

Redefining business values in the era of uncertainty

“Creating a steady vision”



The automotive industry is likely to have a turning point once every 100 years in the 2020s era. A “steady vision” is imperative in this era of uncertainty.

Conventional winning pattern cannot be applied in the next era according to changes in environment represented by “CASE”^{*}.

Over 2020s, we will reach an era where advanced technologies, such as electrification and connected cars, can finally be introduced in the market at full scale. Besides having a competitive strategy, the automobile manufacturers have to considerably keep pace with the movements in such technologies. However, when these technologies and products become the mainstream, value addition where especially the Japanese automobile manufacturers have been working on as their specialty, such as engine design or related technology, is likely to relatively decrease. Further, due to the shrinking of new car market because of popularization of sharing and matching, and with the entry of new emerging players that are well versed in ICT, major automobile manufacturers will enter an era where they cannot compete based on the conventional winning pattern.

^{*}CASE: Connected, Autonomous, Shared, Electric

Timing to re-inspection what value the company provides to society

It is extremely difficult to precisely understand the environmental changes. However, if a company chooses to “Wait and not act until the environment becomes predictable”, there is a risk that it may be swayed away by the emerging players entering into the industry. Therefore, the first step is to “move”. However, the important thing here is to have a steady vision that remains the same regardless of any change in the environment. Communicating vision to people inside and outside the company improves the unifying force, fosters an organizational culture where people can think spontaneously, and also establishes a relationship of trust with investors. This can also be taken as a great opportunity for management to re-think “what kind of products and services need to be created” and “how the company will contribute to the society”.

■ Environmental changes and request for management in the 2020s

Along with environmental changes, management issues that should be suppressed with increase

It is important to create a steady vision that serves as the basic policy

- Entry of different industry players (Digital Disruptor)^{*1} with strengths in AI/IoT technology
- Surge of emerging automobile manufacturers
- Environmental problems, resource problems, urban transportation problems and employment problems



- Changes in automobile market as represented by CASE
- Shift to areas where value can be added (from manufacturing to providing services)

- Shift to sustainable investment
- ESG^{*2} expectations

- Shift to software and electrification will raise concerns about shifting of resources and the way company should compete

^{*1} Digital Disruptor: Creative destroyers in the digital era

^{*2} ESG: Environment, Social, Governance; refers to elements that are necessary for sustainable growth of companies

NRI support the formulation of corporate vision that integrates solutions for social problems with the management and business strategy and provides implementation support as well.

Fusion of social problem solution and business strategy/management strategy is important

In order to formulate a "steady vision", it is better to organize the issues faced by the societies worldwide, integrate company's strengths with its business strategy, and then move to the next step of identifying social problems that that company wishes to solve. The importance of this process is that the solutions for social problems are integrated with the business and management strategy. In corporate activities, until now, in most of the cases, CSR and business strategies were classified separately, and the studies and the organizations were considered to be separate entities; however, to realize the integration discussed above, it is necessary to integrate the two and examine the fusion.

NRI has specialized consultants who have expertise of the automotive industry and can support in drafting the business strategy. They work together with the consultants specialized in managing CSR^{*1}/CSV^{*2} to create a steady vision and extend support in drafting the mid-term management plan and IR strategy.

^{*1} CSR: Corporate Social Responsibility
^{*2} CSV: Creating Shared Value

Case: Support for formulation of vision at the time of formulating integrated report and medium-term management plan

Recently, Integrated Reports have become popular, mainly among the major Japanese companies. Integrated Report is a new tool to interact with the investors wherein the financial reports (e.g., existing Annual Report) are integrated with the non-financial reports (e.g., CSR Report). Nowadays, many global companies have started creating these reports. To respond to such social demands and management's needs, NRI has accumulated the knowledge required to create a vision for Integrated Report and mid-term management plan over a long term.

In order to create the vision, NRI provided various kinds of support, such as setting the aspirations and areas for social contribution, as well as, incorporating them into the business strategy and mid-term management plan, communicating the created vision to people inside and outside the company and implementing activities to promote it.

■ Features of NRI's vision development project

