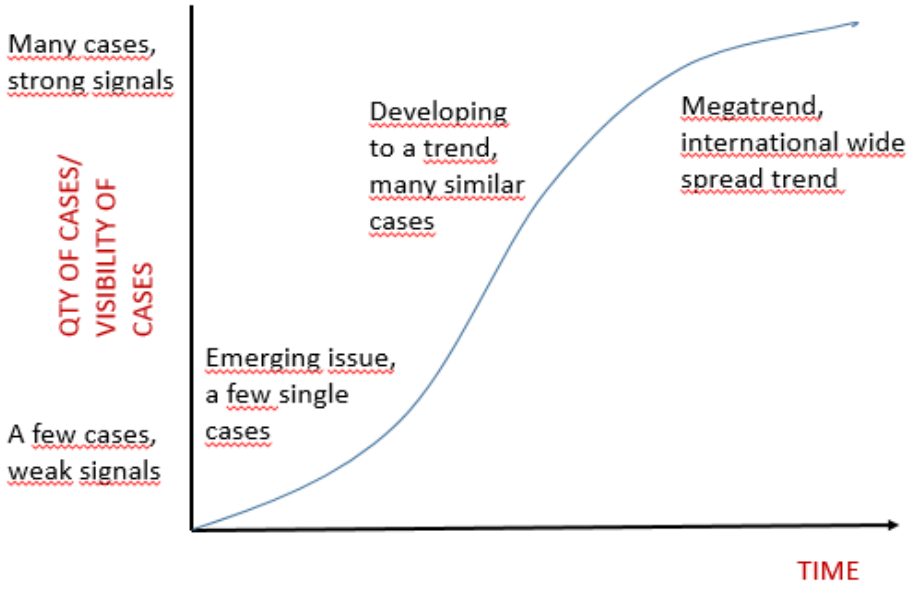

Figure 4. Change curve (Hiltunen, 2012).

All the new things will not become trends and all the weak signals do not lead to something. Weak signals characteristically live only a short time, after that they may die down and the phenomenon they referred to does not become a trend. Or alternatively the phenomenon will continue to grow, weak signal is transforming to strong signal and phenomenon is transforming to trend. (Rubin, 2016.)

Weak signal can be usually recognized from your first reaction - you probably see it as an oddity and say something like "never!" or "yack!" when you find a weak signal. It may lead you to wonder or laugh or even forbid the whole thing. (Hiltunen 2010; Hiltunen 2012.) One example of weak signal in history is the following: in 1980's fishermen found eyeless fishes in Baltic Sea. This was a weak signal about the fact that Baltic Sea was polluted by big chemical load. (Rubin, 2016.)

In company point of view the strength of spotting a weak signal is in its short lifetime. If a company finds it first, understands the meaning of it and acts according to it when all the others still find it weird or insignificant, it can give a powerful vantage. (Mannermaa, 1999.)

Relation between weak signals, trends and megatrends

Megatrends are big and wide changes that include many different trends. Trends consist of many emerging issues which can be observed through weak signals. When many weak signals concerning the similar type of emerging issues can be spotted it is possible that those emerging issues are transforming to a new trend. So when organizations want to find new future trends, the best way is to keep eyes open for weak signal, first signs of emerging issues. (Hiltunen, 2012.)

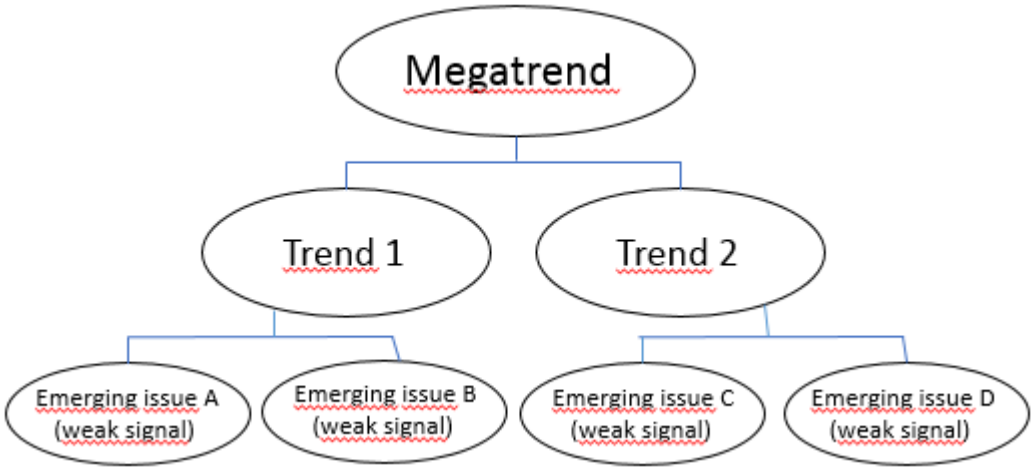

Figure 5. Megatrends, trends and emerging issues relates to each other (Hiltunen, 2012).

3 TRENDS IN AUTOMOTIVE AFTERMARKET

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4 FUTURE-PROOF STRATEGY

How organizations can take the advantage of megatrends, trends and weak signals? First, organizations need a method to find them. Second, they need to understand them – what they mean in their industry. Third, they need a vision and agile strategy that leads them to success also in the future. How to create this kind of future-proof strategy? Organizations need a method to test their strategy in different circumstances created by emerging trends and weak signals, in different futures. In the following I will present some theories that are answering to these three points.

4.1 Environmental scanning

The challenge of anticipating the future is in evaluating the rate of change, evaluating the direction changes of a change and those things that are not changing no matter what. Forecasting the change may not be even possible but something can be done in front of it: organization can prepare. This is what is meant by anticipating. It is not forecasting but it is anticipating, preparing ourselves. (Hiltunen, 2012.)

Megatrends reflect the present and they are affecting strongly to different parts of life. Because megatrends are long-lasting it can be assumed that they also tell something about the future. However, they are not constant, they can change and die down. When anticipating the future it is interesting to know when certain megatrend or trend is turning or dying down. (Hiltunen, 2012.)

To be able to spot megatrends, trends and weak signals, organizations need a system to collect and analyse environmental information. This is called environmental scanning. (Hiltunen 2010; Hiltunen 2012.) In some sources it may also be called as monitoring or systematic monitoring (Mannermaa, 1999). It means that when doing the strategic foresight work and anticipating the future changes organizations look for emerging issues through weak signals as well as pay attention to trends and megatrends in their business environment. Weak signals are very important part of this scanning as based on them organizations can create different future scenarios and think about possible strategies for each scenario. It is also important to scan changes not only inside the region or industry of the own organization but across the sectors, industries and regions, because new competitor or trend that changes the whole industry may appear from totally different sector. (Hiltunen 2010; Hiltunen 2012.)

Researcher Chun Wei Choo (2001) has defined different environmental scanning models of organizations. The models are undirected viewing, conditioned viewing, enacting and searching and they are presented in figure XX. The model of each organization depends on its attitude towards environmental changes (assumptions about environment) and its activity concerning information seeking.

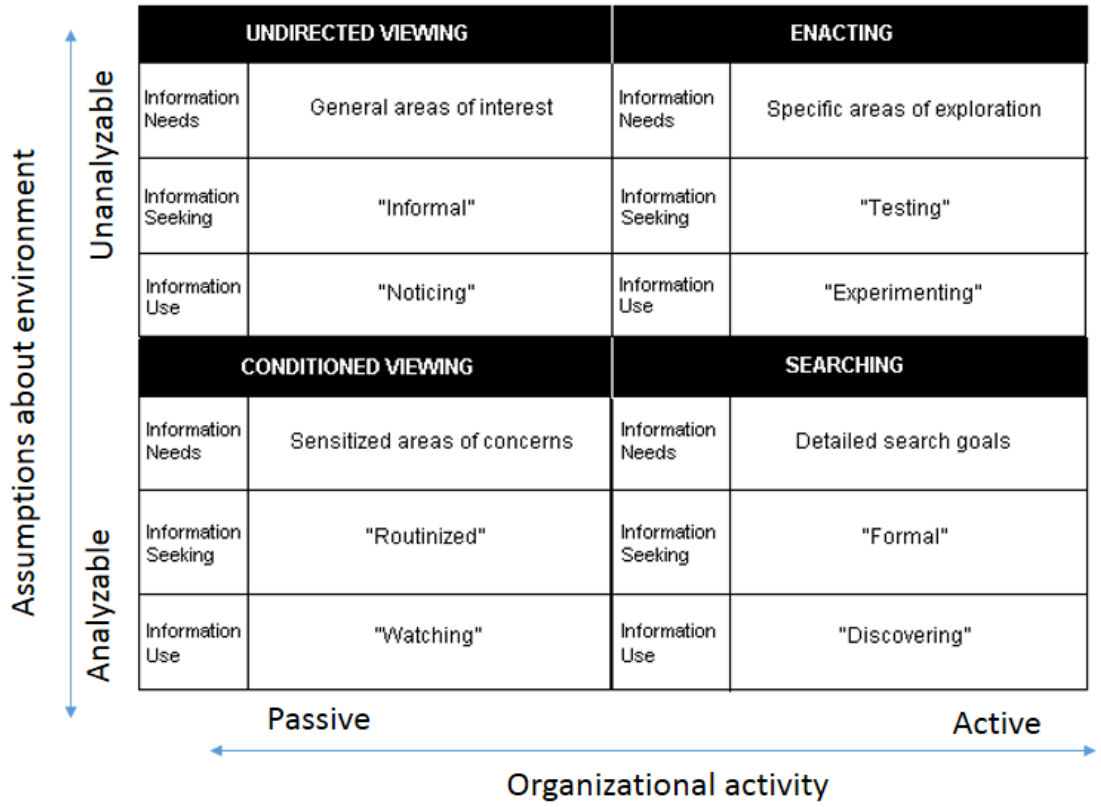

Figure 6. Environmental scanning models (Choo, 2001).

Companies that do not believe that information from environment can be collected and analysed are trusting on undirected viewing. In this model seeking of information is informal and it relies mainly on irregular contacts and people sources. Whereas companies that believe that valuable information can be found and analysed trust on reports and other outer sources and their information seeking is routinized and very selective. They think information can be collected but do not see possibilities to affect it or change environment. This is called conditioned viewing. Both of these models are quite passive in environmental scanning. (Choo, 2001.)

Active companies are scanning the environment by enacting or searching. Enactors believe that they can affect environment by testing and acting, they do not trust on standard

reports or traditional market researches. They want to find their own way and own channels. They do not believe that environmental information can be analysed. Searchers are actively, systematically and broadly scanning the environment and analysing the information. They have defined targets for information but keep themselves still open-minded. They think they can affect changes in environment and they also can accept and handle information which is unexpected. This type of companies normally have a unit working with environmental scanning. (Choo, 2001.)

4.2 Future-proof strategy work

There are as many definitions for strategy as there are people writing or talking about it. Like Earner says "*strategy can mean everything and nothing*" (Earner 2014; 9). Åhlman and Runola (2006) have defined a strategy answering the questions of where we go, why there and how. Hiltunen (2012; 219) says it concisely: strategy is "*path to company's vision*". Traditional strategy work focuses on the most likely future and a strategy of which target is to make a company succeed in that most likely future. In worst case the company waits that the most likely future will come true and forgets to prepare for unexpected. This does not work in rapidly changing environment of today. (Åhlman & Runola, 2006.)

Continuous reformation has become a strategic necessity for organizations. To make it possible, organizations need strategic thinking on every level of organization. (Hänninen in Sydänmaanlakka 2014.) According to Sydänmaanlakka (2014) strategic thinking is sensitivity to anticipate and observe weak signals and to react quickly on every level of organization (Sydänmaanlakka, 2014). It means seeing backwards, forward, from down to top, from top to down, horizontally and beyond the future (Minzberg 2009 in Sydänmaanlakka 2014). The significance of spotting and understanding weak signals has been emphasized in many sources. Making use of weak signals in organization's strategy work requires:

- support and authorization of the company management
- connection to strategic architecture of the company
- systematic handling process for weak signals (Mannermaa, 1999.)

On the other hand, it has to be remembered that linking weak signals to the strategy work may not make sense or pay off for every organization because taking advantage of

them depends on operating environment, situation and development level of the organization. (Mannermaa, 1999.)

Quick and complex changes in operating environment require agile and easily changeable, flexible and proactive strategy and organization has to have courage to change it when necessary. Because the future can not be forecasted organizations should prepare. Therefore strategy work should be far-reaching. (Hiltunen, 2012.) Doz and Kosonen (2008) have written about agile strategy which involves three key elements: strategic sensitivity, collective commitment and flexible use of resources. There is a remarkable difference in traditional strategic leading and strategic agility which can be seen in the picture below. (Doz & Kosonen, 2008.)

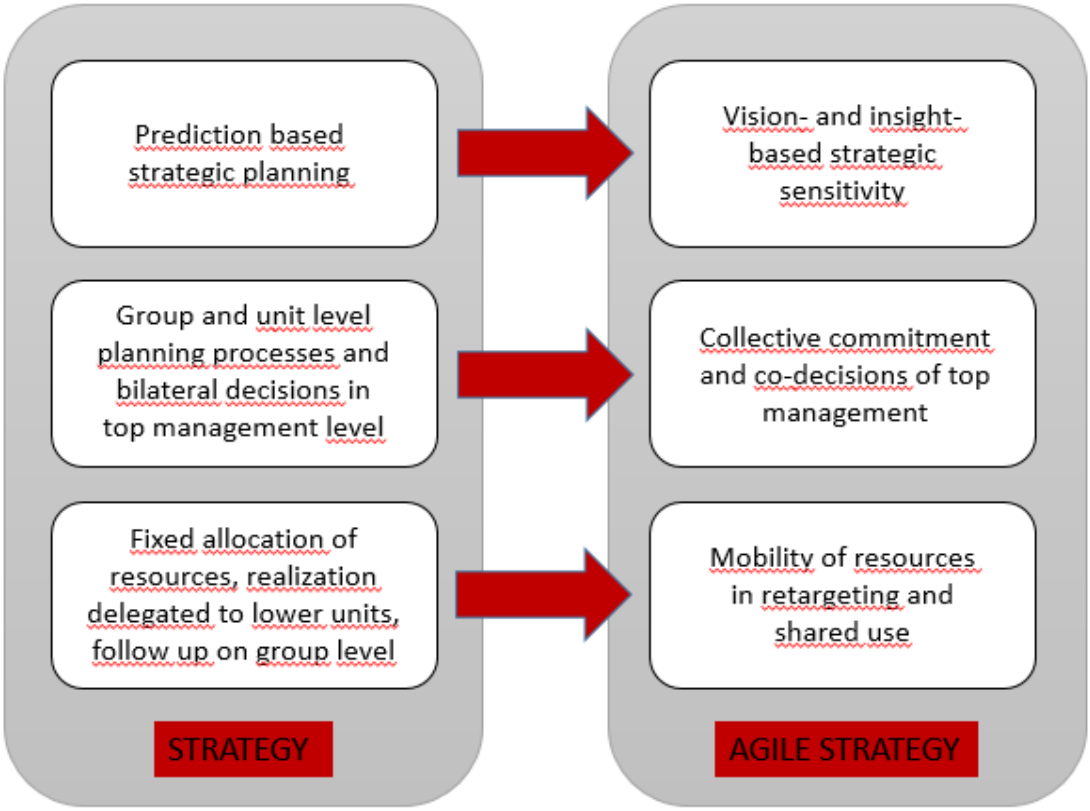

Figure 7. From strategic leading to strategic agility (Doz & Kosonen, 2008).

Strategic agility means that a company sees real-time and accurately (strategic sensitivity), is collectively committed and re-targets resources quickly to a sufficient extent. Strategic sensitivity means that a company acknowledges emerging issues, trends and powers and their effects at the early stage. Company is also able to evaluate the significance

of these rising trends and put a lot of effort to interpret them and make conclusions. Collective commitment enables quick decisions. When the management is committed not insecurity of individuals nor political stalemate of the management postpone the decision making. Flexible use and mobility of resources makes it possible to implement the quick decisions in practice and it is the third key element of strategic agility. (Doz & Kosonen, 2008.)

The first level of strategic work includes information gathering and analyzing. Circumstantial analysis is the base of creating, implementing and updating strategies. It improves the knowledge of people, develops their strategic competencies, increases their willingness and courage to do strategic work and creates possibilities to find a common vision for the strategy. The analysis work can be divided to analysis of environment and analysis of internal efficiency. Analysis of internal efficiency includes for example total efficiency analysis, process efficiency analysis and financial analysis of the organization. Analysis of environment includes macro level analysis, scenarios, weak signals and industry analysis including for example customer, supplier and network analysis. (Kamensky, 2010.)

On the other point of view many latest strategy books emphasizes that strategy work is continuous whereas traditional strategy process is old-fashioned. Sydänmaanlakka (2014) writes that in fragmented and complex environment the strategy is created in action and interaction, not in planning meetings. Doz and Kosonen (2008) tell that the rhythm of strategic work can change unexpectedly – sometimes there can be long and calm periods whereas sometimes there happens a lot in a short period of time and one wrong move can lead to a failure. Åhlman and Runola (2006; 149) puts it poetically: *"In 2020 strategy is not created, it is lived and played".* Meaning mainly that in the future a strategy will never be ready like we now understand it but it will be a natural part of daily work instead of an annual effort.

However, strategy work being a phased process or being created, played and sang every day, the analysis is important. In my view analysis of internal efficiency may be done as process for example on annual basis or when necessary because company knows or should know the internal changes like its own pockets. But analysis of environment should be continuous because nobody knows what is going on in the outside world without continuous environmental scanning.

In this thesis I concentrate on the analysis of environment especially in the future point of view, including megatrends, trends and weak signals and as a result of the research, customer analysis. These will be used as a help of strategic work of the case company.

4.3 Scenario based strategy work

Scenario is "*script of the future"* (Kamensky, 2010; 162) which was successfully used in business world first time in 1970's by Royal Dutch Shell (Åhlman & Runola, 2006; Hiltunen, 2012). Scenario based strategy work aims to minimize the basic problem of strategic planning – the fallacy that future is similar to today (Santalainen & Baliga, 2015). In strategy work scenarios are essential in questioning the prevailing views about the future, testing the strategy in different circumstances and evaluating which parts of the strategy are easily changeable (Hiltunen, 2012).

Scenarios stimulate to think differently, encourage to conversation, help to reduce complexity and help to communicate. (Hiltunen, 2012.) They also enforce to think optional operating models (what if) and help to minimize over anticipation (too big faith to own strategy) and under anticipation (too narrow view to own possibilities) (Santalainen & Baliga, 2015). Scenarios can be used:

- as a help of planning, not only strategic planning but for example product planning
- as a tool for inspiration and new ideas
- as a help of evaluating strategy, product etc. in different futures (Hiltunen, 2012).

Mannermaa (1999) has defined scenario method as *"logically rolling series of scenes of which purpose is to show how possible, either probable, improbable, desirable or threathening future, develop step by step from today" (Mannermaa, 1999; 57).* There are numerous different techniques to use scenarios. These rolling series of scenes can be thought from different point of views for example concentrate thinking to certain region or certain subject, thinking the best future (utopia), worst future (dystopia) and similar future as today (business as usual), thinking scenarios that answers to different questions etc. (Hiltunen, 2012.)

By defining the drivers, certainties and uncertainties it is possible to create the frame for scenarios (Hiltunen, 2012). As stable drivers of change, megatrends are often the start-

ing point for strategic foresight processes (Z-Punkt, 2016). Drivers are for example megatrends, trends or other factors of which change has a big impact on the operation of the company. (Hiltunen, 2012.)

One technique to list these drivers and create multiple different scenarios is to use future table. Organization chooses the most meaningful or powerful environmental drivers and imagines 2-5 different development options for them and writes those down to future table. (Kamensky, 2010; Hiltunen, 2012.) Different scenarios can be created by drawing paths through different options. This is visualized in table no XX.

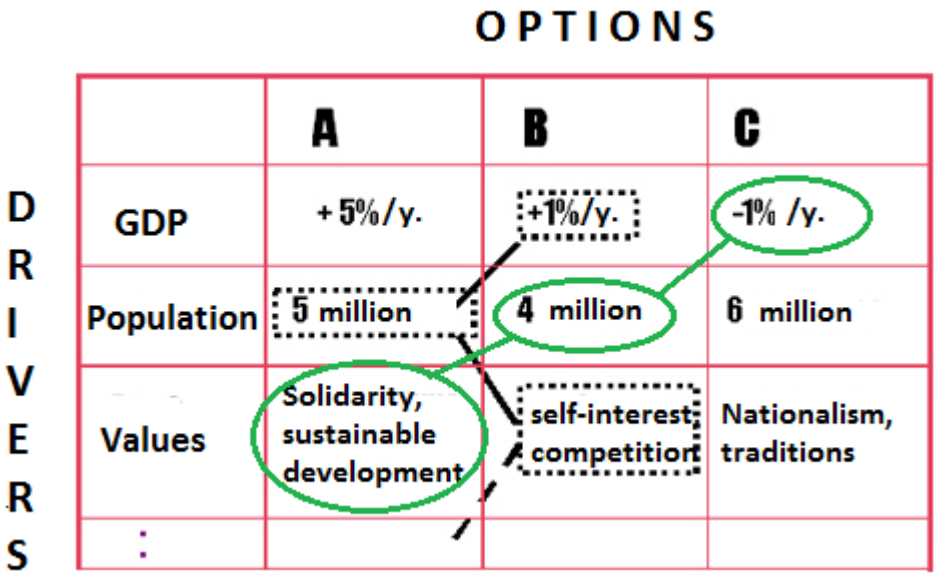

Figure 8. Example of future table (drawn by the author).

If there are lot of different drivers, there are also numerous different paths and scenario possibilities. Mainly those scenarios are unconvincing. It is important to recognize and choose relevant, interesting and convincing scenarios. (Mannermaa, 1999.) To make scenario more understandable and easier to communicate further, scenarios should be opened and written as narratives. Different scenarios can also be aptly named which help to perceive them. (Hiltunen, 2012.)

Scenario work helps organization to react changes and choose direction more quickly. In the more scenarios the strategy works, the stronger the strategy is (Åhlman & Runola, 2006.) Hiltunen (2012) has named this kind of method as creating a “future-proof” strategy. It links strategy process closely to scenario work as defined in the figure no 9. The

first part of strategy process - information gathering and analyzing - has already been done when starting the first phase: defining vision, mission and strategy.

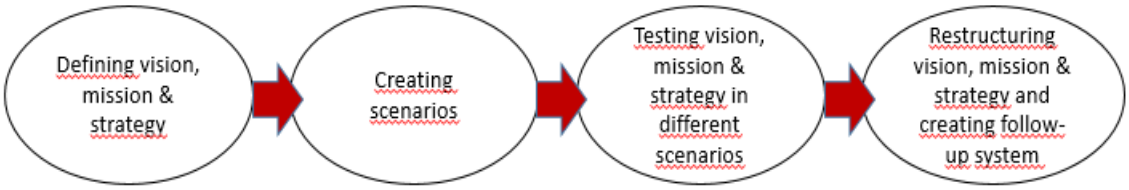

Figure 9. Creating “future-proof” strategy (Hiltunen, 2012).

5 RESEARCH METHODOLOGY

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6 RESULTS

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7 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

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