



Gill Ringland, CEO

*S*haping Tomorrow' is not only a good slogan but also the name of the portal which provides links to a number of organisations world-wide that provide consultancy, research and training services in futures, strategy and change management. It provides about 4,000 web links (at the latest count), commentary on trends, and details of meetings, books, articles, etc. SAMI has become an affinity partner of Shaping Tomorrow and has

own website www.samiconsulting.co.uk.

Also, since the last Issue of VECTOR we have welcomed a number of new people to SAMI, enabling us to extend our strengths in several directions.

Martin Duckworth joins us from Boots, where he was a member of the 'corporate radar' team, analysing trends and patterns of competition in the external business environment, with frequent assignments to cross-functional strategic project teams; *Dr Colin Mynott* brings extensive experience of manufacturing and engineering; *John Ormerod* is an economist and chartered accountant with international market focus; and *Nigel Quick's* experience has been in delivering large and complex projects in construction and engineering.

From the CEO

linked its website. So SAMI will be accessible through www.shapingtomorrow.com as well as our

Taking it on
Developing UK sustainable development strategy together

article 13
INVIGORATION THROUGH INNOVATION

*A*s part of Defra's *Taking it on* initiative on sustainable development, Article 13 hosted a workshop with Defra in July 2004. Article 13 are specialist advisers in governance, business responsibility and sustainable development, looking beyond

their own experience into problem solving for the future – in this case a more sustainable future – through the preparation of an intra-company brief. Their task was to imagine themselves as innovation directors at a company, and to think about how they might brief their team to come up with a

focused new product development team. For them the resultant product had to deliver real value to consumers as well as being 'sustainable'. But sustainability in itself could not be the only differentiation: the scenario reinforced the need to aim for 'zero waste', eg in packaging.

The group considering homes used one particular aspect of the scenario, what they termed the 'older, funkier' population together with smaller families, to build their sustainability-focused new product development brief.

As one piece of feedback put it, the workshop highlighted the need to "train buyers and suppliers in what sustainability means for them".

Article 13 can be reached via their website www.article13.com.

Taking on sustainability

traditional responses in order to leapfrog to innovative solutions.

The purpose of the workshop was to build awareness and understanding of current practice in sustainability-focused approaches to new product development. More than 50 delegates took part.

A scenario-based break-out activity was used to 'push' groups beyond

product or service for the year 2020. The scenarios were the primary stimulus material to get them thinking about life 15 years hence, what some of the consumer issues might be, and some of the sustainability issues that might arise.

One group considered food, and identified critical measures for success for their sustainability-



VECTOR

FROM SAMI CONSULTING



Robert Worcester, Chairman, MORI

*M*any organisations these days recognise the importance of engaging with stakeholders. Yet this art remains in its infancy! Some still try to second-guess their stakeholders' concerns and expectations, or try to impose their own agenda on them – like the company whose idea of 'dialogue' was to lecture a group of NGOs for 90 minutes, then offer 10 minutes' discussion.

A less obvious – but arguably just as serious – fault is to assume that stakeholder expectations are set in stone: measure them once, and you

society. A better term to sum up the issues of 2005 and beyond, therefore, will be corporate responsibility.

should have no complaints about it. But there are more subtle aspects to it as well.

In business – as perhaps in personal life – we gain more credibility and trust if we don't pretend to have all the answers. The best corporate reports these days, such as those produced by BP and Shell, give a balanced view of issues, acknowledge areas of shortcoming as well as achievements, and invite dialogue with stakeholders to explore acceptable ways forward.

For the best companies responsibility is not a bolted-on extra, useful to highlight when the organisation is under pressure. Rather, it is central to the organisation's outlook and sense of itself, underpinned by a confidence that this makes good business sense. Lord Browne, CEO of BP, put it forcefully in his 2001 annual report:

"To deliver the continuous improvement in performance and profitability that is our fundamental goal, we have to show we are part of a process of sustainable development, beneficial to all."

MORI's continuous research among key stakeholder groups – internal and external – suggests four keys to success:

- Hit the issues before they hit you
- Create a virtuous cycle of words and actions
- Exorcise corporate speak
- Get staff on board.

Beyond that, business should not let itself be forced onto the back foot. If its behaviour deserves trust, it should be assertive to claim it. After all, only business – indeed, only successful business – can be responsible business.

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Corporate responsibility – at the heart of the organisation

have a lasting picture. Expectations are shifting sand, and the speed of shift seems to accelerate year by year. This clearly represents a threat to companies' ability to stay in touch with those who matter to them – but also it is an opportunity, with the prize of competitive edge for those who can keep a finger on the pulse of stakeholder opinion.

An example of their shift is development of expectations surrounding responsibility and citizenship. In the 1997-2002 period, the phrase corporate social responsibility was useful shorthand for many of the key issues and expectations: community contribution, treatment of employees, environmental care, dealings with the developing world. Since 2002, the emphasis has moved to a broader set of issues including honesty/integrity, governance and the overall impact of the business and its products on

Every stakeholder group MORI surveys – from government and media to employees and consumers – has become more interested in the values of the company behind the products, and how those values translate into behaviour.

As consumers become increasingly affluent and aware of their power, these interests and expectations are becoming critical for brand success. The impact of honesty/integrity as a theme, given added impetus by Enron and more recently by Shell, has been striking. For the British public it has now replaced quality of products and services as the single most important criterion by which to judge a company; it also tops the priority list for government, media and investors.

What exactly is meant by honesty, and how can companies convey it? First, of course, is the avoidance of lying; if we lie we lose trust, and



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How scenario planning at Nissan in the UK began the journey to a strategic alliance with Renault – and a global automotive force

In the mid-1990s Nissan Motors GB (NMGB) was a newly formed sales and marketing company wholly owned by Nissan Japan Ltd. At the time there was a growing 'conventional wisdom', accepted by an increasing number of

profitably. Moreover, it was likely to require a large investment commitment and acceptance of a significant degree of risk arising from some major uncertainties in the world of retailing - including the likelihood of the EU Block Exemption for car manufacturers being abolished. (This was the exemption from EU competition rules, permitting car manufacturers to create networks of selective and exclusive dealerships; it was effectively ended in October 2003.)

natural choice for helping understand the future, and NMGB began working with SAMI on an exercise called 'Future Purchasing of Personal Transportation' which led to 'Scenarios for Motor Retailing in the UK'. The objective was to increase understanding of how motor retailing might evolve over the next decade and beyond, in order to inform decisions which NMGB senior executives needed to take regarding future activities in the UK.

An 'open' scenario planning methodology was used, in which the NMGB management team (as the 'owners of the problem'), together with selected others from inside and outside the company and the industry, were interviewed to explore their individual strategic thinking in the field of enquiry. The inputs were synthesised to identify the range of ideas about what might be important for the future, especially the diversity of views.

Diverse views of the future

Sands of Time, in which economic growth of 3% pa reduces pressure for change in the short term but allows traffic, pollution and safety concerns to build up inexorably. Current business trends continue: company cars remain popular, leasing grows slowly, block exemption continues, dealerships concentrate slowly as the weakest 'go to the wall'.

Lean Retailing, in which economic growth of 1-2% pa forces competition in the car industry, removal of block exemption from trade restraint, curbs margins, limits road expansion and repair, and lengthens car life. New distributors with wider retail experience and a lean mentality drive existing distributors to concentrate faster. Greater emphasis is given to used car sales ('nearly new' market approach) and on financing used cars. Growth of imports from cheaper manufacturing sources, such as the Far East and Eastern Europe.

Screen and Lean, in which there is economic growth of 1.0-1.5% pa, and

lower employment and market growth; competition drives web-enabled operations (enabling staff reductions), car life is much longer, and public transport neglected. Manufacturers fight back by moving into the 'whole life' value chain. They invest in new showrooms and multimedia support and communication facilities. Greater use is made of web-driven sales (also in the aftermarket). Manufacturers focus on build quality in order to underpin extended resale warranties, and extend their reach to operate from conception, through design and manufacturing, throughout vehicle life to scrapping. This last stage meets new EU recycling regulations.

As a result of the scenarios project Nissan developed dealer relationships based on two key premises. The first was the 'through life' as opposed to a 'factory gate' perspective; long-term profit streams could be derived not only from selling new vehicles but also from additional services at the time of sale (eg financing and insurance), together with workshop activity – routine servicing and repairs – and long-term customer relationships. The second was the creation of partnership relationships with distributors.

The company attracted progressive distributors whose dealership performance enabled Nissan to strengthen its market share and, more importantly, rapidly increase operating margins by 20%. Distributors and NMGB benefited from substantially higher returns.

The wider impact

But the project yielded wider and longer-term benefits too. NMGB found the scenarios process very rewarding. It brought an added dimension to the conventional strategic planning methods, making scenario planning a potent tool in the armoury of the leadership team. The three scenarios made for much more confident strategic decision-making and contributed substantially to the success in meeting corporate objectives over the long term.

Even more significantly, once UK strategy had been established, Nissan turned its sights to beyond the Channel. Scenarios were employed to examine the future of Nissan in the whole of Europe. This project brought not only the adoption of similar business models and a significant increase in profitability, but also a much wider perspective of Nissan's business on the global stage.

The realisation that Nissan needed to strengthen its global position led to the alliance with French automotive manufacturer Renault involving substantial cross-shareholdings and the creation of Renault-Nissan BV, a company incorporated under Dutch law, which forms the strategic management structure for the group.

Prior to the outcomes of the scenarios work, such a bold, radical move had not been even contemplated as a possibility by some of the key senior management.

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Sowing the seeds of global strength

the key car manufacturers, that to survive in the future and increase margins while reducing distribution costs, manufacturers needed also to own the last link in the chain, that is the dealerships retailing the product to the end-consumer. An important first task was to evaluate the possibility of NMGB setting up and running its own dealer network.

A new distribution model?

As a maker and distributor of cars and spare parts, Nissan had a vast amount of experience and expertise with that side of the business – after all, it had created, in Sunderland, the most efficient car manufacturing plant in Europe. But it lacked a deeper understanding of the retail side of the business – car dealerships handling sales, servicing and repairs, and dealing with customers.

Within NMGB there was some scepticism about the full vertical integration model, on the grounds that car manufacturers should stick to what they know best and the dealers with what they know best. There had been very few, if any, past successes where manufacturers had also run dealerships

So, for Nissan, would ownership of retail distribution be a viable route into the future? Would it enable Nissan to strengthen its brand and project it more powerfully or would it put its brand at risk? Crucially, apart from considerations such as managing the new structure and the financial impact, what would be the suitability of the new model in the context of future changes in the macro-environment? What would be the impact of future legislation, industry rivals, competing forms of transport, consumer behaviour, and governmental and public reaction to green issues?

Critical uncertainties

It was clear that these critical uncertainties would make it impossible to forecast the outcome with sufficient confidence on which to take action. It was decided to test, for the first time in NMGB, an alternative approach, scenario planning, for understanding future uncertainties and exploring the range of possible outcomes.

Yet Nissan was no stranger to scenario planning, which had been used in its American operations for some considerable time since the early 1980s. In a way, then, scenarios were rather a

