

How macro factors influence decision-making in the fashion industry value chain



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Abstract

The complexity of the macroenvironment and value chains within the fashion industry has increased the importance of strategic value chain configurations. The global influence and awareness of macro factors has made it more challenging for decision-makers to integrate macro-environmental changes in their strategic decisions. This thesis explores how macro factors influence the decision-making process of a case company in the fashion industry and how beneficial scenario planning is for systematising the planning of possible reconfigurations.

Using semi-structured interviews with decision-makers this thesis explores how they process information about the macroenvironment and transform it into value chain (re)configurations. Our data indicates this process to be highly dependent on the focus and responsibilities of decision-makers: strategy-setting roles are more occupied with developments in the macroenvironment and the right strategy for the business while operational decision-makers work with that strategy set and the realisation of macro-environmental changes to find the most feasible and efficient value chain reconfigurations. Overall, the culture of the company, its networks and strategic partners play a pivotal role in the influence macro factors have on the value chain.

Looking into the possible effectiveness of using scenario planning to systematise future planning, we again find a difference between strategy-setting and operational roles: due to their involvement in setting the future direction of the value chain, strategy-setting decision-makers can benefit more from scenario planning to contemplate various possible scenarios and different strategic responses to them. For the operational teams scenario planning might need more input than it grants benefits as their responsibilities depend on the realisation of macro factors.

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1. Introduction

Trade disputes, the global COVID-19 pandemic, container shortages, resource scarcity, semiconductor regulations, and the Russian invasion of Ukraine; the past years have been a challenge for multinationals and the coordination of their value chains (WEF, 2021). For several industries, coping with these disruptions is challenging as companies within the industries have dispersed their value chains globally. This dispersion entails companies having fine-sliced their value chain activities depending on location cost benefits for those activities.

Having access to global brands caused customers to want to benefit from local cost advantages and consume goods in the most cost-efficient way (BoF, 2021). Since price remains an important determinant of the customer's value for certain goods, companies have needed to adjust their value chains to survive competition. Cost efficiency driven by the lead firm pressures strategic partners in the value chain to stay competitive and reinforce the cost efficiency themselves (Gereffi & Kaplinsky, 2001). By further dispersing their own activities, multinationals became coordinators of these multi-tiered suppliers (EURATEX, 2020). This global dispersion increases the exposure to disruptions for companies as their value chains are subject to multiple geographical locations.

Within the fashion industry this is no different. Years of geographical dispersion have led to finely sliced value chains (BoF, 2023; 2021) and low cost expectations of customers (BoF, 2022; 2021). This has led to e.g. offshoring of manufacturing facilities to low labour cost countries and outsourcing of textile spinning to countries with better access to cheap material inputs and lenient environmental and labour regulations. Despite the cost and specialisation benefits from competitiveness and efficiency, it also led to sensitivity in the value chain to disruptions, both on the local and global scale. Global value chain disruptions led to a trend of nearshoring and reshoring as the whole world began to recover from the pandemic. This move in the industry was influenced by macro factors, e.g. economic risks and social justice, which forced companies to change their strategic approach to manage risks in their value chains (Miroudot, 2020). During the first year of the pandemic, seven out of ten executives expected to see an increase in nearshoring strategies in the near future (Hedrich, Hügl, Ibanez & Magnus, 2021). Several European-based fashion companies are now facing challenges

from competitors reshoring parts of their production back to Europe, thus increasing the competition for European production sites.

Macro factors determine the possibilities for companies within the fashion industry to generate value for their customers. They - so to say - determine the rules of the game (North, 2005). Currently, similar factors to those that previously led companies to off-shore and outsource globally, are leading companies to re-shore and co-specialise with subsidiaries to reduce their geographical footprint and thus exposure to local disruptions (BoF, 2022; WEF, 2020). While this might decrease risks to global supply chain disruptions, it entails huge investments and still bears risk to local disruptions such as the high energy prices experienced currently in Europe (Craighead, Blackhurst, Rungtusanatham & Handfield, 2007).

The escalating geopolitical events and tensions, the energy crisis in Europe, and a new wave of supply chain disruptions and troublesome inflation challenges the fashion industry (BoF, 2022). The influence of macroeconomic factors like inflation on the fashion industry is huge partially due to the aforementioned pressure on low margins in the supply chain. The increase of interest rates by central banks - in an attempt to tackle the rising prices - has driven up the costs for both households and businesses further, affecting production costs, but also consumer buying power. According to Business of Fashion (2023), 85% of fashion executives believe inflation will continue to be a challenge for the industry during 2023. Making it the biggest challenge and threat for the industry, followed by *Margins and profitability* and *Declining consumer demand and confidence* (ibid.).

1.2 Problematization

It is generally accepted that macro factors influence industries and societies globally. However, uncertainty amongst academics pertains when it comes to how these influences are realised. One school of thought, *the institutional theory*, hypothesises that macro factors indirectly influence businesses by influencing our institutions (e.g. North, 2005) and therefore the way our economy works. Both the *narrative theory* (e.g. Beckert & Bronk, 2019) and the *legitimacy theory* (e.g. Deegan, 2002) take a more phenomenological approach. They argue that macro factors influence our perceptions which then influence the playing field for businesses. In all cases, managers and decision-makers in companies are influenced by these factors, either directly by influencing their perspective, or indirectly by influencing the

environments in which they work. Decision-makers are the ones deciding how value chains are configured in the first place and reconfigured over time.

How exactly the macro factors cause disruptions in value chains is usually observed *ex post* (Lambert, Cooper & Pagh, 1998). By this time, companies have already experienced disturbances in their value chains and have to spend valuable resources on recuperation efforts. Mitigating and protecting against value chain disruptions is necessary for companies to retain competitiveness and, if done correctly, can also be less costly for them. Academic literature on the subject could hence provide an overview of how to best go about this.

BoF (2021) mentions “*supply-chain concerns*” as the number one challenge for the fashion industry. These challenges are not expected to fade as BoF (2023) states that supply-chain disruptions are still considered to be in the top three challenges for the industry. Recently, macro-environmental trends such as new demand volatility, logistics jams, and cost increases have urged companies to reconfigure parts of their value chain to cope with these and possible future dynamics (ibid.).

Due to the increase in global value chain disruptions, the importance of risk management and strategy formulation is on an all time high. Scenario planning is put forward (by e.g. van der Heijden et al., 2002) as a tool to productively address disruptions on the global level by forecasting possible scenarios resulting from macro factors. Based on these scenarios companies could better address macro factors, mitigate unforeseen risks, and materialise upon unexplored opportunities. According to Business of Fashion (BoF) (2022), the tool can also factor in the financial risks and opportunities of companies in the fashion industry specifically. This adds to the literature on strategic management, which has become a vital part of several companies, especially after COVID-19.

The macroeconomic environment is thus expected to remain challenging for companies, as well as for consumers, whose purchasing power decreases. To operate in these ever changing and complex environments, fashion businesses therefore require constant insight and evaluation of macro factors.

1.3 Research question

The purpose of the thesis is to explore the process in which macro factors influence the configurations of global value chains in the fashion industry. To do so, the central question discussed is:

How do macro factors influence value chain configurations in the fashion industry and how can companies plan for this?

This thesis will contribute to the academic understanding of macro factors influences and how to utilise this knowledge to address - e.g. mitigate risks or materialise opportunities - them in the value chain. This will be done with an exploratory case study of how macro factors influence the decision-making process within the company, and the actions decision-makers take based on that in the value chain.

To structure looking into the complete process of macro-factor influence to the decision-making and planning, we will approach the research question in two stages, illustrated by the following sub-questions:

- I. *How are macro factors considered in the decision-making process of a specific company in the industry, Eton?*

- II. *How can scenario planning systematise future planning of possible reconfigurations for a company in the industry, like Eton?*

Sub-question I will focus on the process of macro-factor influence on decision-making while II will focus on a possibility to plan for this as value chain reconfiguration usually entails vast investments. Altogether, these questions allow for a demonstration of the influence of large scale and scope factors, distilled down to the industry and the company level.

1.3.1 Delimitation

This thesis is limited to studying the phenomenon in which factors from the macroenvironment influence value chain configurations in the fashion industry. Specific macro factors are sometimes used to illustrate, but are not the focus of this study. The term

macro factors refers to factors that are of large scale, scope and therefore influence all actors in the fashion industry. This thesis will however not focus on the effects of macro factors on individual actors, but on the effects they have on the decision-making process within the lead firm of a value chain. The term value chain in this thesis comprises the system which is affected by the macro factors. The value chain includes the lead firm and strategic partners creating value for the lead firm's customers.

1.3.2 Structure of the study

After this introduction, the case company is introduced briefly. The thesis will proceed by firstly presenting a literature overview concerning the influence of macro factors on value chains in the fashion industry. Additionally scenario planning is discussed as a way for companies to determine strategic responses to the established influences. Second, the methods used will be presented. To answer the subquestions, a double diamond approach is followed to allow for two rounds of data collection and analysis. The empirical and analysis chapters are therefore divided into two.

First, qualitative data from semi-structured interviews serves as the basis for the first sub-question. Together with input from the literature, a conceptual framework will be formed and presented in the first analysis. Second, qualitative data from focus group interviews will be presented followed by an analysis using the theory on scenario planning to answer the second sub-question.

The thesis is concluded by answering the two sub-questions to provide a complete answer to the research question. Important aspects of the process in which macro factors influence value chain (re)configurations are highlighted to complement literature on decision-making in value chains. Finally suggestions for future studies are given.

1.4 Case company

In this thesis Eton Shirts serves as the case company. Eton is a Swedish fashion firm, specialising in crafting high-quality men's dress shirts. The company was founded in Gånghester in 1928 by a husband and wife with the aim to perfect the shirt (Eton, n.d-a). The company internationalised in 1955 and has since become a prominent actor in the luxury menswear market. They sell both online and in physical locations world wide. Currently the

company can be characterised as a smaller mid-sized company. They have about 120 employees operating at their headquarter in Gånghester, with offices in Stockholm, New York, London and Como (ibid.).

Eton's attention to detail and quality craftsmanship have been instrumental in establishing their reputation on the global menswear market. Their dedication to use high quality materials and their attention to details in the manufacturing process differentiates Eton from their competitors (Eton, n.d-a). Eton solely works with manufacturers in Europe - mainly Lithuania and Romania. They work closely together with their partners every step of the way to ensure each product meets the "Eton Quality" (ibid.). They source materials, such as cotton, based on the high quality cotton cultivated in Egypt and California (Eton, n.d-b). Eton also has a high focus on innovation and technology, both in their production and to enhance the customer experience. An example of their innovative nature is their reimagination of the shirt in 1992, when they introduced the first wrinkle-free cotton shirt on the market (ibid.).

Sustainability is another differentiating factor for Eton. In addition to creating products with durability and longevity in mind, Eton have implemented several initiatives to reduce their environmental impact, for example: eco-friendly packaging and waste reduction in the production process. Additionally, they continuously work on improving the sustainability of their operations and of their strategic partners to achieve their sustainability goals of having 100% organic or recycled cotton by 2025, and to be climate neutral by 2035 (Eton, n.d-b.).

2. Theoretical framework

All organisations are subject to circumstances in their environment. These circumstances develop continuously and therefore organisations constantly deal with changing forces in their environment. How these environments change is inherently uncertain. This uncertainty leads organisation and people to use calculations, models, forecasts and make narratives to increase the feeling of control over the uncertain developments in the future (Beckert & Bronk, 2019). Despite the fact that the future is inherently uncertain and cannot be predicted, constructing these narratives can help businesses to cope with uncertainty by for instance providing a legitimate argument as to why a certain decision is made.

Macroeconomic trends can be an example of how a narrative about the future development of the economic situation can be used to understand the commercial profitability and beneficial future directions of a firm (Pan & Pan, 2014). In this way, macro-level trends aim to reduce our uncertainty regarding future influences on firms.

2.1 Macro factors

The macroenvironment of an organisation is as a set of conditions impacting the organisation's performance 'on the whole' rather than only in a particular region (Khartit, 2021). This thesis defines macro factors as macro-environmental drivers affecting all actors in the value chain of an organisation. These factors are thus external to the organisation and affect the circumstances of the environment to such an extent that it (co-)determines the ability of the organisation to perform competitively. New circumstances create new opportunities but also new risks and these change the competitive landscape (North, 2005). Macro factors thus cause organisations in the macroenvironment to constantly adapt to the changing circumstances for them to stay competitive.

To analyse the macro factors, Aguilar (1967) formulated the PEST framework which enables organisations to understand the influence of exogenous political, economic, social and technological factors on their performance. Fifield and Gilligan (2000) later added environmental and legal factors to this with their PESTEL framework. Although the PESTEL framework was designed for marketing strategy purposes, it is widely used for analysing the macroenvironment of businesses. However, not all factors are given equal prioritisation.

Various articles explain how macroeconomic variables affect supply chain configuration in the automobile industry (Guo, Liu, Jin & Lv, 2016); the energy market (Wildan, 2021); and agricultural industry (Love & Freebairn, 2022) to name a few. For the other macro factors, it is harder to find such research¹. A reason for this might be the difficulty to estimate consequences of the macro factors because of the complexity of the global systems they affect (Andreoni & Miola, 2015). This could offer an explanation as to why most effects of macro factors are only determined *ex post* (Lambert, Cooper & Pagh, 1998), when their effects are clear.

2.1.1 Macro factors fashion industry

In the apparel industry, this reactionary approach seems to be highlighted. In China, retailers' sourcing and manufacturing changes to adopt the changing macroenvironment (Kwan, Yeung & Au, 2003). As macro factors determine the opportunities and threats in the market, it is important for businesses in the fashion industry to be aware of them in order to make competitive investments in the longer term.

To remain competitive and relevant in the industry, fashion companies will have to reconfigure every stage of their value chain (Kearney, 2022). Only partially adjusting supply chains is not sufficient to adapt to current and future requirements. This is due to the social awareness of ethical and sustainable challenges in the industry - such as the prevalence of child labour and the toxins used when treating raw materials - as well as forthcoming regulations (BCG, 2019). Regulations which aim to enforce sustainability practices within the industry and prevent leakage of adverse practices in the global value chain to more sensitive countries (European Commission, 2020). To adjust to these regulations and social forces, fashion companies must gain insight into the influence on their environment over the entire value chain as reconfiguring the entire value chain is complex (Kearney, 2022).

In addition, Halepete and Seshadri Iyer (2008) argue that foreign retailers sourcing in third countries need to understand the risks and opportunities specific to the local environment. The macro factors can play out differently depending on local conditions. It is therefore thus important to understand the macro factors not just as they are, but also how they play out

¹ Shiller (1988) provides an example, however he focuses on the economic aspects and the environment in the 1980s.

differently depending on the company and its surroundings. When looking for suppliers of raw material, it is therefore insufficient to understand the macroenvironment *an sich*.

This is underlined by BoF (2023) which states how increasingly the regional realities form the circumstances for fashion businesses to operate in, rather than the global playing field. Independent of the value chain of the business, competitiveness will increasingly be determined by the effect of macro factors on regional factors and demand. macro-environmental influences will have different consequences per region. Like Halepete and Seshadri Iyer (2008) explain, these regional realities will be crucial for fashion businesses to understand for them to remain competitive both locally and globally.

Peter and Jarratt (2015) distinguish various signals of change which can help in determining when companies act on trends. Trends of strong signals are clearly observable changes happening today and expected to continue in the future. Weak signals contain information about the future that is very vague; where it is hard to determine the impact of the trend in the future. Peter and Jarratt conceptualise critical events or strategic surprises as 'wildcards'. These are the least likely to be acted upon as they are completely outside existing mental models and ways of coping. Therefore it is important that companies remain open to all information about the macroenvironment, despite it being seemingly irrelevant.

Management structures seem to enable firms to stay better informed and make supported decisions due to the facilitative character of these practices in spreading information internally in an organisation. According to Awano and colleagues (2018), more experienced firms seem to be more optimistic about the future economic performance of the firm due to structured management practices. This is likely due to the higher flow of information from their environment and experience of management which fosters specific capabilities and resources. This allows for better adjustment of expectations to the development of economic trends.

2.2 Value chain

Value chains are networks linking various businesses together through a variety of sourcing and contracting arrangements. Lead firms construct these chains and usually carry the brand-name for which the value chain produces (Gereffi & Kaplinsky, 2001). The lead firms

also coordinate how these chains are organised and managed. An important part of the value chain is the relationships companies have with the suppliers. Theory around supplier relationship management (SRM) explains how these relationships grow and how they are maintained to generate value. Competitiveness around cost efficiency, but also the need to lower risk in supply chains and stay innovative has increased the importance of good SRM (Lambert & Schwieterman, 2012).

Strong relationships in the value chain with suppliers can improve the firm's ability to continuously generate value (Flynn et al., 2010). Part of this is strategic collaboration to efficiently manage flows of resources and information and coordinate decisions, improving the firm's ability to generate value for the customer. Strong relations improve the firm's access to knowledge into various factors influencing all the parts of the value chain, possibly leading to new business opportunities (Lambert & Schwieterman, 2012). According to Flynn et al. (2010), especially integration internally in the lead firm and with its customer is important for value creation, more so than integration of suppliers.

Kostova, Marano and Tallman (2016) describe the evolution of relationships within the value chain and argue that they have become more network-like than hierarchical. This allows for more and better information sharing, both top-down - from the lead firm to partners - as well as bottom-up - from partners to the lead firm. Global integration of economic activities has facilitated this process together with cultural changes within value chains. Kostova et al. (2016) agree with Lambert and Schweiterman (2012) that working closely with value chain partners is vital for knowledge sharing and coordination.

In deciding on the value chain (re-)configurations, decision-makers play a vital role. According to Penrosian theory, they are the ones deciding on how to deploy resources for the firm to both become and stay successful (Tan et al., 2020). Jensen and Peterson (2013) further argue how personal preference and comfort zone of decision-makers determines the firm's ability to transform its value chain.

This thesis follows the Penrosian theory in arguing that external forces motivate and influence decision-makers' action, but they cannot actively influence the business itself. Therefore, this thesis regards exogenous forces as influencing the value chain configuration indirectly, through decision-makers. Whether macro factors are then perceived as

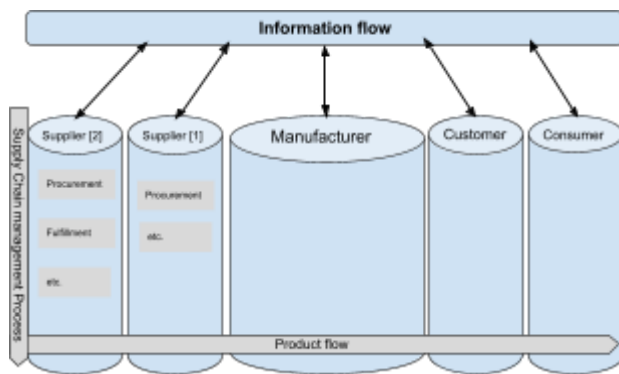
opportunities or risks will depend on the comfort zone of the decision-makers as well as the resources and capacities to act on them (Jensen & Petersen, 2013)

To materialise possible new business opportunities, maintenance of supplier relations is important as well as the suppliers profitability. Both of these are influenced by what Lambert, Cooper and Pagh (1998) and later, Lambert (2004) call 'information flows'. Cooper, Lambert and Pagh (1997) define the information flows as the kind of information and frequency with which information is shared between the supply chain and the coordinating firm. This would solely entail information internal to the value chain, thus disregarding external factors. This thesis will use the information flow concept developed in the various papers by Cooper, Lambert and Pagh to express the information accessible to strategic partners in the value chain. This information flow is then the accumulation of information about the macroenvironment which is accessed by the partners in the value chain.

Earlier papers do describe the influence of macro factors on value chains. Houlihan (1985) describes how macroeconomic uncertainty causes management to overreact to macroeconomic changes which increases costs and risks in the supply chain. He explains that these uncertainties are coped with separately in the various functions of the supply chain. This results in manufacturing and distribution partners developing forecasts separate from the coordinating firm to reduce inventory losses. This results in inter-organisational fences and makes the value-chain fragile. In this light, the information flows as talked about in Cooper, Lambert and Pagh (1997) and the sharing of information between value chain partners (Kostova et al., 2016) are crucial for lowering the inter-organisational barriers.

Lambert, Cooper and Pagh (1998) summarised the supply chain process in Figure 1 which we simplified to serve as a base for our conceptual framework later presented. This framework demonstrates how the authors see the information flow as a uniform source of information, accessible to all partners in the supply chain. These partners then transfer this knowledge vertically in their network. According to Lambert et al. (1998) all actors in the supply chain, including consumers, also feed data back into the information flow. This then allows for a constant change of accessible information, based on which new decisions can be made by the separate partners within the supply chain.

Figure 1. Supply Chain Framework adapted and simplified from Lambert et al. (1998).



An important factor in improving a firm's access to knowledge is technology. Information and communication technologies allow for more and better information flows through global value chains without the need for governance (Gereffi & Kaplinsky, 2001).

Like Fiala (2005) explains, information technology and the closeness of partners in the supply chain network are important explanatory factors in the extent to which information is shared within companies. Information technology centralises the available information and makes it accessible for the entire supply chain. This decreases information asymmetry and variety within the value chain and thus makes coordination easier. In addition to information technology, frequent informal contact with supply chain partners as well as formal agreements, improve efficiency. This increased connectivity within the supply chain optimises coordination of changes in the supply chain and benefits both the leading business as well as the supply chain partners.

According to Lambert (2004), firms should develop systems to address major business drivers of their value chains to measure performance. This way the information flows can be filtered to emphasise the most vital information for decision-makers along the value chain. Where performance can be measured, it can be improved. The firm will know what parts of the value chain to reconfigure to remain competitive. This is especially important in the fashion industry as most lead firms are merely preoccupied with the configuration and not so much anymore with the production within value chains (Gereffi & Kaplinsky, 2001).

2.2.1 Value chain fashion industry

Within the fashion industry, lead brands are preoccupied with industry-based factors such as fashion trends, innovations, design and brand identity. These intangible factors have increasingly become the basis of competition, more so than tangible factors - the physical aspects of the fashion value chain (Gereffi & Kaplinsky, 2001).

The value chain configurations in the fashion industry are experiencing major changes. One of them, shipping disruptions, affects companies' flexibility and speed. Another, *nearshoring*, prevails due to challenges regarding capacity shortage, bottlenecks when it comes to global logistics infrastructure, and increasing global demand (Salerno-Garthwaite, 2021). Combined with the rising labour costs in former low cost labour countries, rising shipping costs etc., companies must reconfigure their value chains to continue having a competitive advantage. Östberg (2020), mentions how fashion companies will need to move away from the cheaper manufacturing countries for their own and the industry's survival. To mitigate risks in the future, the industry needs to not only diversify their supply chain operation, but also use nearshoring. According to a McKinsey survey, 71% of companies are planning to increase nearshoring by 2025, and 24% are planning to relocate their manufacturing to the same country of operations as the brand (Hedrich et al., 2021). This will also enable an increased efficiency for the companies as lead times and necessary resources are decreasing. Companies that already have brought their production closer to home, have the opportunity to increase their competitive advantage too, because of the existing relation with the manufacturers (Salerno-Garthwaite, 2021).

To enhance the intangible value of companies and relations with strategic partners in the value chain, Jensen and Petersen (2013) suggest using transformational global sourcing. This sourcing strategy within the value chain focuses on: a high degree of learning between partners; mutual dependence and shared understanding of challenges; and the capitalization of capabilities. The better the relation between the strategic partners within a value chain is, the higher the opportunities for partners to specialise, explore new opportunities, and reveal strategic knowledge to benefit the entire chain as well (ibid.). This mirrors the underlined importance of strategic collaboration mentioned by Flynn et al. (2010), however Jensen and Petersen (2013) emphasise the importance of supplier independence rather than integration.

Strong partner relations are however not a panacea for successful value creation as the success depends on the willingness of managers to invest in these relations and the independence of strategic partners. Independence of strategic partners benefits their ability to generate value, but can also form a risk (e.g. in terms of information leakage, capacity competition, price setting etc.). Internalising risk or increasing the control over strategic partners will reduce the specialisation, exploration and revelation of strategic opportunities (Jensen & Petersen, 2013).

It is therefore essential for the value chain to be able to collect as much information about the external environment as possible; rapidly process this information; and decide on what to do with the information. Industry-specific information has been the focus of the industry in regard to brand creating and responding to trends as well as customer demands. However, the ability of the industry as a whole appears to lack in regards to adequate preparations for macro factors influencing businesses' ability to perform (BoF, 2021). BoF (2023) states how players within the industry could benefit from implementing forecasting tools to become better prepared for macro-level changes.

2.2.2 The process of decision-making

Within the fashion industry, decision-making is largely decentralised as it can become very cost-inefficient to centralise all information and decision-making capabilities (Hoenen & Kostova, 2015). Due to the general complexity and dispersion of value chains in the industry, many businesses have decision-makers at various levels and functions within the value chain. This makes the success of the whole, dependent on their individual ability to make decisions which are both optimal for their divisions as well as the entire value chain (Kostova, Marano & Tallman, 2016).

However, because people interpret and act upon external information differently (Tan et al., 2020), the same information accessed by various decision-makers in a value chain can lead to a variety of actions. Therefore, reconfiguring the value chain depends on the internalisation process of this information by the individual decision-makers. This internalisation process of external information depends on: what information is *accessible* to decision-makers in the fashion industry; what information they actually *choose to address*; and how they process that information to *form a base* for the decision they make.

We base this process on the *sensing*, *seizing* and *transforming* capabilities put forward by Teece (2014). Borrowing the *sensing*, *seizing* and *transforming* concepts allows for a systemic view towards the intricate process of information internalisation. Teece elaborates on dynamic capabilities at the organisational level. This thesis borrows his concept and applies it on the individual level, as for organisations to have dynamic capabilities, the individuals within that organisation will have to embody them (Tan et al., 2020).

2.2.3 Conceptual working model

Based on the supply chain framework as presented by Lambert et al. (1998), we hypothesise the value chain framework to look like Figure 2. Different from Lambert et al. (1998), the information flow in Figure 2 consists of information accessible to the actors in the value chain about the macroenvironment. Once actors access this information it is internalised in the value chain and becomes part of the information flow that can be accessed and added to be the strategic partners.

Figure 2. Conceptualisation of expected information sharing within the Supply Chain Framework.

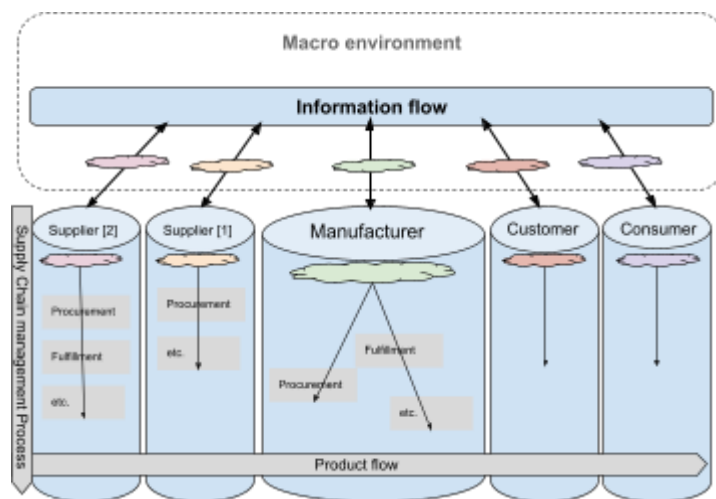


Figure 2 demonstrates the expectation that decisions about (re)configurations of the value chain will thus not just depend on the available information, but also the varying interpretations between the partners in the value chain. This is visualised by the coloured clouds, representing the various filters through which the same information flow is interpreted by the strategic partners. This information will then be further filtered through personal interpretations by the individuals in each strategic partner group, vertically down the

supply chain management process. This is represented by the coloured clouds within the cylinders. This assumption is based on Tan et al. (2020) who describe how different managers will do different things with the same information which can hamper value chain coordination. Differences between regions (BoF, 2023; Halepete & Seshadri Iyer, 2008) will further emphasise the differences within the value chain due to the same macro-environmental information, having different effects per regional reality.

In the worst case, these different interpretations can lead to uncoordinated configuration of the value chain, even when the control over the partners in the chain is high (Houlihan; 1985). Information and communications technology can improve the transparency of information shared and interpreted. It is therefore expected to play a vital role in coordinating necessary changes in the value chain due to a changing macroenvironment (Gereffi & Kaplinsky, 2001). Staying in close communication with partners in the value chain decreases the expected information asymmetry (Fiala, 2005) and is hence deemed at least as important. Performance systems can be a fail-safe for companies in the fashion industry to implement in their value chain to get numbers on the performance within the various parts of the chain (Lambert, 2004).

2.3 Scenario planning

Because of the inherent uncertainty about the future and how macro-level influences will affect the firm's ability to generate value, analytical tools are used to forecast possible future scenarios. These tools enable firms to construct an understanding of the current situations and the multiple possibilities and factors impacting their future (Beckert & Bronk, 2019). Forecasting tools facilitate the creation of shared expectations on which investment decisions can be made. In uncertain times they can be crucial to get all actors in a value chain to subscribe to the same course of action set out by HQ.

Scenario planning has been put forth by academics (e.g. van der Heijden et al., 2002) as a useful tool to analyse the possible impacts of uncertain external factors and prepare strategic responses for them. As no one can predict the future, exercises like these can help companies to imagine what reconfigurations of the value chain will be necessary in the future to stay competitive. Performance measurement systems such as those suggested by Lambert (2004) are more useful for short term adjustments within the value chain.

To predict future developments, firms use trend extrapolation from tools like performance measurement systems (Peter & Jarratt, 2015). This comprises predicting the future on past data, assuming linear or exponential growth. Firms need data on their supply capacity and market developments (demand) but can only use this technique for the short term (<5 years) (ibid.). Reconfiguration efforts require larger interventions and thus longer planning periods. As they are meant to prepare the value chain for the future development of the macroenvironment they can therefore not be based on past performance.

For businesses in the fashion industry to become better prepared for long-term investments like these, the broadening use of scenario planning could become an executive priority (Bof, 2022). If you only apply quantitative foresight methods, managers will fail to capture the complexity of weak signals contained in turbulent and complex environments (Peter & Jarratt, 2015).

Like York (2008) explains, the macro-environmental fluctuations come unexpectedly. To maintain the low cost and performance of global supply chains, a scenario planning tool can be used. The tool uses relevant macro-factor data to project what the supply chain might look like in the future, depending on the developments of the macro-factor data. It is especially relevant for evaluating the risk of sourcing locations within the supply chain.

Scenario planning tools like the one described by York (2008) can help fashion companies by generating an overview of the possible advantages and disadvantages of sourcing locations in the future. However sourcing is not the only part of the value chain for which scenario planning can be beneficial. To better address macro-factor influences in the value chain, scenario planning can be used to reduce ambiguity about the future of a company and spur conversation within management teams about plausible future developments (van der Heijden et al., 2002). In that sense it can help decision-makers in being more open to the macroenvironment and sense a wider variety of changes. However the success of this depends on the willingness of the individuals in the management teams to be open.

Openness to consider various scenarios in the world enhances the benefits from using scenario planning. For scenario planning to be used as a tool for strategic conversation

participants have to remain open and not seek refuge from the uncertainties by drawing conclusions prematurely (Burt, Mackay, van der Heijden, & Verheijdt, 2017).

The openness to various scenarios partially depends on the readiness of decision-makers to change their behaviour depending on the situation. Imagining different opportunities and risks and ways of capitalising and responding, can bring insights into opportunities otherwise overlooked. The willingness of the management team to be flexible regarding their operating strategies, thus leads to an increased readiness to participate in scenario planning and therefore more benefits from implementing this tool (ibid.).

Courtney, Kirkland and Vigneri (1997) describe various operational strategies companies can adopt under uncertainty: shaping; adopting; and reserving the right to play. When uncertainty is high, a company's strategy depends on the ability to recognise and respond to changes in the environment. This can be related to Teece's (2014) capabilities of sensing, seizing and transforming information into actions.

Scenario planning can thus be used as a tool to construct a vision about the future of the world and how this influences the strategic risks and opportunities in the value chain of the company. It can also be a tool to converge ambiguity within management teams and improve focus when it comes to sensing and seizing macro-environmental developments.

3. Methods

3.1 Research strategy

The research design is based on the aim of this study; to explore the process in which macro factors influence the configurations of global value chains in the fashion industry. This calls for examining the context that influences decision-makers' actions rather than numerical data, standardised or predetermined categories (Yilmaz, 2013). Qualitative research is therefore the best suited strategy for this thesis as it enables exploring the macroenvironment as a driving force for the research questions in this thesis (ibid.). A qualitative research approach also enables exploring personal knowledge and experiences of decision-makers in an in-depth process, enabling answering the research questions. How the study was structured and conducted will be explained in the following sections.

3.2 Research approach

For this thesis several research approaches were used to generate a more comprehensive understanding of the data and the processes hypothesised based on the literature. Using both deduction and abduction enables more robust and reliable theories and explanations to emerge (Bell et al., 2022, p.23).

As we initially needed to construct a knowledge foundation in the first stage of the study, the deductive approach, i.e. a top-down approach, was used. Theories about value chains and information processing of the external environment were looked for as well as fashion industry reports. This was done in a linear fashion, by considering article selection based on the relevance of the articles and models to answering the research question (ibid.). This literature was then used as a foundation for the formulation of the interview guide for the semi-structured interviews as well as the focus group to answer sub-question II, later in the process.

For the analysis of the semi-structured interviews, the abductive approach was used as the framework based on the existing literature (Figure 2) did not account for partial findings during the semi-structured interviews. As explained by Bell et al. (2022, p.25), the abductive approach allows a back-and-forth reasoning to find logical explanations to the findings which

existing theories do not account for. This circumvents the limitations of both the deductive and inductive approaches (ibid.).

3.3 Research design

Based on the topic of the thesis and to best answer the formulated research questions, the main research design chosen is the exploratory case study design which in this thesis entails an in-depth and intensive analysis of a single case (Bell et al., 2022, p.63-64). The exploratory design allows for deriving a detailed understanding of a particular phenomenon - macro factors' effects on decision-making in organisations - which can be studied through the use of a single case (Bell et al., 2019, p.66). It enables a deeper understanding of both an active industry actor's perspective, as well as observing the mechanisms within an organisation of how they work and process information and how it is utilised (ibid.).

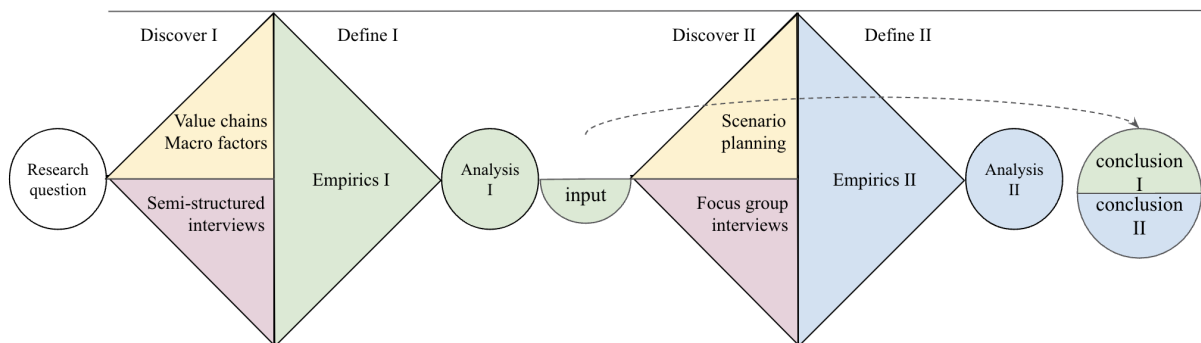
The process of deciding what company to use as the single case company was initiated in September of 2022. As mentioned by Stake (1995), the first step was constructing a list of interesting and relevant companies for this thesis. The qualifications consisted of two criteria: to be active within the fashion industry: and to have international sales. Next to constructing the list with relevant contact information of each potential company, an email was drafted to introduce the researchers, the aim of the research, and ask if companies would be interested in participating. The email also mentioned that even though the main frame and purpose of the thesis was already decided, a discussion with the company about the more specific direction of the research was possible. As finding a company can be difficult, this was done to increase the opportunity to find a case study interesting both for us and the company. Potential companies might have an area within the organisation yet unexplored and thus interesting due to the learning opportunities, aligning with the claims of Stake (1995) regarding how to choose a case.

By the middle of November we had established contact with two companies. However, the process progressed at a more rapid pace with Eton. We had several meetings with our contact person at Eton, who is part of the management team, as well as with a representative from the HR department. During these meetings it became evident that there was a great opportunity for us to learn from the processes within the company, an important aspect when choosing the single organisation (Bell et al., 2019). This became evident through discussions regarding

gaps in knowledge at Eton interesting to cover in the thesis. The final decision to work with the company, Eton Shirts, was made in the beginning of December. At that time a meeting was scheduled at Eton’s headquarter in Gånghester for us to get to know the organisation better and meet the various departments and employees. This more informal experience made us gain a better understanding of the company, after which a framework for the thesis was developed and the research could begin.

To collect the data necessary to answer the research question and conduct the case study, the research is divided into two complementary parts. For this research design, inspiration from the double diamond method was used. The double diamond, developed by the Design Council, is a standardised model of the design process, based on divergence and convergence. It allows for the research to build on design methods of exploring an issue - diverging - and then defining next steps based on that - converging (Design Council, 2019). A visualisation of the research design, inspired by the double diamond, is given in Figure 3.

Figure 3. Visualisation the thesis research design.



In Figure 3, various colours are used to visualise different steps in the research process. Starting from the research question, the first diamond looks primarily into the first sub question; how macro factors are considered in the decision-making process. To do so, the discovery phase was built on two blocks, one theoretical (in yellow) and one empirical (in red). The primary theoretical concepts in the first diamond are value chains and macro factors. Together with semi-structured interviews, these form the basis for empirical data I. Based on Empirics I, Analysis I is formulated. This analysis consists of conclusions regarding the first sub-question of this thesis (visualised by the dotted line) as well as input for the second diamond. There is no line between define phase I and discover phase II as these coincide; during define phase I, discoveries for phase II were made simultaneously.

The second diamond focuses on the second sub-question of this thesis: How can scenario planning systematise future planning of possible reconfigurations? In discover phase II, the primary theoretical concept used is the scenario planning tool. The primary empirical data consists of focus group interviews. Together these form the basis for empirical data II. Based on this, Analysis II could be constructed to complement Analysis I in answering the research question.

3.4 Data Generation I

3.4.1 Interview guide validation

To validate our intended interview guide, we spoke with an industry expert employed by EY. They gave insight into the fashion industry and projects they worked on in transforming the industry. The expert explained that most macro factors are handled by the industry on a short-term basis. Many companies in the fashion industry do not have the capacity to employ 'economists' or 'external environment observers' to analyse the macroenvironment. Changes in the more direct surroundings are seen as more pressing and are therefore given priority over the macro factors.

The bigger fashion houses, like H&M, but also brands in the luxury segment, do have the resources to analyse and assess the macroenvironment for risks and opportunities. The BoF 2023 State of Fashion Report explained this as the luxury segment and fast-fashion segment have been more profitable than the middle-segments in terms of sales and profits. This would point to more resources in those segments on the extremes of the industry spectrum to spend on more strategic planning for these macro-level factors.

The expert explained further that companies in the middle segments rather employ consultants for a short amount of time or add the analysis and response to macro factors to the responsibilities of decision-makers. They put emphasis on rapid response to demand in the industry, when the macro factors have already been translated to industry-level factors.

However, responding on short notice to environmental changes can be costly and in the worst case lead to bottlenecks when materials are suddenly unavailable, or brand image loss when

newly established unethical practices come to light. It is important that more companies in the fashion industry are able to effectively address macro factors. Not just to retain brand value and remain profitable, but also to improve the sustainability in the broad sense of the value chain and tackle bottlenecks before they disrupt the value chain. This information formed the foundation together with the theoretical framework for formulating the interview guide for the first round of interviews.

3.4.2 Semi-structured interviews

Primary data was obtained through conducting both semi-structured interviews and focus groups. The interviews were held with decision-makers operating at different levels within Eton. Through interviews we aimed to explore how decision-makers in a company are influenced by macro factors in determining how the company coordinates its value chain. Due to the interviewees operating at varying levels within the company, we expected the interviews to differ. As the respondents have different responsibilities we assumed they would have varying experiences of macro factors affecting their work. The interviews were therefore semi structured to stay within the area of the research question, yet allow for follow up questions suitable for each respective interviewee.

3.4.3 Interviewee selection

The group of respondents used for the semi-structured interviews were selected during a meeting with our contact at Eton. They explained the decision-making structure within the company to us and then suggested participants based on their role and responsibilities within the value chain. The primary selection includes a variety of people from the management and assortment team, as well as the heads of several departments within the company. All interviewees work closely to the partners in the value chain due to the deep relations forged over the years. They were therefore able to provide insights about the information processing and decision-making processes within the entire value chain. By having a vast mix of employees we were able to get a clearer overview of the role of macro factors throughout the company. Had we only conducted interviews with the management team it would have limited our analysis and conclusion.

The initial list consisted of nine people, and then we also added our contact person. This was done as it had become apparent that they are highly involved in observing macro factors and

communicating it to the management team. To ensure a holistic image, snowballing was used to ensure we did not overlook any potentially important employee. Each respondent was asked if they had any additional suggestions regarding employees for us to interview. A member of the sales team operating in the United States was mentioned thrice by interviewees. Thus we deemed them as an important person in the process of materialising changes within the company - both strategically and operationally - and for the value chain holistic image. We therefore interviewed them too in addition to the primary selection. In the end a total of eleven semi-interviews were conducted, each of them being one hour long.

3.4.4 Interview structure

The interview structure was set out to discuss the three levels of information processing as discussed by Teece (2014): *sensing*, *seizing*, and *transforming*. In the sensing part of the interview we inquired about the interviewee's perception of macro factors and about the importance of this in their role. The seizing part focussed more on decision-making; when is a macro factor important enough for you to act upon and how do you determine that? That transforming part focussed on translating the information into actual changes in the value chain. How these changes are implemented and the role macro-environmental information plays in communicating this.

The interview guide used for the semi-structured interviews can be found in Appendix 1. The structured questions were adjusted depending on the interviewee's responsibilities and knowledge. For example, we knew prior to conducting the interviews that question four and five would not be relevant for all respondents. As it was in the middle of the sensing part of the interview guide we could determine whether to ask them or not during the first stages of the interview. Follow-up questions were also used to steer the conversation to stay on topic, and to go in depth on a topic when needed. We would also ask all respondents at the end of each interview if there was anything they thought we had missed, or that they had thought about that they thought would be helpful.

3.5 Data Generation II

For the second round of data collection, we conducted interviews with two focus groups using a scenario planning process. We chose to do these interviews as focus groups as we wanted to see how the group made sense of macro-factor developments and produce a

response collectively (Wilkinson, 1998). The groups interviewed were members of the management team and the supply team as - based on the semi-structured interviews - they seemed most influential in the process relevant to our research question. These groups were selected to get an insight into the differences between a strategy-setting team and an operational team, both in terms of process as well as convenience/benefit of using the method.

Three people from each team were selected based on their availability, responsibilities, and input from the first round of interviews. This provided enough people to get a discussion going, yet not too many which would make coordination of the interviews as well as moderation and analysis overly complex (Wilkinson, 1998). Because of their varying availability the interviews were different in length. The interview with the management team was closer to an hour, while the one with the supply team was around 30 minutes.

3.5.1 Scenario Selection

To prepare for the focus groups and formulate a relevant scenario for the two groups, we looked at what macro trends are relevant and likely to influence the future of the fashion industry. These trends are the same as the ones used to formulate the questions for the first round of interviews. The aim was to include both the most relevant and observable trends, likely to materialise in the next ten years, as well as underlying macro structures. Van der Heijden (2002) refers to this division in trends as 'the iceberg' where observable trends are only the tip, above the surface. To bring the underlying structures above the surface as well, we looked at trend reports and our conversation with the industry expert.

Using this secondary data we determined: what trends are important to the industry and likely to happen; what patterns could be identified; possible causality between patterns and events; a structure to indicate possible future events; and based on that predict future scenarios. This process is put forward by van der Heijden (2002) to uncover the most relevant and impactful trends, influencing the company's competitiveness in the future.

For these trends to be relevant to the research question, we looked for overlap between the iceberg analysis and data from the first round of interviews. We had a brainstorm session in which we categorised and structured trends found in trend reports as well as the data from the

first round of interviews (as mentioned and illustrated before in Figure 3). We then clustered these trends and looked for possible connections, patterns and causality. The overlap can be found in Figure 4.

Figure 4. Overview of relevant trends for future scenarios.

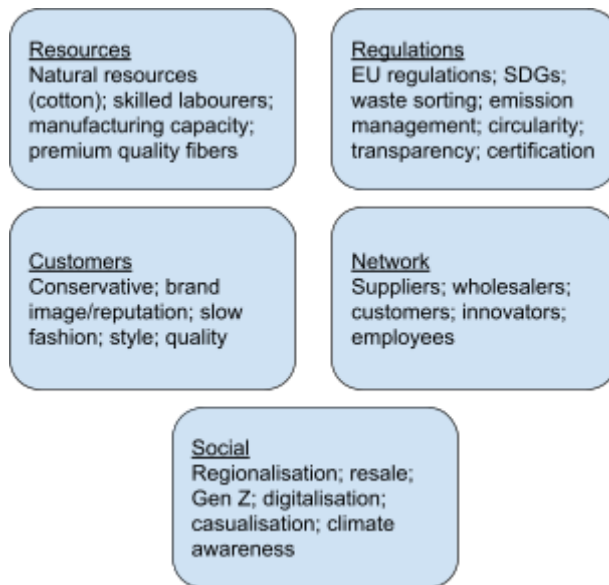


Figure 4 thus combines trends both already influential in fashion companies - especially emphasised in the customer cluster - as well as trends expected to further develop - more emphasised in the social cluster.

We narrowed down the overlapping trends to the two most impactful and relevant for the fashion industry: regulations and materials. Regulations impact both players in the industry directly as well as influence the competitive advantages of these players and behaviour of consumers. They are likely to materialise because of increased protectionism and the EU's intention to reach the Paris agreement and materialise the Green Deal. Materials are essential inputs for the industry to produce garments but also to remain competitive. Not only are they an important differentiator between quality, they also contribute to a large share of the costs of a garment. With margins becoming lower and global competition increasing, the price of these inputs and increasing scarcity will impact the industry tremendously.

3.5.2 Vignette construction

To get an insight into the process of how the management teams reacts to macro-environmental changes, we formulated a future scenario using the vignette method (Appendix 2). This method entails constructing an hypothetical scenario to bring it alive for respondents. The vignette can then trigger realistic responses from the participants about their beliefs and thoughts regarding phenomena explicated in the scenario (Aguinis & Bradley, 2014). Using this method makes the scenario more realistic to the participants and allows for observing thoughts and reactions on otherwise complicated or hard to imagine topics.

The decision to send the vignette to the groups beforehand was deliberated. On the one hand, sending the scenario beforehand allows the participants to read it through and prepare their answer. Reading it to them could maybe blindside or confuse them. On the other hand, this does shift the focus to the details of the answer instead of the process of formulating a response. With this round of interviews the aim was to see how the exercise of scenario planning can help in preparing possibly necessary value chain reconfigurations. We wanted to observe the collective process of decision-making and how the individuals in a team are influenced by each other (Wilkinson, 1998). Therefore, the decision was made to not send the vignette before the interview and present it to everyone simultaneously at the beginning of the session. This way we hoped to simulate an authentic reaction of the teams to getting knowledge about developments of macro-environmental factors.

3.5.3 Focus group interviews

During the first round of interviews, respondents alluded to using scenarios to reveal risks or prepare for the future. However they also mentioned that mostly this was not a structured process but more a frame of thought respondents use to imagine the future and consequences for their part of the value chain. We wanted to find out if a structured approach would be useful for the teams to better plan for the future developments of macro factors.

To guide the conversation between the participants and efficiently use the time allocated, we structured three points of departure based on Courtney and colleagues' (1997) strategic responses to uncertain scenarios (Appendix 2). They are based on: becoming a shaper, adapting to the new environment, and reserving the right to play. We then motivated the

participants to go about formulating a response to this scenario together. Follow up questions were asked to steer the conversation into the area of value chain configuration decisions.

3.6 Secondary Data

Secondary data was collected through the use of trend reports to understand the context of the research question and the macro trends in the industry for developing the vignette.

The Boston Consulting Group (2019) focussed their prospect for the fashion industry on the sustainability developments in the macroenvironment. Changing customer behaviour and demands, regulations and resource scarcity lead the authors to call on companies to change their value generation efforts. The State of Fashion Reports (BoF, 2021; 2023) moreso emphasised regional developmental differences and social trends like casualisation. Both author groups agreed on the future customer profile and preferences.

The European Commission (2020) emphasised the regulations referred to be the Boston Consulting Group (2019). In their New Circular Economy Action Plan, they expand on regulations and investment schemes to reduce waste and emissions and increase circular innovations and initiatives. Kearney (2022) integrated this emphasis on circularity in the EU in their CFX 2022 report. This report expands on the sustainability challenge in the fashion industry and initiatives and regulations regarding circularity.

Altogether these reports as well as articles from The Fashion Law, Vogue Business and Business of Fashion, constructed the contextual environment in which the research question was answered. The reports also served as a foundation for the questions for the first interviews and the vignette for the focus groups. For the vignette, the reports were analysed by looking at the amount of references to certain macro factors as well as the emphasis given to certain factors over others. Regulations and material inputs came out as the most occurring and pressing factors mentioned. They therefore served as the determining trends for the scenario in the scenario planning exercise.

3.7 Analysis and interpretation of semi-structured interviews

The recordings from the semi structured interviews were transcribed using software and checked for mistakes manually. After being transcribed, the interviews were coded manually to find recurring themes for later analysis. The coded transcripts provided structure to the collected data and allowed for analysis in a more systematic way.

Some codes were already thought of when interviewing the respondents, using consensus coding (Hemphill & Richards, 2018). This reduced possible coder variability between researchers (Gibbert, Ruigrok & Wicki, 2008). Codes were concretised and definitively agreed upon whilst reading through the transcripts - inductively (Bell et al., 2022, p.25).

To get a sense of how the codes relate to the theoretical framework, codes were grouped into the individual's capabilities based on Teece's (2014) sensing, seizing, and transforming to describe the findings per theme. Some codes, like network or personal preference, were mentioned in multiple stages of progressing information. This division of the codes over the capabilities helped interpret the data by systematising the process. It clarified how macro factors influenced the decision-making process per capability necessary to realise value chain configurations.

The distinction between the three levels is based both on the question asked to the respondents - which were also divided over the three levels - and the answer given. If respondents' answer indicated a different level in the process than the question asked, the respondent's answer was followed for determining what code to use.

Table 1. Codebook used for semi-structured interviews.

<u>Processing level</u>	<u>Descriptive codes used</u>	<u>Specifications used</u>
Sensing	Curiosity & Personal Interest; Time; Technology; Network & Relations; Research	Specific vs. General;
Seizing	Feasibility; Relevance; Culture; Systems & Processes; Personal Perspective & Preference; Value Proposition & Clientele; Targets	Direct vs. Indirect; Lead Firm vs. Value Chain
Transforming	Uncertainty; Business Strategy; Communication Technology; Personal Perspective & Preference; Culture; Targets; Time; Network & Relations; Experience	Personal vs. Shared System vs. Intuitive

Overall ²	Responsibilities, Collaboration	Static vs. Dynamic
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Data from the interviews was then categorised using these codes and described per level and specificity in empirics I. Whilst describing the primary data, efforts were made to stay as close to the respondents' own words. Quotes are used to illustrate important or striking excerpts. Sometimes quotes have been adjusted using [...] to shorten the quote, adjust the grammas to fit the description or increase clarity. Interpretations were made respondents referred back to information shared previously or based on their role and responsibility. During the interview, interpretations were verified by expressing the interpretation and asking for validation from the respondent.

When interpreting the data, roles and responsibilities of the respondents were kept in mind to enable analysing differences between the functions in the value chain. This way certain groups could be and compared for similarities within the empirical data and differences.

3.8 Analysis and interpretation of focus group data

For the focus group interviews, very little information is available about how to analyse decision-making processes systematically³. To stay close to the collected data, first the audio was transcribed using software and checked for faults manually. Based on this, an overview of the observed process was created to analyse the data. The unit of analysis was the whole group - however roles and responsibilities of the individuals were kept in mind for further analysis regarding specific contributions. As the aim of these interviews was to get an insight in the value of scenario planning for fashion industry companies, this was deemed the most efficient. This does mean that the data is interpreted to a further extent than the data from the first round of interviews. Additionally, the data is described in more detail to elucidate the interaction and influence between the respondents and illustrate their arguing and perspectives. For focus group A, the management team, abbreviations M1, M2, and M3 are used to differentiate between respondents. For group B, the supply team, abbreviations S1, S2 and S3 are used for the same purpose.

² Some themes came back strongly overall in talking to respondents. Responsibilities and collaboration seem to influence the sensing, seizing and transforming steps in the process and are therefore highlighted on their own.

³ Most focus group analysis studies are focussed on psychological and social interaction or their value for ethnographic studies (Wilkinson, 1998).

To compare the processes observed in the two focus groups, the descriptions were juxtaposed. This then allowed for analysis both on a lower level - looking at how this exercise systematically facilitates the decision-making process - as well as on a higher level - looking from a meta perspective at possible patterns. While analysing, characteristics, roles in the value chain and responsibility of the groups were kept in mind as possible ground for analysis.

3.9 The reliability of the qualitative study

3.9.1 Credibility

Ensuring the credibility of your research is imperative for establishing the validity of the research, as it verifies the authenticity and reliability of the research findings (Bell et al., 2022, p. 369). To ensure credibility we aimed to always have two people conducting the interviews. This was possible for 11 out of 13 interviews - as there were scheduling conflicts on two occasions - and for both focus group interviews. All of the interviews were recorded and transcribed to enable going back and listening to the data to refer back to it. This also ensured that the person missing at two interviews could still access the data in its entirety. During the interviews we would also use member checking by repeating our understanding of the respondent's answers. This enabled correction for potential misinterpretations or inaccuracies and gave respondents the possibility to confirm or elaborate. The use of coding in the empirical chapter, further ensures that the description, interpreting, and analysing the data is more credible (Hemphill & Richards, 2018).

A detailed and rich description of our problematization, methodology procedures, and analysis provides further transparency and methodological trustworthiness. Triangulation also improved credibility by using several data sources to validate our findings and claims. Throughout the process, awareness of personal biases, assumptions and values of the topic of our research was raised using reflexive discussions between the researchers. Contemplation and reflection over the possible effect on or influence of the data gathering and analysis has made the interpretations of the data as objective as possible. The risk of personal bias is further discussed in chapter 3.10, Method Criticism.

3.9.2 Transferability

Transferability in qualitative research refers to the extent to which the findings can be applied in contexts and settings differentiating from the original study (Bell et al., 2022, p. 369-370). As we are conducting a case study, transferability refers to the generalisability of the study. To ensure the transferability of our research we have given a detailed description of the context in which the research was conducted, i.e. given thorough background information, description of the setting, and the company. This shows the context in which our findings are applicable so other researchers can judge the sensibility of the transfer. To enable this further, the methods are described in detail stating the steps taken to select a company, how information was gathered and analysed. There is also an extensive description of the data, highlighting the nuances of the findings in the empirical chapters through the use of quotes. By discussing the limitations of the thesis - further detailed in chapter 3.10 Method Criticism -, the limits and scope in which the findings can be applicable are defined. This enriches the context and transparency of the research, thus increasing the transferability of our findings and ensuring that they can be applied in other contexts or populations beyond the scope of this thesis.

3.9.3 Reliability

The reliability of the research conducted is essential to consider when establishing both credibility and trustworthiness, as well as ensuring validity and accuracy (Bell et al., 2022, p.368-369). This is done in several ways throughout the thesis. The semi-structured and focus group interviews used to collect the primary data were conducted both with decision-makers in similar positions (i.e. the head of *casual* assortments and head of *formal* assortments) as well as with decision-makers in completely different positions (i.e., head of design). This enabled validation of the data and finding consistencies among the responses. The reliability of the secondary literature was ensured by using a variety of report sources, assurance from an industry expert and assurance of respondents who use the same reports to make predictions about the future and to analyse the market. This also enabled us to construct a reliable and relevant vignette, as we based it on the secondary data.

Throughout the data-collection process we stayed consistent, using the same interview guide (Appendix 1) as foundation. However, certain questions - four and five - were not asked to all respondents. This depended on the respective relevance of the question to the respondent and

their role in the value chain. When deemed irrelevant - based on the description respondents gave about their role and responsibilities - the researchers would move ahead to question six so that the interviewee was enabled to elaborate on other areas of the interview. This supports our reason for choosing to conduct semi-structured interviews. It allows differentiating the focus of the interview per respondent whilst staying within the frame of the interview guide.

Due to the time we spent at Eton's headquarters, we were familiar with the formalities, culture and team dynamics. This facilitated our ability to interpret the responses from all the interviewees. The reliability of the more interpretative analysis of the focus groups was ensured as we had already interviewed five out of the six participants during the semi-structured interviews. This eased interpretation of what they meant (nuances in their answers for example).

3.9.4 Ability to verify and confirm

During the course of the interviews, we routinely verified and confirmed the information and answers given. To ensure we understood the respondents answers and clear up possible misunderstandings due to poor connections, we would repeat a short summary of the answer and ask if it was a correct understanding. This also enabled the respondent to sort out misinterpretations, verify and confirm the information throughout the interview process.

Moreover, all of the interviews were recorded to ensure nothing said during the interviews was forgotten or overlooked. It also enabled transcribing the interviews and allowed for using quotes and specifics mentioned by the interviewees in the empirics and analysis chapters.

3.10 Method criticism

Several aspects of the used research method and processes need to be considered and reflected upon to show awareness of the shortcoming of the research. One of them is the risk of personal bias. This can occur as a consequence of the researchers being immersed with the subject of the study (Bell et al., 2022, p. 375). This is of course a risk in this thesis as well. Since the first established contact with Eton, we have had a great experience with all of the employees we have met. Everyone has shown a keen interest in the thesis and was keen on participating in the interviews - and potential follow-up. Several of the employees also wanted to ensure we got the support we needed from the company. The positive experience

has led us to be able to get in touch with more people and develop the thesis during the course of the data-gathering process. However, we believe the consequences of this personal bias are minor as we are not judging whether the company is doing something right or wrong, but rather focus on processes within its value chain. Still, the possible influence of personal bias has been discussed frequently to ensure credibility.

Another criticism to consider is how useful case studies are when it comes to the question of generalisation. Flyvbjerg (2006) mentions, when it comes to case study research: “*one cannot generalise on the basis of an individual case; therefore, the case study cannot contribute to scientific development*” (p. 221). When using a case company and semi-structured interviews it might be challenging to use the findings in other settings than the specific one being studied. It will be difficult for the analysis and result to be useful for the majority of companies (Yilmaz, 2013; Bell et al., 2022, p. 375). However, this thesis does not aim to generate *empirical* generalisation, but *theoretical* and according to Tsang (2014), case studies have an advantage for theoretical generalisation. The idea is to generate a conceptual theory from the case study and literature that will be applicable in other cases and thus contribute to scientific development in that manner.

Another aspect we have reflected on is how we prepared the respondents ahead of the interviews. Although we believe the choice not to send the vignette prior to the focus group interviews supported the purpose of the data collection, doing so might have led to different results. To control for the variety in the process, more focus group interviews could have been conducted and we could have also sent out the vignette beforehand to check for differences in the results. This could also provide data on how much time and effort respondents put into preparing for the scenario planning exercise individually. This could be interesting to know as respondents in the semi-structured interviews explained that sensing relevant information about macro factors both happens individually and with strategic partners and teams. Therefore, it could have been beneficial to have data on both methods and see how it influences the finding about the scenario planning process.

There were also some difficulties regarding getting the focus groups together. In group B we had two people present and one calling-in, which was not optimal. This is of course difficult to prevent, as the interview needed to fit all of the participants' schedules within the timeframe we had to conduct interviews. However, the dynamic among the members of each

focus group could have been different had they all been present. Some semi-structured interviews were done online as well as respondents were not in Gånghester or hindered from coming due to bad weather conditions at the time of the scheduled interview. As communication is partially dependent on body language, interpreting it, and reacting to how others present themselves, this could have gotten lost in interviews where respondents were participating though Teams (Marianpolski, 2001).

3.11 Ethics

Several ethical implications were considered in conducting our qualitative research to ensure that the research has been conducted in a way that is both respectful and responsible towards the participants. One of the ethical considerations is informed consent. It refers to informing the participants about both the nature and purpose of the research, as well as obtaining their voluntary agreement to participate in the research (Bell et al., 2022, p.117). We did this prior to the interviews through our contact person at Eton. After the list of interviewees' was made, our contact asked us to write a message that could be attached to the email invitations. This message included an introduction of ourselves, the purpose of our research, and a layout of the interview. To make sure the intended respondents felt more comfortable and at ease before the interview, our contact person sent out the initial email. The interview was not mandatory to participate in, and they were encouraged to reach out to our contact person if they had any inquiries about the interview or wanted to decline - which no one did. We sent out an additional email prior to the scheduled interviews, thanking the respondents for participating, and again giving them the opportunity to decline.

Another ethical consideration made regards the privacy of the participants. It is essential to maintain confidentiality and anonymity to protect both the privacy and dignity of the participants (Bell et al., 2022, p.121). This has been done in several ways. Firstly, the transcripts from the interviews will not be published. Secondly the names of the respondents are not mentioned. Thirdly, we removed all characteristics of the participants except whether they are a part of the management team or not. This was done both to protect the respondents privacy, but also as it is not relevant for the analysis phase of the thesis. The measures protect the empirical data from being misinterpreted and harming the reputation of the case company and/or the respondents. We communicated the measures to the respondents early on in the process, and ensured that the recordings of the interviews were solely for internal use.

4.1 Empirics I

Responsibilities

Respondents were asked to elaborate on their role and responsibilities first to get an insight into their decision-making mandate. Due to the size of the company, several respondents explained how their impact extends beyond their primary responsibilities: *"that's very typical for a smaller company that even though you're acting as a [specific position], you, you also have other hats"* (respondent 1).

From previous experience at other, bigger companies - in terms of available resources -, respondents 1, 2, 4 and 10 explained how there were more opportunities and resources to focus on information collection and processing. In smaller companies this responsibility befalls everyone. This is beneficial as it creates a culture of sharing and engagement in the business development. It might be more informal than in bigger companies, however efficient relative to the availability of resources. Respondent 8 also mentioned that in larger companies, more information is relevant due to the larger value proposition - more products - and clientele served. Therefore, more complexities are faced, also when sharing the information collected over the bigger number of employees and strategic partners.

Respondents explain how the management team comes up with the strategies which then *'trickle down'*. Respondent 10 explained how this has become more relevant over the years as *"this kind of uncertainty is something we need to get used to. Yeah. And we need to manage"*. Management is then responsible for controlling the execution of these strategies within the various departments of the company. Especially in supporting functions like finance - which plays a role in every department - the decisions made have a more severe impact and are more visible.

Collaboration

Within the case company the importance of working in teams to collect information and make decisions became very apparent.

"[I]t's a joint responsibility within also the management team that we sort of, from different angles, [...] what we see, what we hear, what we learn, you know, trying to stay updated" -

(respondent 8)

Working tightly together allows for more productive and effective decision-making as multiple perspectives can *"act[...] together as a whole"* (respondent 1). It allows for decisions to become more multifaceted, as together decision-makers can cover more than when they would focus solely on their independent responsibilities. Within the management team, *"[t]he CEO and the CFO, [...] it's like husband and wife"* (respondent 1).

An important responsibility mentioned by the management team is to facilitate the process of information collection and sharing. *"What kind of culture do we need to nurture within this company?"* (respondent 10). Managers cannot be part of everything because either capabilities and time are not boundless. They do however feel the responsibility to create an environment, a culture *"where knowledge is floating without any problems between people and the partners and functions, with the overall goal of actually improving our customer offer"* (Respondent 1).

4.1.1 Sensing

According to all 11 respondents, curiosity and being open to external information is very important to make informed decisions. This allows respondents to stay up to date about their environment when talking to stakeholders in the value chain or external to the company. *"I still take the good old traditional newspaper every day and the business section is the first thing I read over breakfast"* (respondent 11). Respondents prioritise spending time on sensing information about areas they are responsible for and they find relevant - which they base on their experience - because there is too much information for the time they have.

Another determinant for which information is sensed is personal preference and interest in the macroenvironment as well as characteristics such as being curious or willing to learn. *"[I]t's always been my, my, my passion, following this macro view on, on what's going on around the world"* (respondent 9); *"I studied economics in university so I also just have a personal interest in macroeconomics and that sort of thing"* (respondent 11).

Spending time on exploring the external information was mentioned as vital to staying relevant in the industry and agile as a company. However, several respondents also emphasised they should maybe spend more time on it than they currently do. Neglecting this

can lead to realising *"you are completely lost because you haven't been listening to what is happening in the markets"* (respondent 2).

Economic and regulatory developments are emphasised on the macro-level because the developments are more predictable and form a basis for making business decisions in the long term: *"in three years we have a pretty good idea on what that will, what that will mean in terms of revenue, [...] costs, investments and so on"* (respondent 10). This is partially due to desired economic and cultural stability when investing resources in the value chain.

Additionally, respondents alluded that *"everything is linked together [...] you can't just stay focused on your expertise. You really need to embrace things outside your own comfort zone or your own responsibilities"* (Respondent 1). Understanding the indirect implications allows for a basis of understanding the environment within which the value chain is situated, both geographically and contextually. This then forms the perimeter from within which information is sensed. *"[I]t's just you [...] staying curious and [...] trying to stay updated with, with the world around us"* (respondent 8).

Communication technology was mentioned as an important tool to access and digest more information. The internet makes it easier for decision-makers to keep track of what is happening out there. Online newspapers and trend reports make access to information easier and platforms such as social media allow for communication with e.g. experts or industry connections and sharing relevant articles. However, some information is easier to access than others, for instance because of logarithms and commercial trends; *"more boring but way more important [information], doesn't get that attention"* (respondent 2).

Networks were another source of information about changes and trends in the macroenvironment all respondents mentioned. The networks mentioned were very diverse and contained both personal networks of the respondents themselves as well as company or industry networks. Cross-company and/or -industry networks with people in the same function were mentioned as helpful in sensing the right type of information, or the information most relevant to the role of that respondent. *"[W]e also discuss work related topics since we share the same, same interest"* (respondent 8). These people usually face similar challenges and are therefore a useful channel to retrieve information from.

Using your own network and internal company resources is often more efficient than external networks in capturing and analysing information. Internally, teams share resources with each other, relevant for the company and/or their department. Spending time on relationship building with peers on the other hand is important to efficiently get as much relevant information as possible. The efficiency per advantageousness per network differs depending on the control respondents have on the agenda and information being shared. Going to industry fairs can also be a source of relevant information. External experts can help the company with *"techniques and theories on how to approach new areas [of information]"* (respondent 1).

Apart from networks, the value chain itself was also frequently mentioned as an important source of information:

"what will we learn in the coming week when we meet our customers? Both end customers, but also our partners, distribution points, what we will learn from meeting them, what will we learn from meeting our suppliers" - (respondent 10).

Through contact with the wholesalers and e-commerce downstream, but also by visiting the suppliers upstream, respondents get information about macro-factor developments. Accessing information through this channel is extremely important to stay relevant as a whole as different parts of the value chain sense different aspects of the macroenvironment. Being visible and present in stores also allows for information gathering and feedback. In discussions with strategic partners within the value chain, *"the macro always comes up"* (respondent 11).

"[L]ooking at what competitors or aspirational brands are doing" (respondent 8), is another important source of information for respondents. What competitors fail to focus on or do not commit to, can be an inspiration too.

Respondent 2 also mentioned an ambition to build stronger relationships with universities to improve the ability to sense information. *"[A]cademia is too much academia, so they don't know business. [...] And of course, also the opposite, business don't know academia"* (respondent 2). This leads to missed opportunities according to the respondent who believes closer relations between the two can allow for research in areas where there are joint interests

so mutual benefits can arise. Often financial incentives drive research and the distribution of knowledge instead of curiosity or information sharing. "[P]eople in fashion tend to be very progressive and political oriented in sounding more inclusive" (respondent 9). This can lead to biased reports, and for external organisations formulating trend reports writing about buzzwords can serve a commercial goal instead of being academically grounded.

4.1.2 Seizing

Usually some point of information - either external to the organisation or already seized by others in the value chain - triggers respondents to seize and share information. This is then shared within the value chain to see the operational feasibility.

The decision to seize the information sensed in the macroenvironment depends partially on the type of information. Some information from reports about the macro-environmental trends and factors can be used directly. Regulations - such as information about legal compliance issues - are acted upon immediately. Being active globally means that *"it's a bit complicated, staying on top of all the different changes and the different requirements"* (respondent 3).

Contrastingly, information can also serve as an indirect informant: *"that kind of information is of course a big part of my, my sort of information collection"* (respondent 10). Macro factors as mentioned in e.g. trend reports, are used to create a bigger picture. They serve as building blocks for creating a perspective about the external environment or an *'appendix'* to refer back to when planning for the future. Specific information seized can then lead to other information - more building blocks - becoming relevant to seize as well.

Sometimes a trend is mentioned very frequently and then it is up to the respondents to decide whether it is worth seizing or not.

"[There is] an advantage and a disadvantage [...] that you are aligned to what the macro trends are. The disadvantage is that it makes you a little bit of a follower because those books are available to all of our competitors as well" - (respondent 9)

What information to seize from the trend reports depends on experience and common sense, as well as on the input of strategic partners.

Strategic partners partially determine which macro-factor developments are actually feasible to exploit and thus what information to seize. Due to geographical differences and attitudes of strategic partners, the same macro factors can be perceived differently: *"retailers always are taking [...] a more pessimistic view on [...] how the macroeconomic environment is going to affect their business"* (respondent 11). Their activities are influenced differently by macro factors which is important to seize as it can lead to diversified issues over the entire value chain.

Because respondents often come across information interesting for the entire chain, sustaining a culture of curiosity and innovation is important for ensuring the information gets to the right person. It also allows for ambitious initiatives and for new information to be *"play[ed] around and test[ed]"* (respondent 5).

The culture of curiosity and the flat organisation leads to habits of educating each other within the case company. Respondents see the culture as something that incentivises interaction and chances to learn and have a positive impact on each other. More formal systems such as internal workshops, but also informal systems of just sharing knowledge over a coffee, are mentioned as important for this to happen. Teams share information in digital folders and meetings too which *"collectively creates a big, you know, a suitcase of information and knowledge"* (respondent 11). Making information sharing a routine is an important tool to maintain this culture.

As the company has grown, respondents explain that more formal information sharing systems help improve the quality of the information being shared and decrease the dependence on pivotal people or partners in the value chain - like wholesalers - sharing information. *"So can you really have built-in sort of the, the learning process in the daily operations"* (respondent 10).

As the company continues to grow, this feasibility of information sharing will be more difficult to maintain. Within an expanding value chain, it will become more complex to stay aware of everyone's circumstances and preferences - including those of the various

end-consumers. This is where formal systems like workflows and routines can help to foster information sharing within the entire value chain. Despite the importance of formal systems, culture and values are seen as the way to motivate the realisation.

An important aspect mentioned by respondents regarding seizing the sensed information about the macroenvironment is the business intelligence (BI) process. This process runs through the entire organisation so all stakeholders are connected to the same source of information and the same evaluation standards. Looking at the available company data and improving the usage of this has dramatically changed the way the company operates and substantiates decision-making. Interesting sources are uploaded to online teams forums so they can be spread and accessed to give everyone the opportunity to take advantage of the information. *"[S]omething we are missing a bit today, that kind of direct input from the from the stores we're selling at"* (respondent 7), as now this information is only accessed through wholesalers and sales data. Seizing more directly from consumer data is seen as a business opportunity to understand what influences them in real time.

The business plan has multiple benefits when it comes to seizing information. It is a tool to align different perspectives within the company. The management team decides which sensed information will be seized and used to base targets within the plan. Therefore the plan makes sure everyone is on the same page. The plan also coordinates the resulting decision-making processes by providing a document with relevant information about the entire value chain: *"we build a business plan with all of those [wholesalers]"* (respondent 11). This then serves as a frame within which decision-makers can determine the optimal setup of their part of the value chain. Additionally, the business plan works as a control mechanism. Whether decision-makers are on track with the targets, then determines whether new information needs to be seized.

Transparency is closely connected to this and high on the agenda at the case company. Information sharing internally should be as open as possible, *"the more the merrier"* (respondent 1). Management reports, forums and staff meetings help to spur internal information sharing and transparency. This way, when someone in the value chain seizes information important for another part of the value chain, it can be shared. Transparency also allows for insight into the information flow within the value chain because it improves

relations with strategic partners (respondent 3, 5, 7, 11). Avoiding subcontractors is a way in which transparency over the entire chain is increased (respondents 4, 6).

But also the merits of transparency external to the environment is acknowledged; *"it takes two to tango. So, if I want some data or, or knowledge then I must be open to share my knowledge as well [...] to create this win-win"* (respondent 1). Respondent 5 also mentioned how complying with regulations fosters transparency in the industry as *"it's something that the industry shares as [...] a common goal to adapt to"*.

The risk of personal bias when using trend reports and networks to seize data is something respondents are also aware of. *"They are of course also making a decision about what they believe in in the future"* (respondent 7). Respondents emphasise the importance of discussion and using multiple sources to avoid seizing information through a personal filter. Challenging each other's thoughts in department teams is not something that is structured, *"it's a lot of random, just now it was good timing, or someone just asked the question at that specific time"* (respondent 2).

Seizing information additionally depends on the value proposition - the good and/or services offered to the customer. This acts as a filter determining which information to seize.

"it varies so much about what kind brand you are and what kind of products you make, how much exchange and how much purpose it fulfils to talk to other people" - (respondent 5)

If the brand has a niche value proposition; *"Quality above all, always"* (respondent 6), less information is valid. This does not mean the information is disregarded, it is just not prioritised as much.

When expanding the value proposition, other information becomes relevant to seize. This information should however still comply with the established expectations of the brand from the consumer:

"any product category that we include should behave in a similar way within that product's properties. Because you cannot expect the same thing from a knitted wear knitwear product as you can from a woven shirt" - (respondent 5)

The clientele of the company also plays an important role here: *"Is that gonna affect how our customers behave?"* (respondent 8). Consumer behaviour and characteristics serve as a filter for what information is being seized. *"The advantage of being 50 year old is that actually the, the Eton consumer has my age. So I, I know what [...] my age wants"* (respondent 9). If the consumer segment is not affected by the macro factors, they are not seized by the company: *"we're not so trend sensitive"* (respondent 6).

However, when the macroenvironment changes the perception of the brand, *"if we see that our customers will buy into this"* (respondent 7), the information being seized will change. Macro factors do not just influence the partners in the value chain, but the consumer too. This changes consumer demands as well as their and their peers' perception of the brand, thus what information needs to be seized to stay relevant.

At times the company also tries to steer the preference of the clientele more actively to stay ahead: *"this is gonna be the new next thing you're going to want this"* (respondent 8); *"with our sustainability strategy we force the consumer that actually don't really care about the sustainability part to be sustainable"* (respondent 9).

Next to the value proposition and consumer behaviour, the owners' directives or targets play an important role in determining which information to seize. Respondents 2 and 11 mention how publicly owned companies are influenced by their ownership to a larger extent than private or family-owned companies: *"business[es] who are publicly traded are also, are even more cautious"* (respondent 11). Private companies more so determine *"some certain kind of playing rules"* (respondent 2). Owners can in that way push what information is being seized because to some extent they determine *"what we need to execute on anyhow, even if our customers are not expecting it or demanding it right now"* (respondent 3). This motivates doing investments that otherwise would have been more difficult (respondent 3, 7, 9), but can also lead to difficult discussions as partners' executive boards can be hard to convince (respondent 11).

The targets from the owners are largely influenced by expected regulations in combination with preference of the owners. It depends on the value proposition if the requirements from the owners actually fit the company - this might differ between companies in the owners' portfolio.

Interestingly something that came up multiple times was that the development and impact of external, macro-environmental factors, cannot be predicted. *"When it comes to external factors, no one is right"* (respondent 1). Trend reports and organisations analysing future developments are trying to make an estimate, but that is never exactly what will happen. Estimates can be used to construct scenarios if the macroenvironment were to develop into that direction. *"What kind of risk is there connected to those growth scenarios?"* (respondent 10). These scenarios are then used to ensure the company can handle the actualisation and seize the necessary information to balance the potential risks for the entire value chain.

4.1.3 Transforming

When it comes to actually transforming the information into decisions, respondent 1 mentioned how *"making a decision when you're at 80% is mostly more effective than staying and waiting until you got the 100% accuracy"*. This allows for agility and the option to deviate from the plan.

This is also how the business plan works, it describes what kind of strategy the company is planning on following, the *'North Star'*. After having seized the information, the business plan is used as a steering tool, a map to increase the chances of the company to get to their vision over the next five years: *"I need to have [...] the long term ambition, the long term vision in place because that affects the decisions you take on an everyday base"* (respondent 10). However the business plan is still just a direction, *"we're not gonna be there, we're either gonna be above it or below it, but we're not gonna land on it"* (respondent 1). The business plan prevents wasting time on controlling and micromanagement and allows for planning into the future.

The initial plan is made using the seized information from the macroenvironment by the management team. Adjustments to the business plan are implemented when new information is available. *"[Y]ou can't just say oh, that's the strategic direction and we should always keep it. You always also need to evaluate and reevaluate"* (respondent 3). This way the business plan serves as a transformation plan of the value chain with targets for the entire organisation. When decisions are actually made depends on when estimates materialise: *"I think that we would need to see some sort of, you know, slight change or movement somehow [...] to start that work"* (respondent 8); *we have to wait for the the generation to decide of what they*

want" (respondent 9). Depending on the situation and performance of the different parts of the value chain, changes are made to ensure success over the entire organisation. Strategies from the business plan are adjusted when expected events turn out differently: *"it could vary a lot why something is decreasing or not, so it doesn't necessarily mean that we immediately, you know, cut the category. But definitely we evaluate why"* (respondent 5).

Especially for the operational functions, the business plan and BI are important to make informed decisions regarding expected developments. *"Most stuff is not changing 90 degrees overnight. So, there is a value in trend curves and you can use predictive analysis and that will help you"* (respondent 2). It is also helpful in making decisions to reconfigure the value chain as respondents can use this data to validate the prospected transformation when communicating with partners in the value chain: *" I want the numbers. Also I want to see trends"* (respondent 5). In addition to validation, data is used to motivate reconfigurations as they can reduce uncertainty and show future projections of expected performance benefits for those partners. Interestingly respondents spoke about the possibilities of BI tools to become less affected by macroeconomic realities. Coming digital tools, data and conversation helps the case company to convey strategic plans despite macro-factor developments.

Decisionmakers deliberate and prioritise the information most relevant to them and use that to base decisions on. Respondents seem to favour a wait-and-see approach when it comes to the development of trends: *"honestly, we haven't been fast enough to react to those trends"* (respondent 11). Regionalisation of trends and being more style than trend focussed were mentioned as explanations. When trends do materialise or are integrated regionally, modifications are made. Sensitivity to geographical materialisation of macro trends is therefore important to stay relevant in all markets: *"requirements for the look and shape and uh things that are particular to France in order to be successful"* (respondent 11). Sometimes regional trends or consumer preferences spill over to other markets and lead to more wide-spread modifications in the value chain.

Respondents explain that actually transforming information into decisions - e.g. from the business plan - also depends on personal preference and comfort zone, as managers are human. *"[Y]ou have to have the filter on to sort of say 'OK, where is the real information in this and where is it just the personal opinion' "* (respondent 5). This can have a big impact on the output of the decision-maker in their specific area. People in pivotal positions also have a

lot of influence: *"we are basing a lot of decisions on previous collection selling and it's very much and that is very much affected by like our sales team"* (respondent 7).

Respondents also acknowledge that the values of the company play a big role in their decision to actually act on information they seize. *"I think we have a great responsibility in this industry"* (respondent 8). These values make sure personal preference does not lead to too much deviation because of personal decisions taken in the value chain.

Apart from personal preference and company values, profit margins, pricing and cost efficiency are important determinants in what information leads to transformations. Especially when choices have to be made between alternatives, price can play the decisive role.

For some areas, transforming macro factors into business activities requires longer lead times. Respondents mainly pointed at technological and ecological developments regarding sustainability. Developments in this area take a long time because of the required investments, relationships with value chain partners and quality demands. This has become more complex as

"the availability of the raw materials we need to produce this is shrinking and so we're becoming a larger part of a shrinking you know pie of the, the, the raw materials and the labour and the know-how that we need in order to produce quality shirts" - (respondent 11).

Information about these macro-environmental factors causes companies to rethink and transform their strategies as it shapes future (im)possibilities. Macro factors in this sense inform the boundaries of possible reconfigurations.

Setting targets too long in advance is not perceived as beneficial by everyone. *"I think it's purely because of efficiency. We don't want to spend a lot of time on things that we know might not actually even be a reality"* (respondent 9). Because of uncertainty about macro trend developments or estimates where the company will be on such a long term, it is seen as putting resources towards something that is going to change anyways. 'Rolling' projections or strategies - where months/years are added as they pass - are seen as more useful and less uncertain. However, financially planning for the worst case scenario, can be necessary to

prevent resources becoming a constraining factor: *"we'll accumulate a sum of money to have ready for the worst case scenario"* (respondent 11).

In departments like the supply chain team, understanding the growth requirements on the longer term is pivotal because of the long term collaboration with value chain partners. Being up to date with longer term developments in the macroenvironment, is crucial to understand how reconfigurations impact partners. Working with longer term forecasts provides a sense of security: *"our suppliers, they appreciate long term partnerships where you have some kind of predictability"* (respondent 10), and sparks discussion with the partners about how to best reconfigure the value chain.

However, partially due to regulations, companies are forced to work with these long-term targets. Respondents see the merit of working with long term plans, but more in the sense of a direction than as an actionable goal they need to deliver upon. Partially this is mentioned to be due to a difficulty to relate to the long term targets. When targets are shorter term, it is easier for them to formulate actionable strategies to get there. This then also increases motivation to transform the value chain in order to reach those targets.

Having good relationships with partners in the value chain is also mentioned as crucial for adjusting the value chain in the short term. Understanding the situation of your partners and gaining their trust, enables the company to remain agile and implement changes when necessary. Investing in the relationship with partners and a level of interdependence fosters the openness to engage in reconfigurations *"because we have almost as much to lose as they do if things go south"* (respondent 11).

Selecting the right partners with the required capabilities and techniques is crucial for realising adjustments too. However this does make reacting to environmental changes harder: *"the production and the craftsmanship [...] it's like the core of our brand, but also our product. So it's not that we can just outsource the production"* (respondent 7); *"you can't just snap your fingers and then you have additional people standing there knowing what to do and being very skilled"* (respondent 10).

If the partners come across new business opportunities which increase competition for working with that partner, the ability of the fashion company to realise adjustments can

become more difficult. Here using scenarios is important because they can help in being prepared to adjust: *"no one really knows what would happen so you need to stay on top of it and, and take new decisions every day if necessary"* (respondent 3).

Collaboration within the company therefore also plays a big role in transforming information:

"if both teams aren't willing to listen to each other, aren't willing to take that information and use it, then it's a waste of time it, you know, won't deliver anything" - (respondent 11)

The decision to (re)configure the value chain can come from any department. Therefore trust and willingness are key aspects for successful collaboration between the different departments. Respondents emphasise good communication between departments and understanding each other's needs: *"[I]t's also about getting people's perspective and yeah, and discussing together which direction our roads go"* (respondent 3).

Having an ongoing dialogue is then crucial to *"check that it is workable for our suppliers"* (respondent 4) and think about the opportunities and risks for the entire value chain. Managers have the mandate to make financial decisions but collaboration within the teams seems more important for that: *"I can make all those decisions of course. But you know I'm not really, it's my team making many decisions along the way"* (respondent 8).

How you transform information does differ per department or person respondents talk to. A combination of numbers and soft data (e.g. sales numbers and the wholesalers personal feedback) is then used to motivate collaboration and/or changes in the value chain. Sometimes consultant or expert opinions are used to fortify proposed transformations too.

If decisions are made in areas where the respondents have experience or are confident about, they can be more direct in making that decision. Confidence is according to respondents based on: (previous) experience, knowledge, external and internal information but also gut feeling, support and feedback. If the decision taken is about an area they are less confident about, they spend more time validating the information and reaching out to people who can help with that. Respondents explain how they then start with the people in their close network to see if someone can help validate the information. Depending on the severity of the decision

that has to be made, more people can be sought out as *'checkpoints'* for the information and decision to get past.

The strategic position of the company differs depending on the developments in the macroenvironment: *"when the macroeconomic situation is in our favour then we're doing everything we can to maximise the tailwind"* (respondent 11). This is partially because it also affects the perspective of competitors in the market. What competitors pay attention to or commit to can influence what the case company focuses on. This way, market share can be gained by increasing focus, instead of shifting focus - reconfiguring the value chain.

When the environment is more competitive, the case company becomes more aggressive because they *"feel that we need to move forward quite quickly in terms of taking those free spots that might be in the, in the market"* (respondent 3); *"we tend to be more resilient during economic downturn"* (respondent 11). However conveying this to partners is more complicated during economic downturns. Experience and knowledge about the environment influences how decision-makers act upon information about the macroenvironment.

4.2 Analysis I

Based on the empirical data from the first round of interviews, Analysis I is constructed (see Figure 3). To analyse the influence of macro factors on value chain reconfigurations, we look into the decision-making process of a company. We argue that decision-makers are the ones converting information into actions (Tan et al., 2020). To systematise this process we work with *sensing*, *seizing* and *transforming* concepts based on Teece (2014). Therefore Analysis I is structured according to that process and will go into the steps of the process subsequently. Aspects derived from Empirics I play various roles in these sequential steps of the information-progressing process. We will explain these roles per step of the process starting with sensing, followed by seizing and concluded by transforming.

To make the analysis more easy to grasp, we will boil down the most important analyses from the sensing, seizing and transforming process to patterns. These distilled patterns are then visualised in a framework which can be compared to Figure 2 - which is based on the expectations formed prior based on the literature.

4.2.1 Sensing

Processing information about the macroenvironment is important for all functions within the value chain. Decision-makers have to stay informed about the environment in which they are producing value for the customers. The success of their decisions depends on the value perception of the customer and the feasibility within the value chain, but also on the general state of the macroenvironment. The macroenvironment can determine which decisions will have the highest positive pay-off and thus help the company to remain competitive. This resonates with International Business theory stating that firm growth is constrained and driven by external factors (Tan et al., 2020). North (2005) explains this from an institutional perspective where actors aim to change their environment for their organisation to maximise profits within the institutional framework. As decision-makers are the ones acting in this framework, their personal interpretation of the environment is vital to the decisions they make and thus the profitability of the company they work for.

Respondents emphasised that the responsibility to stay up to date on relevant environmental information is shared amongst everyone because of the size of the company. However, the

extent to which respondents personally engage with this depends largely on their role within the company, personal curiosity, and their access to networks.

The role and decision-making responsibilities of respondents affect their ability to sense information both from a personal capability point of view, as well as from a company mandate point of view. Certain positions within the company are more entrusted with sensing macro factors and their developments in order to formulate strategies to keep the company profitable and relevant to its customers. Penrosian theory explains how this is the central role of managers; determining the strategic use of the resources at hand (Tan et al., 2020). This supports the mandate decision-makers have to choose the optimal allocation of resources. Although, as their time is limited, decision-makers do prioritise sensing information relevant to their role. This is more effective and beneficial for them as it directly influences their performance.

It appears that decision-makers with more strategy-setting positions focus their efforts to a larger extent on the macroenvironment as a whole. This is likely due to the importance of their positions to oversee the influence of the environment on the entire value chain. According to Houlihan (1985), managers can overreact to macroeconomic uncertainty as possible effects are extrapolated. The data from the interviews suggests that this effect is largely mitigated by managers working in teams to set strategies. Collaborating across managerial functions in a company can elevate personal overreactions, interpretations, and bias, as respondents mention themselves. Additionally, planning in advance especially when it comes to finance, enables the company to balance out possible macroeconomic volatilities.

For decision-makers to exercise their responsibilities optimally, they seem to be in need of certain personal capabilities i.e., curiosity and eagerness to learn. This is important for all functions of the value chain and positively drives the sensing of macro-environmental information. It follows IB literature, which suggests that breadth of knowledge about diverse markets and factors is important for managers to accumulate the necessary knowledge (Tan et al., 2020). However, this appears to be of higher importance for the strategy-setting functions compared to the operational functions. The former have to be more aware of the value chain as a whole and the (indirect) effects of the macroenvironment, whilst the latter have to be more sensitive towards particular changes affecting the part of the value chain they are responsible for. This emphasises the importance of coordinated information flows as prefaced

by Cooper et al. (1997) to prevent inter-organisational barriers that result due to separate forecast developments within the value chain (Houlihan, 1985).

Complementing their role within the company and personal traits - such as curiosity - are the networks decision-makers engage with to sense macro-factor information. Value chain literature emphasises how networks within the value chain with suppliers and other strategic partners are vital for accessing information. The empirics supports this vitality and emphasises the importance of the value chain network for accessing relevant macro information. While authors like Gefferi and Kaplinsky (2001) and Cooper et al. (1997) emphasise the role of the led firm when it comes to information sharing in these networks, our data emphasise the strategic partners' role when it comes to sensing information. They appear to be the ones defining what macro information is sensed - rather than the lead firm coordinating information flows 'top-down'.

Lambert and Schwieterman (2012) explain that the need for cost efficiency, low risks and innovation pushes companies within the value chain to build and maintain strong relationships with each other. This fosters information sharing as it can lead to new business opportunities or diminished risks for everyone. The value chain from this perspective seems to work like a perimeter within which information is sensed.

However, our data also emphasises the importance of accessing macro-factor information from outside the value chain. Cross-industry and cross-functional networks are vital sources for the respondents to stay up to date on information that might indirectly affect them or the industry. The disadvantage of such networks is that they are less relevant to the particular complexities decision-makers deal with directly and can therefore be considered less effective. However, as the consequences of the macroenvironment are difficult to estimate (Andreoni & Miola, 2015), and effects can differ depending on the regional realities (Seshadri Iyer, 2008), we believe these networks are crucial for long term investments as well as for operational success within the value chain.

In addition to decision-makers' role, personal traits and networks, communication and information technology was brought forward as a facilitator in accessing macro-factor information. Fiala (2005) emphasises the centralisation and accessibility characteristics of informational technology which our data concur. Respondents emphasise that some data is

easier to find due to the way algorithms work. This can also lead to echo-chambers decreasing the breadth of accessible information. Therefore, sources such as universities or independent research facilities can be important, yet underexploited, facilitators too. Next to informing, technology also facilitates in coordinating the information within the value chain. This strengthens relations within the value chain (Fialia, 2005) and lowers inter value chain barriers (Houlihan, 1985).

The sensing abilities of decision-makers are crucial to understand the environment in which the value chain is situated and thus the possible necessities for reconfigurations as well as implications of these once implemented. Within the fashion industry, trend reports seem to be essential for providing companies with information about future macro-environmental developments. Leading fashion houses play a similar role and seemingly set the course for the industry to follow. Beckert and Bronk (2019) explain this as a future-shaping strategy. Because of the inherent uncertainty of the future, organisations can create powerful narratives to try to control the future. The dependence on actors like these in accessing macro-environmental information can lead to unexplored opportunities or risks in the value chain. Sensing information beyond the industry is therefore important for companies within the industry (Peter & Jarratt, 2015).

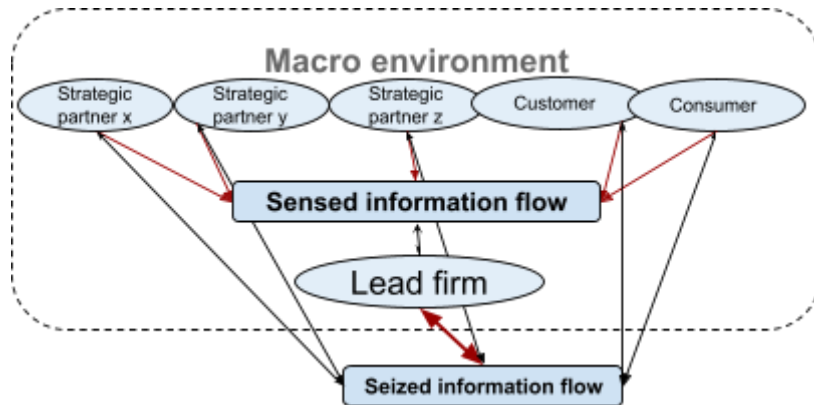
4.2.2 Seizing

When it comes to actually seizing information, coordination is the most important factor. Coordination is facilitated by various aspects: networks, company values, customer profile, and strategy setting. These will be discussed sequentially.

The seized information is dependent on the accumulation of the sensed information by all partners in the value chain. This accumulated information becomes a basin out of which partners can seize information. Cooper et al. (1997) emphasise the coordinating function of the lead firm in seizing information which our data supports - more so than in the sensing stage. When seizing information, the lead firm determines what information brought in by the entire value chain is grasped and used. This is where their coordinating role in sharing information starts - not when sensing information about the macroenvironment.

Figure 5 illustrates this idea with the red arrows indicating a pivotal role. In accordance with Cooper et al. (1997) and Lambert et al. (1998) the bidirectional arrows show how the flow of information is then accessed by all partners within the value chain and added to.

Figure 5. macro-environmental information processing in the value chain.



Our data also underlines the importance of the historic development of the value chain in determining the frequency and quality of shared information within the value chain. Strong relations with suppliers and good supplier relationship management improves the competitiveness of the value chain (Lambert & Schwieterman, 2012; Flynn et al., 2010). Respondents explain these relations are built over time by carefully selecting partners and investing in the relationship. This indicates the importance of transformational sourcing (Jensen & Petersen, 2013) for the value an organisation is able to generate. The ability of strategic partners to specialise, explore business opportunities and share strategic knowledge, namely partially depends on the skills and capabilities the strategic partner has before entering the value chain and their ability to enhance these. This latter point is not mentioned by Jensen and Petersen (2013) as playing a part in the success of transformational sourcing. Our data suggests that this predisposition of strategic partners is an important factor to consider because it largely determines the capacity of partners to actually be able to specialise, explore and reveal knowledge.

Our data does agree with Jensen and Petersen (2013) about the pivotal role managers and their comfort zones play in selecting strategic partners and the risk perception towards partners in the supply chain. The more trust between the partners, the better their ability to benefit the value chain and seize important information. Our data also supports that internalising strategic partners reduces risks and increases control. However, where Jensen

and Petersen (2013) argue that this will lead to a decrease in benefits from transformational sourcing, our data indicates the opposite: that it brings security when sharing information and makes innovation possible because of the interdependence.

The benefits of interdependence might be specific to the case company, due to the historic development of its value chain relations, and the fashion industry because of the complexity in the value chains due to regional realities (BoF, 2023; Halepete & Seshadri Iyer, 2008). Reacting to trends in the fashion industry may be more efficient if there is more control over what trends to seize and which to leave be. Regional realities can make it difficult for the value chain to know which information is relevant to seize for the entire chain as this will differ per region in which the strategic partners are situated. If strategic partners are internalised in the value chain, the top-down control allows for better indication of which information to focus on. The bottom-up information sharing will then maybe be less 'out of the box' but more efficient which is important for the industry due to its low margins, high competitiveness and reactionary character (Kwan, Yeung & Au, 2003).

Next to the networks, company values are important for the coordination of information in the value chain. Because people interpret information differently (Tan et al., 2020), it is important to have strong company values which can help in determining what information to see as relevant, despite personal perspectives. Values help everyone at the company to act similarly and act as a filter for which new information is relevant. Values can also broaden the information that can be seized beyond the personal frames of decision-makers.

According to our data, determining company values and fostering them is a complex task and can be supported by a good company culture. For the case company, the focus on values like innovation and the culture of curiosity structures what information is being seen as relevant and seized by decision-makers. Formal systems ensure efficient information sharing while informal systems ingrained in the company culture are the way to ensure information sharing in the long run.

Extending this culture and the values in the entire value chain, is important for controlling that similar information is being seized along the entire value chain. Successful and sustainable culture alignment between strategic partners again seems to partially depend on the predisposition of these partners regarding their culture and values.

The customer profile is another vital part of coordinating the information in the value chain. Like company values, it acts as a filter through which relevant information is selected. If macro factors are not relevant to the customer profile, then they do not have to be prioritised. This does not however mean that they are disregarded as all macro factors are important to sketch a complete illustration of the environment.

Additionally, respondents emphasised how they think of the effect macro factors have on their clientele. If a macro factor is not relevant to seize for the value chain, it might still be relevant to seize because it affects a customer in an impactful way. Business of Fashion (2023) underlined this regarding the regional realities for customers and the consequential various demands per region.

The customer profile is also important in determining the seizing strategy so to speak. This is dependent on specific customer characteristics, e.g.: conservative consumers demand fashion companies to make incremental changes in the value chain whilst social-media influencers demand fashion companies to seize all trends.

Regarding customer profiles and making decisions based on how the macroenvironment affects them, interpretations are necessary as you can only anticipate customers' reaction. You do not have data about the future (Beckert & Bronk, 2019), so you need people to imagine what the customer wants and interpret the development of the macroenvironment. For the case company, this largely depends on pivotal people. Their responsibilities in the company demand interpretation and thus allow them to determine which information is seen as relevant. Therefore, this should be balanced with other sources like competitor behaviour, and talking to departments, partners and other individuals to balance out personal bias (BoF, 2021).

The most tangible part of the coordinating of information is the business plan. The business plan communicates the intended strategy for the entire value chain. It thereby determines what information is relevant to seize; gets everyone on the same page; and guides decision-making. The business plan is constructed by the management team who determines which trends are strong enough to be concretized in the business plan (Peter & Jarratt, 2015). In determining this, the management team indirectly determines the frame of reference for partners in the value chain to seize information. Due to the business plan incorporating the whole value chain, the frame of reference is shared amongst the entire chain. This makes the direction of the company transparent for every strategic partner. This top-down transparency

seems to motivate bottom-up transparency, which is in accordance with Kostova et al. (2016). The more transparent the lead firm, the more information is being shared and the better the possibilities for the value chain to exploit business opportunities (Flynn et al., 2010).

The business plan is supported by the business intelligence process. This process clarifies the information flow through technology and allows for the entire chain to use the same information. It coordinates the information shared and also helps determine if new information needs to be seized to complement or explain the data.

The information seized in the business plan depends on the managers, their preference and experience, but also on the demands of the owners of the lead firm. The owners' targets influence the business plan indirectly, though the business proposition and available resources. Awano and colleagues (2018) explain how more experienced firms are usually more optimistic about the economic outlook. This can lead to variance amongst value chain partners when it comes to seizing macro information. To coordinate the owner's targets over the entire value chain, the management team has to be aware of and consider all of them when drafting the business plan.

What remains a challenge, however, is that the future cannot be predicted. This is also why the business plan is only for the short term, in accordance with Peter and Jarratt (2015). Based on extrapolation from past data and strong trends likely to influence the value chain in the short term, the business plan can communicate the direction for the coming 5 years. This provides security for everyone in the value chain, yet keeps possible adjustments open and therefore the value chain agile to unexpected developments.

4.2.3 Transforming

When analysing the transformation capability and the aspects important for transforming the seized information, the value chain partners are essential. Lambert and Schwieterman (2012) mention how it is imperative to maintain a good and strong relationship with strategic partners in the value chain as it can benefit the company when there is an increase in competition on the market. Our data indicates that Eton's close relationship and interdependence with their partners in the value chain enables them to generate a higher value for all parties. The relationships are mutually beneficial and allow information regarding

macro factors to be filtered and accessed through various sources thus providing a comprehensive, multifaceted information and knowledge flow.

Different from Jensen and Petersen (2013), who emphasise the importance of supplier independence for value generation, and Flynn et al. (2010) who emphasise integrating internally and with customer over integration of suppliers, our data emphasises the importance of supplier interdependence.

The interdependence between partners is important, as strategic decisions are driven by differing personal motivations and goals. This aligns with the claims of Tan et al. (2020) who mention that individuals interpret and act upon external differently. Because of that various different decisions can be taken throughout the value chain leading to a fragility risk. If value chains are too independent, value chain reconfigurations can contradict each other or go into different directions (Houlihan, 1985). It might therefore actually be essential for companies to have a close, integrated relationship with their suppliers. Looking at a current macro factor affecting the industry, nearshoring, the interdependence has ensured Eton's position with their suppliers. The value chain is less threatened by the nearshoring of other clothing companies due to the good relations within Eton's value chain, built over the years.

Maintaining a good, interdependent, and sustainable relationship is also essential for Eton's operations due to its niche value proposition. The high skills and capabilities required are therefore only available at a few suppliers. Hence, reconfiguring the value chain or implementing changes is sometimes not possible if strategic partners can not profit from the reconfiguration as the overall demand for it is too low. It is therefore in the interest of the lead firm to invest into the relationship, due to it being difficult to find new suppliers for reconfigurations. Long term gains from the reconfiguration can be seen as a worthy investment for both parties. Our data indicates that investments like these are of higher importance for smaller companies or companies producing niche products. Bigger fashion companies with more resources or companies with less niche value propositions can more easily switch between suppliers. For them the independence of suppliers as argued for by Jensen and Petersen (2013) might be beneficial in generating more value.

When transforming information into value creation, our data shows that company culture and values are also essential. When external information filters through the organisation there is always a risk for personal preferences and biases to filter away information that might be of

importance for the company. However, when there is a strong sense of company culture and values throughout the organisation, the risk of bias will decrease as the perspective will be that of the company.

Although a business plan can showcase the direction of the company, and what information will be useful and of importance for future endeavours, there is a risk of it being too impersonal. Relying on this alone can risk allowing the personal preference to influence information transformation. As dynamic capabilities necessary to transform information are always embodied by individuals, their interpretation of the business plan can be different from its intention (Tan et al., 2020). This risk can be mitigated by combining the business plan with a strong focus on company culture and values. Aspects such as knowledge-sharing, curiosity, and innovative thinking are mentioned by respondents as essential for the culture and when it comes to implementing information into the organisation. To have a company culture that embodies these traits hence facilitates the transformational process.

Constructing narratives through the use of tools such as business plans, forecasts, and calculations can however be useful in navigating the uncertainties the external environment displays (Beckert & Bronk, 2019). It can also be useful when motivating changes and informational transformation within the company according to our data. Narrative tools can motivate employees by creating a picture of where the company is going. Sharing the narrative throughout the company is more catchy than a business plan and can help in encouraging employees and strategic partners to implement and transform the information into value creation. Several respondents mentioned how it helps that the company is a - relatively - flat organisation. It facilitates the ability of information sharing, enforced by the strong company culture.

Moreover, our data strongly supports the safeguarding role of the business plan and market forecasting tools in line with Peter and Jarratt (2015). Eton uses them as a way to ensure that their operations remain relevant in relation to the market and industry developments. This is especially true in the case of the operational parts of the company where short term planning has a more imperative role. However, the use of market forecasts is only useful depending on the perspective. As the forecasts are made based on current data and are made to manifest in the short term perspective, they can not foresee the long term effects.

When it comes to transforming information, it seems less beneficial for companies to do so with a too long of time span in mind. Several of the respondents were also very clear on the fact that the future is so uncertain that a company can not make a decision today about something too far ahead. A maximum time span of five years lowers the risks of spending resources on unsustainable reconfigurations. Several respondents mentioned how the only thing we do know about the future is that the circumstances will change. Hence, focussing on agility in the value chain to allow for making decisions with a short term perspective enables the company to stay relevant to what the customers, consumers, and other stakeholders demand in real time.

However, only focussing on the short term can blindside companies long term effects of currently weak trends in the macroenvironment (Peter & Jarratt, 2015). However, using the long term perspective in the process of transforming information into long term plans requires more resources. Respondents perceive using resources for longer term planning as unbeneficial because of uncertainty regarding outcomes. When longer term trends are stronger however, such as the expected scarcity of resources, respondents do see the merit because of the scope of the required transformation (e.g. finding more or new material suppliers). When the trend is weaker, respondents have difficulties to relate to it and condone spending resources to acquire knowledge about it.

4.2.4 Organisational Patterns

The different aspects mentioned take up various roles and levels of importance depending on the step of the process. How macro-environmental information is being sensed seems like an unstructured process in which various channels are used actively but also more passively, in just receiving information without actively looking for it. Various networks enrich the sensing step and ensure the information flow extends the value chain. This is helpful to avoid ignoring information and becoming blind to 'wildcards' (Peter & Jarratt, 2015).

Sensed information is shared within networks but also through reports and communication technology. Then usually some actor in the value chain seizes something which they deem relevant and feasible for their particular operations. Information seems to become relevant when new information can be combined with existing knowledge or skills to create an

innovation.⁴ This is then reacted upon by other parts of the value chain who can then add the required information and capabilities. An important factor here is that the entire chain has to be included in this as for the information to be transformed, it needs to be feasible in the value chain.

This whole process is supported by both formal and informal systems that foster the information process. Formal systems become more vital as a company grows. They also require more resources so are usually unattainable for SMEs in the fashion industry. This increases the dependence of SMEs on ready-to-use and relevant sources such as networks and trend reports when it comes to sensing information. When it comes to seizing information, the company's value proposition and clientele are important filters in marrying strategy and expected future developments. Value chain configurations are only realised successfully when the sensed and seized information is transformed, facilitated by a business plan and the input from all strategic partners.

These processes are quite extensive and cover very many actors. Informal systems are vital to coordinate this. They prevent personal bias from becoming too instrumental and help in getting all departments as well as strategic partners on the same page. An important factor here is the predispositioned culture and values of the people working at the company and partner companies in the value chain. Working with similar values facilitates collaboration and information sharing which is vital for macro-factor influences to be considered over the entire chain and transformed in the most beneficial way.

Formal systems, such as Lambert's (2004) proposed performance measures, are hard to use as indicators for how macro factors affect parts of the value chain. This is mainly due to the interdependence between value chain actors and the direct and indirect effects of macro factors on the entire chain. Formal systems can be used however as information providers, supplying better intel about the performance of the chain as a whole. Currently, sales data (both qualitative though wholesalers and quantitative) is used as a tool for measuring performance. However, like Lambert's systems, this can only tell, *ex post*, how something performed. It cannot help in predicting what macro trends to use for decision-making.

⁴ This follows Schumpeter's (1939) idea about innovation, however it will not be discussed in this thesis as it surpasses the aim of the research.

Prediction mainly seems to depend on the strategy-setting management positions because of their responsibility to determine the course for future success. From the empirical data we could see a division between managers concerned with the future of the value generating capacity of the company, and managers concerned with the practical implications within the value chain. The strategy-setting managers were also the ones using more varied sources to sense macro factors (e.g. cross-industrial networks) to generate a more wholesome picture of the environment - not necessarily only about Eton or the fashion industry. This wider view helps them to interpret the indirect effects of macro factors on the value chain as well as effects on strategic partners and clientele. This latter abstraction level was also spoken of by respondents with years of experience in the fashion industry. However they seemed to be concerned with that out of experience and knowledge, not out of responsibility.

The strategy-setting managers also have a different responsibility when it comes to seizing the information. They communicate what is relevant for the departments and strategic partners and therefore have to be up to date on more varied information. However the depth of the information is then provided by the managers in operational positions. These managers know more about the specifics in their department and are therefore vital to seizing information from strategic partners or other more specific resources. They use the given strategy to look for more information about necessary details for actually transforming it into value chain configurations.

Adjustments within the value chain can become quite complex due to the dispersed character. One way to overcome this, is keeping tight relationships with the strategic partners. Investing in this relationship creates trust and the necessary resources and capabilities for the partners to develop and innovate on their own. This contradicts literature by Jensen and Petersen (2013) and might be due to the high level of required specialisation within the case company.

This high level of specialisation makes reconfiguration of the company more difficult as not just any supplier, manufacturer or cotton-distributor will fit the requirements. This makes the value chain as a whole less agile in the face of environmental disruptions. Therefore, value chain reconfigurations due to macro-environmental changes depend largely on the existing capacity and feasibility in the value chain at that moment. This entails two things: one, it is important for the lead company to look into the future and determine how the value chain can be influenced by macro factors; two, it is important for the lead company to plan for value

chain reconfiguration so capacity can be built. Operational managers have more information about the latter while the strategy-setting managers are better equipped to focus on the prior.

4.2.5 Macro Factor Patterns

When it comes to the macro factors themselves, we can carefully consider differences between how decision-makers act upon various categories of factors. Using the PESTLE framework - largely familiar amongst the respondents too - we were able to distil some patterns. Regulatory and economic trends stand out as two categories of macro information decision-makers seem to always transform. Most likely because of their importance for the economic profitability of the firm as well as the possibility to operate conform regulations. These factors are important across industries and knowledge sharing between companies about them can be an important source for best practices.

The social trends followed by the case company depend on the value proposition of and the clientele. Knowledge sharing between competitors with the same clientele or a similar value proposition is then an important source for information.

Ecological trends seem to affect the value chain depending on owners targets, value proposition and clientele. If social and ecological trends affect the clientele, the company will have to reconfigure its value chain to maintain the ability to create value for its customers. This is important to stay relevant in the industry but also for their legitimacy as a brand. Political trends are more important for their indirect effects on the value chain partners and clientele, to understand their circumstances.

The relevance of technological trends is highly industry dependent. They determine possible innovations and efficiency gains in the value chain (e.g.: information sharing due to communication technology). The strategy of the lead company and strategic partners determine what technological trends are transformed into changes within the value chain.

How and how frequently companies act upon trends partially depends on the capabilities of the company to do so as well as resources and existing value chain configuration. In general, larger companies have larger value propositions and thus pertain to a larger clientele. To stay relevant to this clientele, they have more macro trends to consider, but also more resources to do so.

More resources also allows fashion companies choice in deciding what trends to materialise - depending on their own conditions for staying relevant and profitable. This is why rather than just reacting they can shape the realisation of e.g. social trends. In line with Beckert and Bronk (2019), they can create their own 'narrative' in taking control over what they assume their clientele will buy into. This is then used by other, smaller brands - like the case company - as a competitor benchmark and shapes what their clientele sees as legitimate (Pan & Pan, 2014).

Creating a narrative about the future direction of a firm is beneficial for all stakeholders, whether this future will materialise or not (Beckert & Bronk, 2019). Respondents see the benefits of the certainty for value chain partners when necessary investments are envisioned so preparations can be made in due time. The better the company is able to narrate its future direction, the more efficient the reconfiguration of the value chain will be.

Vital in this are long lasting relationships with strategic partners in the value chain. They enable companies to better sense social and political factors and act upon technological and ecological factors. This improves sensitivity towards opportunities and threats in the value chain as Khartit (2021) argues for. Therefore, circumstantial awareness of the lead firm regarding all parts of the value chain, improves its ability to determine the most beneficial reconfigurations for the whole.

Still, the same factor or combination of factors can have a different effect depending on the regional realities, predisposition of strategic partners or interpretation of the macro factors' effects. The effectiveness of considering macro factors then depends on the managers' experience and communication within the value chain to clarify opportunities and threats. Regional realities can only be accounted for if information sharing - both top-down and bottom up - within the value chain is facilitated and motivated. Personal bias, preferences and experience influence how information is perceived and shared. The willingness of all strategic partners and company culture are therefore crucial to foster collaboration and reconfiguration.

4.2.6 Framework

How macro factors influence decision-making processes in value chains seems to be a very complex system. The information flow based on Lambert et al. (1998) constantly changes and plays an informative as well as a directive role. Based on the information flow and the value chain's ability to share information within all parts of the chain, opportunities and threats resulting from factors developments are sensed or not. Because of the competitiveness in the fashion industry, complexity of the value chains and uncertainty in the environment, it is important that companies are aware of the mechanisms with which macro factors influence their ability to make value.

From the literature Figure 2 was constructed, illustrating the expected way in which macro factors influence the information sharing process in the value chain.

Figure 2. Conceptualisation of expected information sharing within the Supply Chain Framework.

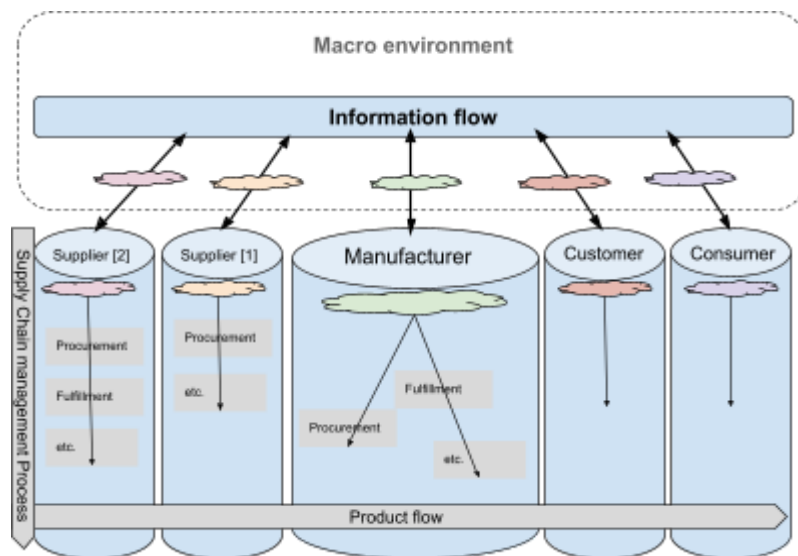
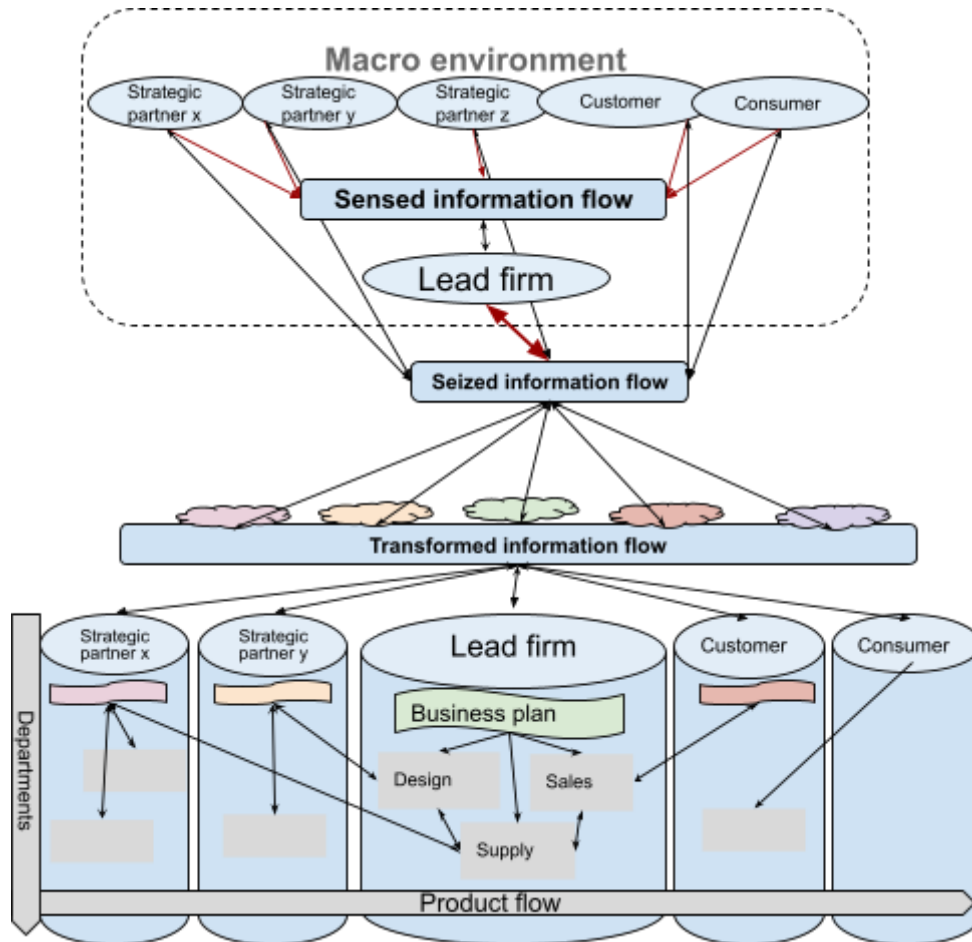


Figure 2 is inspired by literature about information sharing within the supply chain and extended by literature about the influence of personal bias, preference and perspective (reflected by the coloured clouds).

Based on the empirical data and analysis, Figure 6 is constructed. It is an extended version of Figure 2 where the 'information flow' box in Figure 2 is replaced by Figure 5. This includes the way respondents of this study perceived the macroenvironment als shared that perception.

The top part of Figure 6 consists of Figure 5 which we elaborate on page 56. Added is the transformed information and the flags representing the business plan.

Figure 6. Conceptual macro-environmental information processing framework



After the information is seized and filtered from the macroenvironment it needs to be transformed into value generating activities within the company. These activities are developed and implemented by individuals in the firm. However, the driving force for the individuals to make these decisions can be found in the company culture and values, as it creates a strong profile for the company and its employees to act in the best interest of the firm rather than solely on personal preferences. The coloured clouds in Figure 6 reflect this mix of individual traits and company culture - which differs in different parts of the value chain - hence the different colours. This differs slightly from the theoretical framework in Figure 2, which does not include company culture as part of the clouds. However, according to our analysis, company culture is not just important for coordination, but steers personal perspective, preference etc. too.

The transformed information and value chain configurations based thereupon are aligned with guiding tools such as the business plan. These are the concretisation of the transformed information, as visualised by the flags in the same colour as the clouds per part of the value chain. The business plans trickle down in the various cylinders within the value chain to the departments of the strategic partners. This is the part of the framework where information sharing between units diminishes and the importance of pivotal people and/or positions is highlighted. The sales team of the lead firm will still be influenced by the information processed by the customers, as will the business plan of strategic partner x be influenced by the supply team of the lead firm. However, these influences mainly lead to nuances and adjustments to the business plan. The shaping role of the lead firm is more vital in sensing information, higher up in the process. While in the business plan, the strategic partners know best how to implement the transformed information.

As can be seen in Figure 6, the consumers lack a 'flag' as they are usually not actively engaged with analysing the macro factors in the same sense as the other parts of the value chain. They consume the value that the chain creates, without actively using macro-factor information to reconfigure their actions. This can create a form of lead time in terms of implementation, as the consumer might not recognise their own needs or wants at first. Hence the strategic approach of implementation needs to be adjusted to the consumer, before it can generate value for the company - which is why the line between consumer and transformed information does have a reverse arrow.

The transformational reconfigurations often involve several parties within the company, as well as stakeholders. It is therefore vital to create an understanding amongst them to ensure and enable the implementation. This is visualised by the lines between the strategic partners and the transformed information flow. Implementation plans might require different strategic approaches depending on what parties - within the company or value chain - are required for a successful information transformation. For example, if the product development department notices a new trend based on shifting consumer behaviour, they need to involve i.e., design team and sales team. As without them, the product change will not be possible (as seen in the lead firm cylinder in Figure 6).

5.1 Empirics II

5.1.1 Focus group A - the management team

After having heard the vignette, group A started deliberating the possible response strategies presented (where option 1 was to shape the industry; option 2 was to adapt; and option 3 was to reserve the right to play). They eliminated option 3 because they *"need to be able to, to create our own destiny"* (M3). Due to the size of the company and their competences, M3 eliminated response strategy 1 too. Because this is a scenario, M3 suggested focussing on flexibility as they are uncertain about the actual outcome.

Group A started discussing the consequences of this scenario in general: *"the consumption in general must be dramatically reduced"* (M3). Generalisations transcended the industry as well and included: government and the society or environment. The consequences on customer knowledge and behaviour was mentioned too.

Group A mentioned that as of now they already have a good strategy to address this possible scenario. Additionally, because of the materials and the quality currently worked with, group A thought they should be in a good place to start out if this scenario were to play out.

M1 started going into more detail about the various impacts this scenario has on the materials they are working with. They also mentioned new possible business opportunities that this scenario *'demands'*. M3 critiqued that by wondering if those opportunities would fit the brand image. M1 then gave in a little explaining that it might not be the first thing to do, but that it is eventually probably happening. They then came up with another new business activity that could provide an opportunity for the company, closer to what M3 mentioned previously. M2 reacted to that by extrapolating the new business activity and thinking about additional beneficial applications for that within the company. He proposed conditions which the products had to meet and suggested a new way of working to realise it.

Then M2 shifted the discussion by thinking about the current/historical strength of the company and the biggest challenge for the company, as seen from that strength. Getting the right material input would be the biggest challenge and overcoming this would maybe entail working with different materials. M1 added to that by suggesting other possible materials on

which M2 built with local companies that could serve as partners in that scenario to figure out their options. The importance hereof was supported by an illustrative example of past innovative developments.

Then M2 agreed with M3 in saying that response two is the most interesting to work with. They explained that other companies with more resources might select another strategic response. However, based on their own niche within the market, M2 argued they could select strategic response 1 too, depending on the scope. M3 agreed from the perspective of products they could be market leaders, but did not think strategic response 1 was feasible from the perspective of resources, because of the reason mentioned by M2. M2 agreed and circled back to the challenges of obtaining material input, connecting that with the response strategies.

Based on this the group started formulating a strategy for acquiring the necessary material input. They did so by extrapolating the current situation and adjusting it to conditions relevant in the scenario. In doing so they combined the idea of being a market leader when it comes to being an example regarding sourcing and manufacturing in the industry while adjusting to the new playing field - maybe influenced by companies with more resources to influence the regulations.

Then M3 brought another macro-factor development to the table to which M2 reacted; they should maybe adjust their strategy to include that development too. M3 referred back to a yet undiscussed element in the presented scenario which would substantiate the adjustment. M1 then built on that with practical implications and challenges that would likely come from this strategy. M3 confirmed these thoughts by asking rhetorical questions about projecting their current ways of working into this future scenario.

Then M2 brought back the previous point about partnerships and built on another detail of the scenario they had to consider. The consequences for possible partners were thought of and how doing this would only work if they could collaborate. The group agreed.

The moderator asked when they would hypothetically start implementing these changes in the value chain. The group started by elucidating the elements of the value chain already in place now relevant for the scenario. M1 then specifically mentioned production and meeting the

requirements for that is getting harder already. M3 then circled back to the initial strategy and how that would influence them in making constant improvements depending on the possible consequences in the value chain. This was posed against the strategy of investing in a market leader strategy. They mentioned what they are already doing today to achieve this flexibility but also how this prepares them for doing similar value chain reconfigurations if a scenario like this were to happen. This would then help them in adjusting in a fairly short period of time to possible macro-environmental changes. They also mentioned what other departments are currently doing to gain flexibility and how this mitigates risk for the entire value chain. This plays an important role in their success 5-10 years from now.

Then M3 referred back to the situation of the company a couple years ago and how every decision they make is in line with becoming a global business in the long run. M2 mentioned how scenarios never realise exactly how you think they will. Scenarios give a direction, but spending resources on chasing them is seen as disadvantageous. Being mindful of macro-environmental developments and focussing on flexibility and the ability to adapt to various circumstances is key. When big changes happen, they need to then address them as soon as possible. Preparing for possible future developments by e.g. testing innovations, helps them in this and when these experiments fail, they start again to ensure they keep taking steps in the right direction.

M1 reacted that, thinking from this 10-year perspective, they should probably focus even more on testing innovations. M3 challenged that from the brand image perspective and said they innovate plenty. M1 reacted affirmatively yet added that it is currently based on historically available materials and not on what they expect to be available in the future. The M2 mentioned a very innovative method to illustrate the wide options available.

M2 mentioned how beneficial the connection to quality and price point of the brand is. However the consumer habits in a wealthy country will have to change in the future and this is something the company embraces and actively stands for. M2 explained how meetings like these often bring approval for current strategies forward. Looking at what the future will demand in addition to that is hard because they don't know. It can be more or less of what they expect, but it can also be completely new things, currently off the radar. Therefore they think it important to build flexibility into the culture rather than have thought out strategies. Having certain core values being part of the brand DNA then builds a foundation from which

challenges can be met when they come up. This does not mean strategies are irrelevant, just that culture is seen as more important to adapt to future scenarios. M1 elaborates on that and emphasises the importance of people, their passions and ambitions in starting future-oriented initiatives.

When being asked how a systematised exercise like this can help planning for value chain reconfigurations, the group was in agreement that it is a good way to challenge yourself and imagine the effects for the company. Most decisions made now are based on a three-year perspective and stopping to think about longer term developments can be good from time to time to set a direction and contemplate if they are still on the right track. It can help in determining to address some new or other areas if they are likely to affect the way they operate. This way, expected developments can be integrated in all the functions across the value chain instead of it being a specialist function to focus on by one person.

5.1.2 Focus group B - the supply team

Focus group B started out by stating the focus area of the group and then dove into formulating an answer. S2 argued the company would increase its focus on the brand values and quality and from there should formulate a strategic response to the scenario. S1 responded by highlighting a challenging feature to this first thought, mentioned in the scenario. S3 steered the conversation to going over the presented strategic responses. They argue that response 1 is valid, but not the company's way of working. Adapting is seen as something they do today and probably a good strategy to implement in this scenario. Then S3 used the initial focussed answer of S2 to go into detail about practical implications and finding new ways to lead material development. Based on past experience, they think this is feasible.

S1 then added to that by including the geographical aspect into the conversation. Again, historical processes are used to build on. S3 added the aspect of costs and transportation regulations as well as employee and production requirements in this scenario. By projecting the current way of producing into the future, they came up with possible reconfigurations necessary.

The moderator asked how they would decide what to start doing. S3 answered by emphasising costs and that when a strategy seems beneficial, they would start looking for partners, people and equipment. S1 responded that the uncertainty over the next ten years would mean that the costs would change and with all the different aspects that need to be taken in consideration, they need options and be ready for different scenarios.

Then S1 mentioned another part from the scenario as something to include in the strategy. S3 added the tests they are currently running regarding that. Current results motivate negative expectations for the application of the test for the company, however can lead to new business opportunities by selling to other companies in the scenario. More ideas about material were mentioned before coming back to the inevitable uncertainty.

S1 went into the consequences of regulations for their customers and what they would then mean for the price and sale channels. Clarification about specifics was asked to the moderators which was answered with the aim of staying close to the presented scenario and keeping the responses of the team as open as possible to motivate further discussion.

S3 explained how currently regulations already make executing part of the envisioned strategic response difficult. The necessity of regulation and system changes in the geographical market and fashion industry was emphasised as they now hinder starting possible responses.

As the discussion died down, the moderator asked how the customers and supply chain distribution would change in this scenario. S2 first mentioned looking at the suppliers and how centralising supply could be beneficial, looking at the regulations in the scenario. S1 asked if it was about profitability to which the moderator answered that it was more about strategic changes in the value chain to remain profitable in this scenario. S3 answered that it would depend on export regulations too, to which S1 added that it would then be important to reduce the amount of steps in the supply chain to avoid shipping. S3 responded that the material aspect would then still be an issue and that collaboration would be essential because of the quality required for the brand image.

S2 suggested having more control in the earlier stages of the supply chain than they do currently to secure the necessary amount of material. S1 asked S2 if developing new

materials should then become a new core activity of the company to which S2 answered that it could be an option. S1 then suggested working closely with research facilities to successfully adapt to the new circumstances. S3 agreed and suggested collaborating with suppliers, as they currently do too, to develop new materials.

The discussion died down and the moderator referred back to something said earlier about being creative in the setup of the supply chain and what the options were to optimise this setup for the scenario.

S1 responded that it is hard to answer without knowing all the rules and regulations and how manufacturers will react. Then they explained how they currently analyse the setup and then determine if they want to change it depending on cost and environmental - as in context - changes. S3 mirrored S1 in mentioning the current way of working and cost and environmental aspects.

The moderator asked whether an exercise like this is helpful for the team. S3 mentioned that the long term, 10 years, is not helpful, 3-5 years is more helpful but even then they know reality will not be when they predict. Setting a direction like in the business plan is helpful for making decisions today, but 10 years is too difficult to grasp. A 10-year perspective and possible disruptions are good to really reconsider everything, but a lot happens in 10 years. S1 added to that by explaining how today's decisions depend on particular regulations and how they cannot plan for a change before they know the specifications of what will happen.

5.2 Analysis II

5.2.1 Scenario planning from empirics I

Empirics I already provided some first insights into how decision-makers use scenarios. Respondents mainly state they use scenarios as thought experiments to ensure the company is equipped to handle the possible scenarios if they were to materialise. These thought experiments are something decision-makers engage with personally, in just thinking about future possibilities and how to prepare for that. They are also discussed within the departments and between strategic partners.

Being prepared to adjust is important for various reasons. First, you need sufficient information about the development of macro factors in order to determine whether scenarios are likely to realise. Second, you need the right capabilities and resources to actually realise the adjustment when necessary. Third, for any adjustment to be successful and sustainable in the long term, you need to be aware of the feasibility in the value chain and inform strategic partners about the prospected changes so they can prepare too - and maybe even improve the envisioned changes.

Especially in the financial department, scenarios are important for financial planning. This is done by using a worst case scenario estimate to ensure the company will be able to survive, even if the worst case scenario were to come true.

The manner in which respondents talked about using scenarios in empirics I, seemed mainly focussed on capacity planning and risk aversion, based on estimates extrapolated from historic data. This helps in decreasing the sense of uncertainty about future developments and motivates investments in the value chain. Beckert and Bronk (2019) explain the usefulness of constructing future narratives exactly for those two reasons as well. However, like Peter and Jarratt (2015) state, only applying quantitative extrapolation does not allow for the inclusion of the complexity and intricacy of the ever more complex environment. The case company does add input from certain departments (e.g. design and sales) as well as from experience of the decision-makers themselves to the picture, however this might fail to include a variety of perspectives accounting for unexpected fluctuations, like York (2008) explains.

York (2008) as well as organisations like BoF therefore suggest systematising future strategising by using scenario planning. Empirics I already gave way to the idea that strategy-setting managers seem more interested in an exercise like this, partially due to their responsibility for the future of the company. They also bear responsibility for a broader spectrum of departments and therefore the relevance of looking into various scenarios about the future might be higher to them than to more operational decision-makers.

5.2.2 Comparison between groups

By doing the same scenario planning exercise with two different teams within the case company, we can analyse the usefulness of the tool in general and explore differences between the teams. We will start discussing the differences, after which the evaluation of scenario planning will be discussed in general for the case company.

In both groups respondents formulated their own thoughts and complemented that by directly pointing at others in the group with more expertise about an area they included in their thought. This refers back to the open communication and collaboration within the case company that fosters information sharing and facilitates decision-making. Within the management teams it seemed like the dynamic was open, informal and collaborative which meant that respondents improve each other and build on their thoughts. Adding perspectives and aspects was also done based on experience and expertise to make the conversation multifaceted and cover a larger share of the value chain and macroenvironment. It thus seems important the teams are comfortable communicating with each other and are aware of past experience and expertise.

Penrose would agree with this as she argues that the diversity of experience of managers can contribute to the entrepreneurial quality which sustains long term competitive advantages (Tan et al., 2020). Having management teams with diverse backgrounds and experiences discuss future scenarios can thus help in formulating more entrepreneurial responses to foster the competitiveness of the firm.

Adding to this was the nuancing or balancing role the group dynamic played. As Penrose states, managers interpret external drivers differently (Tan et al., 2020). Empirics I illustrates this as the challenges of personal bias are brought forward frequently. This could lead to

skewed sensing, seizing and transforming of information, based on personal preference or perspective. Talking about a future scenario within a group makes that perspective of everyone, and nuances the general conversation. This happened both directly, by respondents reacting to each other and toning down or emphasising certain aspects, as well as indirectly, by respondents formulating their responses more thoughtfully than in the semi-structured interviews conducted prior to these focus groups. Because of this, answers were more balanced, which can be viewed as both positive and negative. On the one hand, it generates more all encompassing responses to a future scenario than if responses were formulated separately. On the other hand, answers might not be as worked out or experimental in character.

Scenario planning is an opportunity to systematically consider scenarios very far from our current frame of reference. Usually these scenarios cannot be responded to based on the current situation and therefore some level of openness and creative response can be fruitful. Van der Heijden and colleagues (2002) emphasise this as well as it helps to be better prepared for a wider variety of changes.

To improve the usefulness of the scenario planning exercise, maybe it would therefore be better to have the respondents prepare separately. Then they can formulate responses before getting together and discussing them which will lead to a more nuanced, all encompassing view. Especially since formulating scenarios as a thought experiment already seems like something the respondents do. So, to enjoy the full benefits from scenario planning, systematising the process in this way might be more beneficial.

A difference between the groups was the level of detail they went onto. Group A was more focussed on extending the initial thought that was brought up by one of the respondents, while group B was more focussed on providing detail to the thought that was brought up. This is likely due to the strategy-setting responsibility of group A as compared to the more operational responsibility of group B. For group A, it was more natural to extend the frame of thought by taking more information into consideration than provided by the scenario as well as the thoughts of the other respondents. For group B, going into detail and working out the practicality of the thought formulated by one of the respondents was more natural. This also made group B ask more questions to the moderators in order to test the feasibility of their strategic response.

According to Burt and colleagues (2017), keeping an open mind is important for the benefits of scenario planning to come to light. However, group A sometimes was too open minded, included too many perspectives which sometimes resulted in trouble to stay on topic. Respondents remedy this by calling each other out and circling back to the exercise at hand. Group B sometimes got stuck as they worked out parts of the problem one by one. They soon sought refuge from the uncertain scenario which, according to Burt et al. (2017), diminishes the effectiveness of scenario planning.

Group B also tended to use extrapolation as discussed by Peter and Jarratt (2015) of strong current and past trends to base their answers on. In doing so, they were able to point out very detailed challenges that would come to light from depending on the current value chain configuration. Thinking about the consequences for partners and manufacturers in the future scenario is vital for the success of the whole. This level of detail and extrapolation was therefore fruitful as bottlenecks could be identified within the value chain however is maybe better supported by a less uncertain and long term exercise.

To guide the use of the scenario, strategies to formulate a response were given. Both groups based their choice on what strategy they could work with mostly on brand identity and the clientele. This is in line with the findings in Analysis I. Providing these strategies seemed helpful to get the conversation going without constraining the possibilities of reacting. Both teams used parts of the various strategies to formulate a reaction. Group A did so earlier in the conversation and more systematically (i.e., focussing on being a leader when it comes to innovation in their value proposition and a follower when it comes to market developments and trends). Group B used it when they endeavoured into other aspects of the value chain, using a different approach for i.e. acquiring resources and manufacturing. The choice of what strategy to work with was for both groups also reasoned with the availability of resources. This too is supported by findings from Analysis I. The groups talked about how bigger companies can spend resources on being a leader, while SMEs cannot. They also reasoned as a brand, they do not have to because of the value proposition and clientele.

In accordance with Burt et al. (2017), the exercise made both teams consider various strategies. Depending on the situation, they pondered on the various risks and opportunities the scenario would bring. Group B went into a lot of detail about these possible operational moves while group A more so detailed the strategic position of the company. For both groups

using scenario planning could thus be useful to give insight into different strategic responses, depending on the situation they find themselves in.

Both teams kept referring to the uncertainty of the realisation of the scenario. For group A this meant they focussed on setting a direction rather than making detailed decisions on a response, while group B focussed on detailing the response to the extent they had specific information. Group A hereby focussed more on the driving forces behind the scenario, uncovering there and reasoning a response to these, while group B thought of the consequences of the scenario given.

Partially this difference can be due to the difference in capabilities between the two groups. According to Penrose, managerial capability moderates the impact of external constraints on growth. Managerial and firm-specific resources as well as experiential learning improve managerial capabilities. So the more and more varied experiences managers have had, the better their managerial capabilities (Tan et al., 2002). This could explain why group A - whose respondents had more elaborate previous experiences and positions - was less occupied with the constraints of the scenario in their answer. They seemed to work with the new environmental conditions as opposed to group B who seemed more occupied with figuring out the details of the environmental conditions and formulating responses to these in the value chain.

All in all, the scenario planning tool, if used as prefaced by van der Heijden et al. (2002), seems more beneficial as a tool for strategic conversation than as a tool for risk planning in the value chain. The strategy-setting team seemed more open to the uncertainties and was less prone to (prematurely) closing the conversation (Burt et al., 2017).

5.2.3 Overall evaluation of the tool

According to the industry expert we spoke to, fashion companies do not have vast resources to regularly practise forecasting. Scenario planning can be a useful tool to contemplate possible future circumstances while requiring relatively low resources. BoF (2023) underlines this too and reasons that with the complexity of value chains and uncertain environment, scenario planning can be useful for long term planning - something fashion companies are not regularly engaged with.

At the case company, most planning is done 'naturally', in an informal, un-systematised manner. Respondents from the semi-focussed interviews explained they think of future scenarios and then consider whether their operations are ready for possible disruptions. However this is largely being done as a thought experiment, maybe discussed in the team or departments respondents work with, but not like van der Heijden et al. (2002) propose.

Both group A and B thought the scenario planning exercise was useful, especially to expand their horizons in terms of the extremes the scenario was based on. However, the benefits of regularly doing a scenario planning exercise differ per department and depend on the necessary input in terms of time and resources. Looking in depth into macroenvironment reports and analysing the most relevant and impactful trends, takes time and effort which could otherwise be spent on activities directly beneficial for the case company. Moreover, directly using the information gathered from these reports might be just as beneficial as having to spend more time on constructing possible scenarios and thinking of ways to respond to those. So where the benefits outweigh the necessary inputs, might differ per department.

According to the focus groups, the inputs could be worth it for the management team. The individuals in the management team are already more engaged with gathering information about macro factors and thinking about strategic responses to them, if they materialise. So the first step of the scenario planning process, gathering enough information about the macroenvironment, is already done to a larger extent. Then the benefits of considering a wider variety of possible changes and strategies outweigh the cost of constructing various scenarios and discussing them.

For the management team, whether the possible scenarios are realised, is not as important as for the supply team. The management teams seemed better able to stay open and contemplate various possibilities. According to Burt and colleagues (2017), this enhances the benefits of using scenario planning. Additionally, being willing to consider various scenarios and contemplate strategic responses, despite the uncertainty, increases the management team's sensitivity to macro factors otherwise not considered relevant. Including more macro factors than the value chain senses, can improve the management team's ability to recognise unexplored opportunities and risks. Discussing these can then align views (van der Heijden et al., 2002) which helps to coordinate strategic responses when value chain disruptions happen.

For more operational teams, like the supply chain team, the tool can be useful to determine whether the current supply chain can weather future scenarios. However the necessary inputs for regularly using this tool, might not be worth the benefits. Especially if the operational teams are not as open to various possibilities and avoid contemplating uncertainties as prefaced by Burt et al. (2017).

Because of the inherent uncertainty about the future, scenario planning is not useful to base actual strategies on. It is useful to determine whether the direction in which the company is going is profitable and relevant to the future customer. Having a more all encompassing grasp on possible future scenarios and actively discussing possible strategies for the company to use, improves managerial sensitivity and ability (Tan et al., 2020). Even moreso, considering these various futures gives insight into the risk exposure in the value chain and the capacity of the company to survive environmental disruptions. This decreases the experienced uncertainty and gives managers the possibility to legitimise value chain reconfigurations (Beckert & Bronk, 2019).

All in all, scenario planning is a useful exercise for management teams to consider various future scenarios and contemplate strategic responses. However the costs required might be high relative to the benefits. Therefore the tool will be more beneficial to implement regularly for certain teams or occasions than for others (e.g., when the management team updates the rolling business plan or determines the long term direction).

6. Conclusion

In answering the research question, we fall back on the double diamond inspired division of our thesis and first answer how macro factors are considered in the decision-making process of the case company in the fashion industry, before addressing the benefits of scenario planning.

From a systemic perspective, the scope of the value chain and the strategic partners determine the perimeter in which macro factors are sensed. The value proposition of the lead firm then determines which information is seized. Depending on the influence of decision-makers, macro factors are then transformed into business plans to guide the value chain configurations. The sensing and seizing process of macro-environmental information is highly dependent on people, company culture, and collaboration within networks.

The importance of considering macro factors is dependent on the employee's position within the company. Strategy-setting and operational decision-makers have varying responsibilities and therefore “filtering” focuses within the company. For members of the management team, sensing and seizing of macro factors is part of their responsibility and enables them to set strategies and revise the business plan. Even though operational decision-makers are crucial in the transformational process, and they also can sense information from the external environment, it is not their main assignment. They will interpret the strategies and the goals set within the business plan and use it as a frame and guiding star for when they make decisions relevant to their role within the company. Their strong individual knowledge and innovative nature, nurtured by the company culture, will be a driving force when it comes to the interpretation and implementation of the filtered information.

The strategy-setting decision-makers - who formulate the business plan - are more integrated in sensing the macroenvironment and have the networks and experience supporting this. For them, the development of the environment and the strategic position of the company is a main responsibility. Being preoccupied with the influence of macro factors and the most efficiency or competitive value chain configuration is thus essential.

Additionally, operational decision-makers play a pivotal role in translating the strategy set by the management team to the value chain partners. This allows the value chain as a whole to

combine the various information processes happening within the individual parts of the value chain. The insights of the operational managers about the macro-factor influences amongst the lead firm's value chain partners, allows the value chain as a whole to realise feasible reconfigurations successfully.

Secondly, we look into how companies in the fashion industry can plan for possible reconfigurations systematically, using scenario planning. Here we also find a division in the utility between strategy setting and operational decision-makers. Partially because of the already more engrained practice of considering possible future developments of macro factors and the willingness of the management team to strategise under uncertainty, systematising the use of scenario planning might be more efficient for them than for more operational teams.

The operational team works more with strategizing *under the likely influence of* macro factors whilst the management team works *with the possible development of* the external environment. The operational team has to make decisions based on the realisation of facts, which differs from the strategy-setting responsibilities of the management team who *have to* consider the various possible futures and how the company will fit in it. Of course, the operational team has to consider various scenarios too, but more for the purpose of risk management and capacity determination. For the management team it is vital to the contemplation of possible strategic moves for the value chain as a whole.

6.1 Theoretical contributions

Overall, macro factors influence value chain configuration in the fashion industry in different manners. Our thesis adds to existing literature about this process by highlighting the importance of various aspects influential in determining how macro factors influence value chain configurations. The responsibilities of the decision-makers and the culture of the company are pivotal overall, also in determining the effectiveness of using planning tools like scenario planning depends on this difference between functions too. The distinction between strategy-setting managers and operational managers is not highlighted in literature and is an important factor to consider for both researchers as well as practitioners.

Per processing level - sensing, seizing and transforming - different aspects are determinant for the way information is processed, as described above. Together with the extension to Lambert and colleagues' (2020) framework showcased in Figure 6, these are the most substantial contributions to existing literature.

Additionally our data supports literature by Gereffi and Kaplinsky (2001); Kostova et al. (2016); Lambert and Schweiterman (2012); and Flynn et al. (2010) that networks and strategic partners plays a pivotal role in information sharing and the degree of influence macro factors will have on the value chain. Our data contradicts the relative importance of internal and customer integration over supply reintegration and emphasises especially this latter integration as essential for value-generating value chain reconfigurations. Personal characteristics and perspectives of decision-makers and strategic partners will also influence if and how reconfigurations are realised. This agrees with Tan et al. (2020) and Jensen and Petersen (2013) however our data does contradict the importance of the independence of strategic partners put forward by Jensen and Petersen (2013). Instead, interdependence and collaboration seems more important for successful innovation.

Different from what literature on scenario planning (e.g. York, 2008) and experts in the fashion industry (e.g. BoF 2022), our data indicates that planning for macro-factor changes is not always deemed efficient because of the inherent uncertainty of future developments in the macroenvironment. Due to the interdependence within the value chain, the precise realisation of macro factors can greatly influence decisions made on the operational level. A small change in the legislative or social environment can have big influences on the decisions made within the value chain.

However, our data does agree with Burt et al. (2017) that for strategy-setting teams, scenario planning can be useful to consider the possible changes in the macroenvironment and their impact on the entire value chain. Still, it will be more useful for the company to not use long-term scenarios, as they contain a high degree of uncertainty and the risk of wildcards. Hence, having a short-term focus of around five years will be of higher relevance for the accuracy and relevance of the scenarios.

6.2 Limitations and future research

As the analyses were only based on one case company, it would be interesting to see if the conclusions and conceptual framework also upholds for other companies within the fashion industry. Case companies of similar size and scope (i.e., SMEs with a niche value proposition and clientele) could be used to look into the possibility to generalise the conceptual framework for information sharing. This framework might even be able to be extended across industries if it is proven to hold for companies of similar size and scope.

Building on this it would be possible to look into the dependency of this framework on the relationships within the value chain. Using similar companies but with varying stakeholder relationships might give more insight into the importance of close collaboration - following this thesis - or independence - argued for by Jensen and Petersen (2013). Same goes for the importance of value chain culture - flat vs hierarchical - or for instance the extensiveness of the value proposition. Based on this research the conceptual framework could be developed into one more generally applicable to chart how macro factors influence value chains.

This thesis focussed on the value chain as an entity in which decision-makers process information. Therefore characteristics of the individual decision-makers have not been taken into consideration. Taking the conceptual value chain framework for information sharing and focussing on the decision-makers within that framework would be an interesting starting point for future research.

Another opportunity would be to interview strategic value chain partners. This study solely focussed on interviewing decision-makers from the lead company, so getting the perspective from upstream and/or downstream partners, might influence the conceptual framework. Additionally, interviewing non-decision-making positions might give more insight into the information processing and transformation perceptions and contributions.

Lastly, this thesis only looked into scenario planning to prepare for possible macro-factor developments. However there is a plethora of planning tools, possibly more or less beneficial. Future research could look into various planning tools or ways of using scenario planning to find out if it yields different benefits for companies.

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Appendixes

Appendix 1. Semi-structured interview guide

Introduction

So, we are curious to know how your work is influenced by information about macro factors in the environment external to Eton. We have defined “macro factors” as large-scale influences affecting all players within fashion as well as other industries. These factors can be divided into various segments such as legal, economic, social etc. With the interview we want to explore and better understand how you perceive and work with these external factors, so please feel free to answer from your experience and knowledge as you are the expert in this!

General Questions

What is your role within the company?

What decision-making responsibilities does it entail?

How long have you worked at Eton?

Do you have any past experience in a similar role within the industry?

Sensing

1. How do you collect information about macro factors / changes within the industry?
 - a. Which environment changes are important for you / in your role
2. What channels / tools are used in getting this information
 - a. Do you actively look for information about the macroenvironment or is it more passive process?
 - b. What is the role of partners in your/Eton's network in this?
3. Are there any macro factors that are more easy to observe than others?
4. (depending on the responsibilities per person) One macro factor within the industry is that there is a tendency to move parts of the value chain back to Europe from low-cost countries. Is this something that you have perceived too? (if necessary: As it from our understanding, increases competition for capacity in Europe)
 - a. How does this influence the value chain at Eton?
5. (depending on the responsibilities per person) Due to climate change and price inflation it has been harder to obtain certain resources, is this something you perceive too?
 - a. How does this influence the value chain at Eton?
6. How do you stay up to date on societal trends?

- a. (depending on the responsibilities) Political / Technical / Cultural / Ecological / Legislative
7. How is external information about macro factors generally spread within Eton / between colleagues at Eton?

Seizing

1. Do you differentiate between various factors / Is it common for you to identify several factors simultaneously, or do you just observe the environment as general?
2. How do you determine what external factors you act upon?
 - a. Do you differentiate in which factors prioritise?
3. How do you determine how pressing a factor is?
 - a. Are there specific factors you act upon immediately and others you wait out?
 - b. Are there macro factors which are generally acted upon more frequently?
 - c. Which macro factors are generally not acted upon
4. How do you use information on macro factors to generate new business opportunities?
 - a. How do you use this information to minimise risks in the value chain?
5. How do you communicate the information within your influence sphere of the value chain?
6. Who are key players / partners in processing the information?

Transforming

1. When does a macro-level factor motivate you to actually implement changes in your work environment?
2. How do you translate / transform the information into changes in the value chain?
 - a. How do you implement this change across the value chain?
3. Is there a difference between macro factors in getting the required resources?
 - a. Is there a difference between macro factors in getting the necessary people motivated for a change?
4. Who are key partners / players in implementing changes in the value chain based on this new information?

Concluding

Is there anything you would like to add that you feel we have missed?

Would you be open to a follow-up interview?

Appendix 2. Focus group vignette

Explanation to introduce the scenario

We will briefly present an imaginary scenario taking place in 2033, ten years from now. This kind of exercise is put forward by academic literature as well as the state of fashion reports as a way to prepare for future trends. The content of the scenario is based on the previous interviews, factors important in Eton's value chain and research into trend reports. This scenario is an imagination of what the world could look like in ten years, based on current macro-environmental developments.

We will present the scenario, material scarcity and regulations, after which we would like you to together respond to this. This response should include actions you would take today – with this future scenario in mind – as well as actions you would take in the future to adapt Eton's value chain. The actions don't have to be realistic or definite whatsoever. We are just curious to see the process of internalising information like this and translating a possible future scenario into possible responses. Make sure to communicate with each other as much as possible. We are just here to observe the process.

Is everything clear so far?

Presenting the scenario: Material scarcity and regulations in 2033

Ten years from now, climate change has worsened, countries have not upheld the Paris agreement and extreme weather conditions and loss of biodiversity have led to material shortage in the fashion industry. Due to overconsumption and scarcity of natural resources like water and fertile soil, this has led to a severe under-supply of the necessary materials for Eton to produce its shirts like they would ten years ago.

Countries have started to increase protectionist regulations and importing materials has become increasingly complex. This has made relations between countries and within the value chain of fashion companies tense.

To reduce their dependence on material imports and decrease the tension in the relations between countries, the EU has put more emphasis and resources towards circular initiatives. They aim to strengthen material circularity within the union to benefit both consumers and

businesses. However, within the EU some countries and businesses are using their power to secure their own resource flows – hampering collaboration.

With gen Z now being a major part of the industry's clientele, steps to abandon animal cruelty and environmental pollution have been materialised in European regulations.

The fashion Industry

For fashion companies, this all means more pressure than ever on resource availability and waste management. Circular initiatives and the tense relations between countries has led the industry to become weary regarding R&D and manufacturing collaborations.

The EU has implemented taxes of up to 40% on using virgin materials in the production chain. As most apparel materials are sources from outside the EU, import restrictions on materials requiring large amounts of water or being polluting to their environment have been initiated. Materials that are harmful to animals have been banned completely making it impossible to get silk.

To maintain the competitiveness of the European internal market, the EU invests heavily in the fashion industry to improve repair, recycling and reuse initiatives. For this, the EU has required that all fabric used is made of separable material, easier to recycle.

This strict regulatory policy makes it difficult for businesses in the fashion industry to remain profitable.

Explanation possible points of departure

To make responding to this scenario a bit more structured, we have formulated three strategic responses based on literature. You can use these as a point of departure in imagining what Eton would do if this scenario was reality in ten years.

1. The first possible response is based on being a market leader: Eton should be a part of shaping the fashion industry by influencing political decisions and reshaping the value chain to become less wasteful. This way Eton can give rise to new market opportunities.

2. The second response is based on adapting to the new environmental conditions: Eton should invest in its flexibility and follow market leaders and regulatory developments closely to seize opportunities when they arise.
3. The third response captures Eton's right to play: Eton should look for a way to remain competitive through minimal investments. Eton should find out what the short-term requirements are and spend its resources carefully

Feel free to use these possible responses in determining what to do, but don't let them restrict your thought process! We are here to observe how you decide with each other to initiate decisions which influence the value chain.