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Adapting to Change: Dynamic Capabilities of K-Auto in the Transition from ICEVs to EVs in Finland

Case study

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ABSTRACT:

The prevailing environmental situation and pollution caused by traffic have made many consumers question their everyday choices and created demand for more sustainable ways of traveling. Electric vehicles are now seen as the future of the automotive industry, and the Nordic countries in particular are often seen as pioneers in renewable energy and energy efficiency, as they all aim to be practically fossil-free by 2050.

This study aims to analyze the current strategic position of K-Auto in the context of Finland's shift towards electric vehicles. In addition to that, the study is investigating the internal capabilities of K-Auto in adapting to the changing market dynamic driven by the car fleet transition to electric vehicles. To better understand the challenges and opportunities that the company may face in leveraging dynamic capabilities to successfully transition from selling internal combustion engine vehicles to electric vehicles, the research is also focusing on the employee's opinions on what the company is currently doing and what they could possibly do better. This also helps to identify the key factors influencing the development and deployment of dynamic capabilities within K-Auto to effectively respond to the shift towards electric vehicles.

This study was conducted as a qualitative study with semi-structured interviews, interviewees being the employees and supervisors of K-Auto Turku. The data was collected through e-mail interviews. The data gained from the answers received was analyzed with open coding. What was found from the interviews was that many employees had a clear idea of what change management is, and five out of seven interviewees thought that the employees can contribute to the spread of EVs in Finland. Strategic position of K-Auto was described by the employees to be good and aiming to become the leading seller of EVs in Finland. K-Lataus infrastructure was mentioned multiple times as competitive advantage in the interviews, and it was also highlighted that K-Auto offers comprehensively all services related to EVs from sales, maintenance, repairs, imports, to public charging infrastructure. As opportunities for K-Auto interviewees listed expanding the collection, increasing demand in the company car market, bringing new, more affordable models to the market, extending warranty periods, investing even more in digital services, investing in private leasing pricing, and offering benefits for the customers using K-Lataus.

KEYWORDS: Dynamic capabilities, change management, electric vehicles, development

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TIIVISTELMÄ:
Vallitseva ympäristötilanne ja liikenteen aiheuttamat päästöt ovat saaneet monet kuluttajat kyseenalaistamaan arkipäivän valintojaan ja luoneet kysyntää kestävämmille matkustustavoille. Sähköajoneuvot nähdään nyt autoteollisuuden tulevaisuutena, ja etenkin Pohjoismaat nähdään usein uusiutuvan energian ja energiatehokkuuden edelläkävijöinä, sillä kaikkien Pohjoismaiden tavoitteena on olla käytännössä fossiilivapaa vuoteen 2050 mennessä. Tämän tutkimuksen tavoitteena on analysoida K-Auton nykyistä strategista asemaa Suomen siirtymessä yhä enemmän polttomoottorikäyttöistä autoista sähköautoihin. Tämän lisäksi tutkimuksessa selvitetään K-Auton sisäisiä kykyjä sopeutua muuttuvaan markkinadynamiikkaan, joka johtuu autokannan siirtymisestä sähköajoneuvoihin. Pyrkien ymmärtämään paremmin haasteita ja mahdollisuuksia, joita yritys saattaa kohdata hyödyntäessään dynaamisia kykyjä siirtyäkseen menestyksekkäästi polttomoottoriajoneuvojen myynnistä sähköajoneuvoihin, tutkimuksessa keskitytään myös työntekijöiden mielipiteisiin siitä, mitä yritys tekee tällä hetkellä ja mitä he voisivat mahdollisesti tehdä paremmin. Tämä auttaa myös tunnistamaan keskeiset tekijät, jotka vaikuttavat K-Auton dynaamisten ominaisuuksien kehittämiseen ja käyttöönottoon, jotta se voi reagoida tehokkaasti sähköautoihin siirtymiseen. Tämä tutkimus tehtiin kvalitatiivisena tutkimuksena puolistrukturoiduilla haastatteluilla, joissa haastateltavat olivat K-Auto Turun työntekijöitä ja esihenkilöitä. Tiedot kerättiin sähköpostihaastatteluilla. Saaduista vastauksista saatu data analysoitiin avoimella koodauksella. Haastatteluista selvisi, että monilla työntekijöillä oli selkeä käsitys siitä, mitä muutosjohtaminen on, ja viisi haastatellusta seitsemästä arvioi, että työntekijät voivat edistää sähköautojen leviämistä Suomessa. K-Auton strategista asemaa työntekijät kuvailivat hyväksi ja että yrityksen tavoitteena on olla Suomen johtava sähköautojen myyjä. K-Lataus-infrastruktuuri mainittiin haastatteluissa useaan otteeseen kilpailuetuna, ja korostui myös se, että K-Auto tarjoaa kattavasti kaikki sähköautoihin liittyvät palvelut myynnistä, huollosta, korjauksista, maahantuonnista julkiseen latausinfrastruktuuriin. Mahdollisuuksina K-Auton haastateltavat nostivat malliston laajentamisen, kysynnän lisäämisen työsuhdeautomarkkinoilla, uusien, edullisempien mallien tuomisen markkinoille, takuuaikojen pidentämisen, panostamisen entistä enemmän digitaalisiin palveluihin, keskittymistä yksityisen leasingin hinnoitteluun ja etujen tarjoamisen K-Latausta käyttäville asiakkaille.

AVAINSANAT: Dynamic capabilities, change management, electric vehicles, development

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Abbreviations

ICEV = Internal combustion engine vehicle

EV = Electric vehicle

1 Introduction

The prevailing environmental situation and pollution caused by traffic have made many consumers question their everyday choices and created demand for more sustainable ways of traveling. Electric vehicles (hereafter EV) are now seen as the future of the automotive industry, and the Nordic countries in particular are often seen as pioneers in renewable energy and energy efficiency, as they all aim to be practically fossil-free by 2050 (Sovacool, 2017). EVs have been competing for the public's acceptance since the beginning of the 1900s, when they lost the competition to internal combustion engine vehicles (hereafter ICEVs) (Christensen, 1997). EVs were studied increasingly in the 1970s, due to the decision makers understanding the capabilities of EVs to decrease the pollution of the cities (Christensen, 1997), and nowadays the adoption of EVs in Finland has been highly increasing in recent years; in December 2016 there were only 844 EVs registered, whereas in June 2020 the number of registered EVs was 83 765 (Autoalan Tiedotuskeskus, 2024a).

The economic development of Finland is currently uncertain as a result of the Ukrainian war, high inflation and the energy crisis, and the economy has turned into a moderate recession at the turn of 2022-2023 (Autoalan Tiedotuskeskus, 2023 & 2024b). The customer orders in year 2024 are forecasted to be higher than in year 2023 due to the decreasing inflation, but still noticeably lower than in years 2015-2021 (Autoalan Tiedotuskeskus, 2024b). Car retail organizations have had to integrate to the shift from ICEVs to EVs in Finland as the popularity of EVs has increased: this requires the company to be prepared to compete with other companies by the services they offer and the product features to stay on top of the car fleet development. They need to find the answer to the question "how to gain competitive advantage and how to sustain it?".

Lawrence and Lorsch determined that the key factor for an organization to succeed is their ability to cope with the organizational environments that are changing (1960). Teece and others (1997) developed a dynamic capabilities framework, which aims to "analyze the sources of wealth creation and capture by firms". The organization's performance can be negatively affected if it does not address major environmental changes (Audia et al., 2000), and current markets are currently presenting high amounts of new challenges to efficient and effective management, due to hypercompetitive environments (D'Aveni, 1994). The sources of competitive advantage can be investigated from two views; market-based view that explains competitive advantages from a market perspective and resource-based view that explains them from a company perspective (Argyres & Silverman, 2004).

To gain sustainable competitive advantage in a change such as a company's car fleet sales shift from ICEVs to EVs (organizational change), the company needs to establish policies for change management. Change implementation speed and effectiveness in addition to achieving proposed organizational goals through change management are the measure of successful organizational change (Shulga, 2021). Based on the data of the Strategy and Katzenbach Center data, Forbes reported that only 54% of major change initiatives of companies were successful (Gleeson, 2016). Additionally, Petrou et al. (2018) have highlighted that in addition to other factors, effective organizational change communication is critical when aiming for employee receptivity and commitment to the organizational change.

Further research is required to identify the dynamic capabilities of K-Auto Turku, in a car fleet change situation in Finland as it is the dynamic capabilities in car fleet change that is studied around the world but not specifically in Finland and focusing at one enterprise.

1.1 Research questions and objectives

This study aims to analyze the current strategic position of K-Auto in the context of Finland's shift towards electric vehicles. In addition to that, the study is investigating the internal capabilities of K-Auto in adapting to the changing market dynamic driven by the car fleet transition to electric vehicles. To better understand the challenges and opportunities that the company may face in leveraging dynamic capabilities to successfully transition from selling internal combustion engine vehicles to electric vehicles, the research is also focusing on the employee's opinions on what the company is currently doing and what they could possibly do better. This also helps to identify the key factors influencing the development and deployment of dynamic capabilities within K-Auto to effectively respond to the shift towards electric vehicles.

To better understand the current and possible future situation of K-Auto, the following research questions are answered:

1. What is the current strategic position of K-Auto according to the company employees?
2. How the company's employees, managers, and the company itself are contributing to the spread of EVs?
3. Does the company change their skills/resources to respond to new challenges? How could it strengthen its competitive position?
4. How is the change management within the area of the car fleet change done within the company?

1.2 Structure of the study

This study consists of six chapters. The first chapter being the introduction, the second chapter is the literature review, which introduces the concepts and relevant theories of change management, change management communication, then moving on to dynamic capabilities and limitations of them, sustainable enterprise performance, the foundations of dynamic capabilities, resources, and capabilities, and finally EVs in Finland, car retail market in Finland and automobile industry shift. The third chapter includes methodology, where the research methods of the work are presented. A qualitative method is used in this research, which aims to answer deeper to the question of "why?". Seven employees, five working in employee status and two in supervisory positions were interviewed. The interviews create a picture of what the company's current strategic position is, how the change management is implemented in the company, the company's competitive advantages, company's weaknesses and opportunities and the possibility of the employees contributing to the spread of EVs in Finland. The fourth chapter is the findings chapter, where the findings of the study are presented and linked to the literature found in the literature review chapter. Fifth chapter is the summary and discussion chapter, where the suggestions for future research and managerial implications are presented. And finally, the sixth chapter goes through the conclusion.

Figure 1. Structure of the thesis

With the help of a case company's interviews, this thesis aims to find insight into the current strategic position, competitive advantages, weaknesses, opportunities, and dynamic capabilities of K-Auto. Additionally, this research investigates the change management and training of the company within the situation of car fleet change in Finland and what is the employees or supervisor's role in this change.

2 Literature review

2.1 Change management

Change implementation speed and effectiveness in addition to achieving proposed organizational goals through change management are the measure of successful organizational change (Shulga, 2021). Based on the data of the Strategy and Katzenbach Center data, Forbes reported that only 54% of major change initiatives of companies were successful (Gleeson, 2016). Additionally, according to McKinsey, 70% of change programs are failing due to the employees' negative reaction or resistance (Tams, 2018). Studies by Hechanova and Cementica-Olpoc (2013) and Van de Voet et al. (2016) have highlighted the role of leadership in shaping the employee attitudes to organizational change - thus leadership shouldn't be viewed as static, it should be viewed from the context of the followers (Hechanova et al., 2018). There are many process models for change management, but one of the most popular ones is the three-step model by Kurt Lewin (1951), that includes phases unfreezing, moving on and refreezing (Hechanova et al., 2018). According to Lewin, for change to occur it is important to change pre-existing mindsets and overcome the inertia; a major task at this stage is to create a need for change and to minimize the resistance towards it (Hechanova et al., 2018). The second phase is the phase where the change actually occurs, the implementation phase; the most important task of the change managers is to guide the company through the confusion and transition from the current state to the desired state (Hechanova et al., 2018). The final task is the refreezing stage where the desirable change is institutionalized and provided by extra support when difficulties occur and reinforcing desired outcomes (Hechanova et al., 2018). John Kotter (2012) added on Lewin's theory and created a model of eight steps for managing the change process: increase urgency, build the guiding team, get the vision right, communicate for buy-in, empower action, create short-term wins, do not let up and make change stick.

Currently, if you ask the managers of an organization about the nature of their environmental and marketplace demands, the answers will likely be "chaotic, constantly changing, disruptive, uncertain and complex" (Worley & Mohrman, 2014). A study by

Magsaysay and Hechanova (2017) created ten schemas of change that were well managed and resonated with Kotter’s eight step model. The study asked employees to describe a change they considered to be well managed and why, and the most common answers were: change was carefully planned, there were clear goals for the change, change was communicated clearly, people were prepared for change, people were informed how they would be affected by the change, roles and responsibilities were clearly defined during the change, people were given enough training related to the new role/system, organization adopted new technologies that supported the change, organizations was able to sustain the best aspects of its culture and there was visible and tangible management support for the change (Magsaysay and Hechanova, 2017).

2.1.1 Change management communication

Petrou et al. (2018) have highlighted that in addition to other factors, effective organizational change communication is critical when aiming for employee receptivity and commitment to the organizational change. Change communication is an employee-relations process that is used to create understanding, guide, inform, call for action, and, if necessary, alter behavior and reactions to change in a manner that is useful, timely and effective (Johansson & Heide, 2008). During the organizational change, it is likely that the employees are going through feelings like uncertainty stemming from the change implementation process and range, as well as the outcomes that are expected (Oreg et al., 2018). The effectiveness and quality-of-change communication is in place in these situations to minimize such uncertainty (Shulga, 2021).

2.2 Dynamic capabilities

Companies have for a long time wondered the answer to the question; “How to achieve competitive advantage and how to sustain it?”. In the 1960s, Lawrence and Lorsch highlighted that the key factor for an organization to succeed is their ability to cope with the organizational environments that are changing (1960). The theoretical

basis of dynamic capabilities comes from two classic traditions in strategy research: the resource based view of the firm (RBV (Wernerfelt, 1984) and market positioning (Porter, 1996). Teece and others (1997) developed a dynamic capabilities framework, which aims to “analyze the sources of wealth creation and capture by firms”.
Term ‘dynamic’ refers to the ability to renew the competencies of the organization, aiming to achieve congruence with the business environment that is always changing; whereas the term ‘capabilities’ highlights the importance of strategic management in the process of appropriately adapting, integrating, and reconfiguring external and internal organizational skills, resources, and functional competences to match with the changing environments’ requirements (Teece et al, 1997).
The organization’s performance can be negatively affected if it does not address major environmental changes (Audia et al., 2000), and current markets are currently presenting high amounts of new challenges to efficient and effective management, due to hypercompetitive environments (D’Aveni, 1994) or in other words, high-velocity environments (Bourgeois & Eisenhardt, 1988). These environments tend to be associated with a frequent occurrence of discrete and major environmental shifts, in technological, social, competitive, and regulatory domains (Barreto, 2010).
The sources of competitive advantage can be investigated from two views; market-based view that explains competitive advantages from a market perspective and resource-based view that explains them from a company perspective (Argyres & Silverman, 2004). The market-based view (meaning the outside-in perspective) argues that organizations that gain competitive advantages have adapted their behavior better to the existing market structure than other organizations that have not (Mason, 1939 & Bain, 1956). Market-based view is based on Porter’s (1980) five forces-concept, which aims to determine the structure of a market, meaning the rivalry among the existing competitors, the bargaining power of suppliers and buyers, as well as the threat of new entrants and substitute products or services. Due to for instance hypercompetitive environments, these forces and the market needs are constantly changing (D’Aveni, 1998, p. 183, & 1995, p. 47) which means that the product-market combinations would fail in meeting the new market requirements fairly quickly after a

period of constant changes (Loparo, 2013). Additionally, for instance Rumelt (1991) has conducted an empirical study that in firm performance, industry membership is a much less important source compared to differences between companies.
Resource-based view is more focused on these findings and understanding organizations, like for instance companies, as portfolios that conduct strategically relevant and unique resources (Walter-Busch, 1996, p. 230). When compared to market-based view, resource-based view takes an inside-out perspective; it is based on the works of Selznick (1957), Penrose (1959), Wernerfelt (1984) and Barney (1991). Companies can gain competitive advantage if they have resources that are valuable, rare, inimitable and not substitutable (VRIN), however VRIN does not explain how some companies are performing substantially better than other companies, even though they have the same resources (Wolf, 2008, p. 203; Huczynski & Buchanan, 2007, p. 504).
The dynamic capabilities framework is presented in Appendix 9, which summarizes the three basic elements: 3Ps - Dynamic capability positions, processes and paths and corresponding factors and characteristics (Teece et al., 1997; Pereira et al., 2015).

Where resources of the company can be described as the “organizational attributes that an organization can acquire, develop, nurture and leverage for both internal (organizational) and external (marketplace) purposes” (Srivastava et al., 2001, p. 779), capabilities are described as the ability to gain value from a firm’s resources (Teece, 2007). Considering this, dynamic capability is a portion of the firm’s resources whose purpose is to enhance the productivity of the other resources (Kozlenkova et al., 2014).

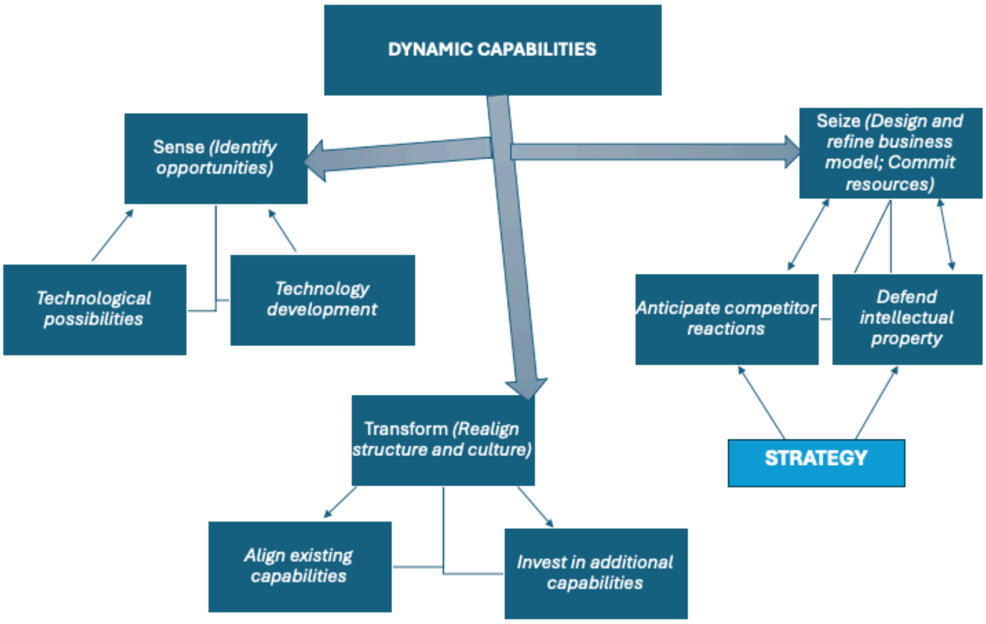

Figure 2. Simplified schema of dynamic capabilities, business models and strategy (Cruzara, 2019)

2.2.1 Limitations of dynamic capabilities

Collis and Anand (2018) found in their paper that even though dynamic capabilities may be valuable for the company, they are not the ultimate source for sustainable competitive advantage; for an enterprise, it is desirable to develop dynamic capabilities, however there are limitations to their effectiveness. They argued that dynamic capabilities value has theoretical limits as “dynamic capabilities arise from choices about internal activities that do not draw from competitive factor markets, there are no limits to the number of competitors that can develop their own versions of the capability” (Collis & Anand, 2018). Additionally, they state that the more capable the organization is in identifying new market areas, combinations and resources the more it comes into competition with other organizations that have their own versions of such capabilities; so as dynamic capability opens new opportunities to a company, the set of competitors to which the company needs to be superior also expands (Collis & Anand, 2018). Collis and Anand also argue that all of the company activities and different aspects of organization design (structure, metrics, processes, incentives, etc.)

need to be aligned if the company is aiming to effectively implement their dynamic capability; Porter (1996) also states that making the commitments necessary to pursue any dynamic capability includes making choices that are the subject to similar tradeoffs as any traditional product market strategy.

2.2.2 Sustainable enterprise performance

Dynamic capabilities enable a company to deploy, create and protect the intangible assets that are supporting the superior business performance in the long run; companies that have strong dynamic capabilities are highly entrepreneurial - not only adapting to business ecosystems, but additionally are aiming to shape them through innovation and collaborating with other entities, enterprises, and institutions (Teece, 2009). In fast-moving business environments (such as automobile industry) that are in the global markets and competing against other organizations and characterized by dispersion in organizational and geographical sources of manufacturing and innovation, a sustainable competitive advantage may be difficult to achieve and requires more than the organization having difficult-to-replicate (knowledge) assets; it requires also difficult-to-replicate and unique dynamic capabilities (Teece, 2009).

2.2.3 The foundations of dynamic capabilities

The dynamic capabilities “emphasize the role of entrepreneurial managers in identifying emerging opportunities and seizing upon them while simultaneously effectuating continuous corporate renewal” (Teece, 2009, p. 83). Teece highlights that the role of entrepreneurs, managers and leaders is both theoretical and practical, in business enterprise and in the economic system; they identify and capture new strategic opportunities, orchestrate the necessary organizational assets, and invent business models and new organizational forms (2009). Additionally, the structures of the company must be designed in such a way that they accommodate and support decision making that is unbiased (Teece, 2009). Teece (2009) argues that both approaches that are incentive-based and notions of trust and culture are important at companies that are well-functioning.

2.2.4 Resources, capabilities (and Penrose effects)

Edith Penrose contributed on varied subjects towards business studies, including her earlier studies about research-based theory and new streams of research on dynamic capabilities and entrepreneurship (Teece, 2009). According to Penrose, the internal resources of the firm are “the productive services available to a firm from its own resources, particularly the productive services available from management with experience within the firm” (1995). According to Teece (2009), if a company has resources or competences but it is lacking dynamic capabilities, it can make a competitive return for a short period of time, but superior returns cannot be sustained. Thus, dynamic capabilities do not only include the company’s non-imitable ability to sense the technological opportunities, changing customer needs and competitive developments, but additionally the company’s ability to adapt to and even shape the business environment in an efficient and timely manner - which means that significant element of intentionality is involved (Teece, 2009). Penrose’s framework is consistent with dynamic capabilities framework; however, her framework is lacking the considerations of competitive advantage as the whole inimitability story is missing; according to her, learning is an opportunity, not a necessity for a company and additionally she underplayed the resource allocation management role (Teece, 2009; Penrose, 1995). According to Penrose, managerial capacity cannot be expanded without a fixed limit - the expansions required development of additional high-level human resources and recruitment, additionally the level of the company’s current efficiency will then beyond a point decrease with the rate of change in size (Teece, 2009; Penrose, 1995). These constraints on the company growth are known as the “Penrose effect”.

2.3 Electric vehicles in Finland

The adoption of EVs in Finland has been highly increasing in recent years; in December 2016 there were only 844 EVs registered, whereas in May 2024 the number of registered EVs was 93 549 (Autoalan Tiedotuskeskus, 2024a).

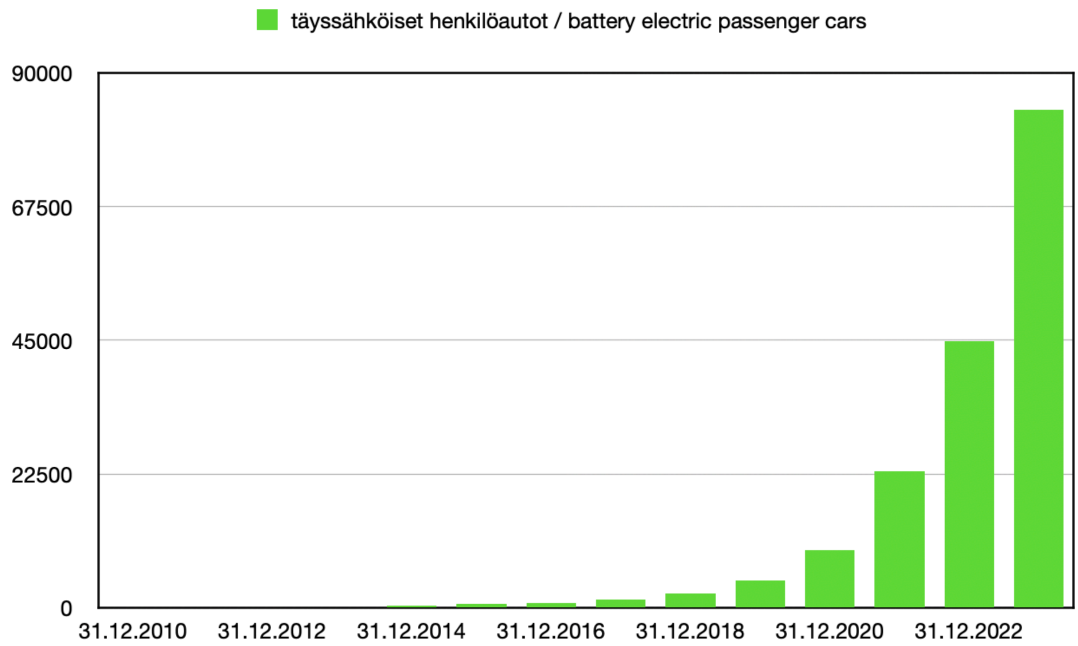

Figure 3. EVs in Finland 31.12.2010-31.12.2022 (Autoalan Tiedotuskeskus, 2024)

A publication by the Ministry of Transport and Communications (Nylund, 2011) suggested that since Finland is quite sparsely populated and the electric car charging infrastructure is still quite weak, a plug-in hybrid may be a more practical and cost-effective solution, thus more attractive to Finns. Nylund also stated in a publication published in 2011 that it may be too early to maximize the spread of electric cars in the country, as Finland still lacks the necessary infrastructure for charging electric cars and it is not justified from the point of view of transport policy and cost-effectiveness. However, in the end of March 2022, there were almost 7000 public charging stations and around 800 public fast charging stations in Finland, and additionally, it is reported that the infrastructure is expanding rapidly, and new charging stations are built in gas stations and grocery store locations (Autoalan Tiedotuskeskus, 2024c).

Vuosi / Year	täyssähköiset henkilöautot / battery electric passenger cars
31.12.2010	23
31.12.2011	56
31.12.2012	109
31.12.2013	169
31.12.2014	360
31.12.2015	614
31.12.2016	844
31.12.2017	1 449
31.12.2018	2 404
31.12.2019	4 661
31.12.2020	9 697
31.12.2021	22 921
31.12.2022	44 889
31.12.2023	83 765

Figure 4. EVs in Finland from December 2010 to 2023 (Autoalan Tiedotuskeskus, 2024)

The development of car fleet plays a major role in the greenhouse gas emissions of a country; Viri and Mäkinen (2024) studied how the changes in both interest towards EVs and the car fleet turnover speed affect the amount of EVs and total emissions from the cars that are in passenger use until the year 2040. In their study they found that in normal interest and car fleet turnover speed, 28% of Finland's car fleet in use would be EVs (including both PHEVs and BEVs), whereas in scenario where the interest is higher and the turnover is faster, nearly half of all cars could be EVs (Viri & Mäkinen, 2024). By the end of 2023, electric was the most popular vehicle power option out of all the new vehicles consumers registered in Finland (Sähköinen liikenne ry, 2024). Incentives for getting an EV instead an internal combustion engine vehicle in Finland include for instance the fact that it is not necessary to pay car tax on any EV that is registered after 2021, which in practice means a 1500-euro discount on the car purchase price, which leads to lowering the vehicle taxation value (Secto Automotive, 2024).

Yle (Väisänen, 2024) reported at the end of March 2024 that Chinese EVs are gaining more market share in Europe. In the year 2023, every fifth EV was Chinese, and during the year 2024 it is forecasted that Chinese EVs will be 25% of the EV market share - meaning every fourth EV bought in Europe is Chinese (Transport & Environment, 2024). Additionally, Chinese EV brands are starting to increase their market share, especially brands BYD and MG are forecasted to grow their market share to 20% by the year 2027 - one reason for this is probably the lower price of Chinese brands, as European commission found in 2023 that Chinese EVs are approximately 20% cheaper than European EV models; European automobile industry has been criticized for slowness in developing inexpensive EVs (Väisänen, 2024; Blenkinsop, 2023).

Current government of Finland has also informed that they will renew the traffic taxation during the current electoral term, as according to them it is necessary to develop new ways to tax the more electric traffic, as when it becomes more common, the current fuel tax revenue decreases (Pantsu, 2024). The government has discussed different options for EV taxation and one of them include for instance taxation based on driving time, place, and the car’s co2 emission amount; other one is taxation based on the vehicle weight - EVs are typically heavier than gas vehicles, due to having the battery (Pantsu, 2024). However, according to Tero Kallio from car importers and industry (suom. Autotuojat ja-teollisuus) the vehicle fleet’s change from internal combustion vehicles to EVs should not be slowed down by creating unfavorable taxation for EVs (Pantsu, 2024).

2.4 Car retail market in Finland

According to the annual review of Finnish car markets by Autoalan Tiedotuskeskus (2024b), the movement from internal combustion engine vehicles to hybrid vehicles and EVs is moving forward, but the aging of the car fleet is hindering the development. The first registration of passenger vehicles has been low throughout the whole 2010s, however it has been predicted that the numbers will grow after the production bottlenecks are solved, but the low customer demand also lowers the overall market (Autoalan Tiedotuskeskus, 2023). The economic development of Finland is uncertain as a result of the Ukrainian war, high inflation and the energy crisis, and the economy has turned into a moderate recession at the turn of 2022-2023 (Autoalan Tiedotuskeskus, 2023 & 2024b). The customer orders in year 2024 are forecasted to be higher than in year 2023 due to the decreasing inflation, but still noticeably lower than in years 2015-2021 (Autoalan Tiedotuskeskus, 2024b). Growth indicators for especially EV markets include the purchase subsidies for rechargeable company cars that will continue in the next few years, however the declining indications include the sanctions to Russia will affect the energy markets and the economy in the long term, making the energy markets unstable and thus affect the consumer decisions when deciding whether to buy an internal combustion vehicle, hybrid vehicle or an EV (Autoalan Tiedotuskeskus, 2024). Additionally, the component shortage is developing into a long-term one, and the Ukrainian war and Asian corona situation have made the production delays worse, which then leads to decreasing the demand of new vehicles (Autoalan Tiedotuskeskus, 2024). The market risk factors include the geopolitical situation that may develop, and the war situation may expand, which then leads the global economic forecasts to be uncertain and the economic recession may turn out to be longer than anticipated and thus be reflected in the employment situation (Autoalan Tiedotuskeskus, 2024).
The prices of new vehicles have risen significantly, due to the increase in prices of the materials and energy, thus increasing the production costs, the higher technical standards of vehicles, and in addition to that the share of EVs and hybrid vehicles in first registrations has risen, which has led to increasing the average price, as EVs and

hybrid vehicles are still significantly more expensive from their production costs than petrol vehicles (Autoalan Tiedotuskeskus, 2024).
The most popular brands of the year 2023 in Finland were Toyota (market share 16.6%), Skoda (10.3%), and then Volkswagen (8.9%) (Traficom, 2024). Out of all the sold EVs, the largest market share was for Tesla Model Y (16.6%), then Skoda Enyaq (8.4%) and in third place, Volkswagen ID.4 (6.0%) (Traficom, 2024).
Yle article (Vironen, 2023) in November 2023 stated that the car sales are rapidly concentrating in Finland, which is caused by a historical structural change; in the future, the vehicle factory will sell new cars directly to consumers and use the car dealership only as a place of presentation for the cars, that gets a commission out of sold vehicles.

2.5 Automobile industry shift

Teece (2019) wrote an article about the Chinese auto industry reshaping from a dynamic capabilities perspective, and in his article, he stated that there are four new technological paradigms that are affecting the global auto industry; electric, connected, shared and autonomous vehicles are causing heightened competition at the same time as the vehicle market seems to be entering a slower growth period.
According to Teece (2018), sensing and sensemaking capabilities could be of use for car companies to navigate through the uncertainty in the auto industry shift; these skills of strong sensing and sensemaking capabilities can help companies to perceive where the industry is heading, while also enabling the company management to identify their critical capabilities and bottleneck assets that need to be enhanced or acquired (Teece, 1986).
Ordinary capabilities are the company's processes that deploy people, facilities, and equipment to be able to continue the current business of the company; if the company has strong ordinary capabilities, it can achieve best levels of practice in efficiency, without regard to the future or current competitive viability of the output plan of the company (Teece, 2019). However, ordinary capabilities are easier for the competitors to replicate, which makes them unreliable basis for the company's long-term

advantage; in the auto industry, ordinary capabilities include high-volume manufacturing, procurement, and distribution (Teece, 2014). In a competitive environment like the auto industry, ordinary capabilities do not guarantee easy success, and operations like these that are performed successfully, is a minimum requirement for entry (Teece, 2019).

Kesko Oyj (owner company of K-Auto) has stated on their website that in the car retail market their growth strategy is based on to strong cooperation with the world's leading car manufacturer Volkswagen Group and Porsche Group, digitization for wider utilization, improving operational efficiency and increasing sales of used cars and services (K-Ryhmä, 2024). K-Auto is the leading player in the car trade in Finland, and EVs have already changed its business model more towards service business, as in addition to normal car maintenance, damage repair and spare parts services, it offers EV charging services called “K-Lataus” (K-Ryhmä, 2024). K-Auto’s strategy is aiming for growth in services in addition to car sales, and they have also stated that their service business sales grew, and their profitability was at a good level in 2023; especially the increase in maintenance volume and productivity improved the profitability of the service business (K-Ryhmä, 2024).

In their article “How to sell services more profitably” from 2008, Reinartz and Wolfgang wrote that manufacturers often believe that adding value to the product in the form of services will provide a competitive advantage after their products start to become commodities. When this strategy works, payoffs can be major and the company may even find out that its new service business makes more money than the products; however, one out of five companies are most likely to struggle to turn their service business into a profitable one (Reinartz & Wolfgang, 2008). Service strategies can be attractive for product-centered companies, like car retail companies, for multiple reasons, including the most interesting drivers of growth in B2B services: outsourcing trends, saturation of an installed base and commoditization in product markets (Reinartz & Wolfgang, 2008).

2.6 Chapter summary

The above-mentioned literature research summarizes the relevant literature for conducting this research and aims to provide an understanding of change management, change management communication, dynamic capabilities including chapters of dynamic capabilities limitations, sustainable enterprise performance, the foundations of dynamic capabilities as well as resources and capabilities, additionally electric vehicles in Finland and car retail market in Finland is discussed.

3 Methodology

The literature discussed has given an overview over change management, change management communication, dynamic capabilities including chapters of dynamic capabilities limitations, sustainable enterprise performance, the foundations of dynamic capabilities as well as resources and capabilities, additionally electric vehicles in Finland and car retail market in Finland is discussed. Further research is required to identify the dynamic capabilities of K-Auto Turku, in a car fleet change situation in Finland as it is the dynamic capabilities in car fleet change that is studied around the world but not specifically in Finland and focusing at one enterprise.

This chapter examines the philosophy and approach used in this research project. In addition to this, sampling, data collection and data analysis will be considered, as well as the ethical aspects of the research and possible limitations. Collis and Hussey define methodology as “an approach to the research process that encompasses a range of methods” (2014, p. 59). The purpose of this chapter is to explain in more detail how the goal and objectives of the research meet with the entire research process. The study applies the "Research Process Onion" model by Saunders et al. (2018) illustrates the different stages of different data collection methods so that they can be understood at a deeper level and illustrate the methodological stages of research (Ibezimako 2019). The research philosophy used in the study is interpretivism, because the research material is collected from a small sample, and it consists of in-depth material. An interpretivist philosophical perspective in research aims to create a better understanding and interpretation of the participants' social worlds and context (Saunders et al. 2019).

The data for this research was collected through sending e-mail questions and receiving the answers through email. The sample for this study was the employees and management of K-Auto Turku. The advertisement for taking part in the study was done by contacting the head of sales, asking for permission to conduct interviews within the employees and management. The participants were then picked by asking them for willingness to participate via e-mail, and then sent a short invitation including a cover letter with brief information about the data collection and topic, inclusive of a consent form to be completed by the participant. Additionally, the participants were sent the email interview questions, with a request to answer the questions in a way that includes some real-life examples. The participants could also add some additional comments to the end of their answers.

The e-mail interview method was chosen due to making it easier for the participants to agree to take part, as they can choose to answer the questions whenever they have time and when they want. There were no interviews conducted face-to-face. The email information and interview questions were all sent in Finnish, as that was presumably the first or second language of most of the participants. This made it also potentially easier for the participants to answer in a more descriptive and longer manner.

3.1 Research approach

This study was conducted as a qualitative study with semi-structured interviews, interviewees being the employees and management of K-Auto Turku. Silverman (p. 3, 2020) described qualitative research as "...the type of research that finds out about people's experiences. It helps us understand what is important for people". In other words, qualitative research aims to understand human experience, treating interviews as providing access to the interviewee's heads, and foregrounding the empathetic skills of the researcher to successfully achieve this (Silverman, 2020).

3.2 Data collection and analysis

The data was collected through e-mail interviews. The data gained from the answers received was analyzed with open coding. Open coding was done by converting the data into small, discrete components, placing the data into general categories, and building each transcript into themes (Strauss and Corbin, 1998). Data collecting through interviews was picked due to the fact that respondents have the possibility to answer the questions whenever they want or have time, which is easier for respondents and may then lead to higher response percent compared to normal face-to-face or video interviews that should be individually arranged. Employees were given a week to answer to the interview questions. Responding to the interview was completely voluntary and the results were treated completely anonymous. Out of around 100 employees of K-Auto Turku, seven were willing to be interviewed and sent back their answers, however, mostly salespeople were approached.

3.3 Sample

The sample included a selection of K-Auto Turku employees and management. The employees and management could decide themselves if they were willing to be interviewed through e-mail.

3.4 Assessment of the quality of the data

Due to only a small sample being interviewed, generalizing the results was not possible. In addition to that, the interviews were conducted without audio or visual contact, which both could have offered more insight about the opinions of the participants. Cultural differences were not an issue in this study, as the researcher was a Finnish national as well as all the participants. However, some of the English translations of the participants' answers may have been more difficult to translate from Finnish to English, as some Finnish sayings or words may not be translatable, and the translation was not made by an official translator due to limited resources of the study.

4 Findings

This chapter presents the key findings of the research and evaluates whether the aim and the objectives of the study have been fulfilled. Employees and managers of K-Auto Turku are interviewed to gain insight into the car retail market shift from ICEVs to EVs. To ensure confidentiality, participants are referred to as numbers, for example Participant 1/P1. Two out of seven interviewees were in managerial positions in car sales, others were car salesmen for multiple different brands or commercial vehicles (see Appendix 3).

Recommendations for K-Auto Turku are given based on the literature review and findings. Finally, limitations of this research are stated, and suggestions for future research, K-Auto's future strategy and managerial implications given.

4.1 Strategic position of K-Auto

K-Auto has mentioned on their website that their strategy is aiming for growth in services in addition to car sales, and they have also stated that their service business sales grew, and their profitability was at a good level in 2023; especially the increase in maintenance volume and productivity improved the profitability of the service business (K-Ryhmä, 2024). Participant 3 stated when asked about K-Auto's current strategic position in the Finnish EV market that *"I think the current position of our company is good. K-Auto imports several car brands that all have their own electric models. This is good for the company's competitive position".* Participant 6 described the company's strategy as *"The company's strategy is to become the leading seller of electric cars in Finland with the help of the head company (Volkswagen Group). The biggest reason is probably the transition to carbon-neutral and lower-emission driving with the directives of the European Union"*. Participant 7 also mentioned the multiple car brands that K-Auto is selling and the extent of K-Auto's dealerships and service points, all the largest cities from the capital region all the way to Oulu. He also stated that *"We are a part of Kesko, whose industries include, in addition to the car trade, grocery trade and construction and building technology shop. So, we are part of*

Finland's largest operator in the trade sector. K-Auto offers a country-wide K-Lataus infrastructure that continues to expand". Participant 4 highlighted also the variety of services that K-Auto offers, writing that *"K-Auto is one of the largest players in the electric car market, offering comprehensively all services related to electric cars, from sales, maintenance, repairs, imports, to public charging infrastructure".*

4.2 Internal capabilities

Dynamic capabilities enable a company to deploy, create and protect the intangible assets that are supporting the superior business performance in the long run; companies that have strong dynamic capabilities are highly entrepreneurial - not only adapting to business ecosystems, but additionally are aiming to shape them through innovation and collaborating with other entities, enterprises and institutions (Teece, 2009). Question 2 was about what the employees think are the company's biggest competitive advantages in the Finnish EV market and why. Participant 1 found that the fact that Volkswagen has been in the automotive industry is their strength however they are still always listening to their customers and polishing the diamond. He also added that their biggest competitive advantage is their wide collection, as K-Auto has EVs suitable for every budget, including brands like Porsche, Audi, Volkswagen, SEAT/Cupra and Bentley), which participants 2, 3 and 7 agreed with and participant 3 added that *"Management of several car brands enables a competitive advantage compared to smaller operators".* Participant 4 mentioned the benefits of a large organization (Kesko) and one of the world's largest car manufacturers (Volkswagen Group) as the head organization.

K-Lataus charging infrastructure was also mentioned to be K-Auto's biggest competitive advantage by participants 2 and 7. Participant 2 also stated that *"K-Auto's cars are technically well-made and technically better in the competition against other EV brands".*

According to participant 6, *"The biggest competitive advantage is certainly the fact that the Volkswagen Group was the first car factory in Europe to design its range on a* *base plate that is made only for electric cars. Many competitors today use a base plate that can be used for both internal combustion engines and electric cars. This solution is always some kind of compromise."* Participant 7 also added an extensive sales and service network as one of the biggest advantages.

4.3 Challenges and opportunities

4.3.1 Challenges

When asked about the company's weaknesses compared to other companies in the industry, participant 1 mentioned the varying amount of fast delivery cars and explained that *"Today, delivery times are 4 months instead of 12 months, but customers still hope to receive the car much faster, and we sometimes have challenges with that".* Participants 3 and 5 both mentioned the company being big and rigid and thus for instance some operation models like campaigning are not working as well as they could. Participant 3 also added that with the K-Auto's charging infrastructure K-lataus, little number of opportunities offered are utilized.

Participant 6 stated that *"The increase of electric cars brings new challenges to the entire car business. Traditional car mechanics work on the maintenance and repairs of internal combustion engine cars, but the biggest challenges of electric cars are software and the battery side, and to understand these and solve problems, more so-called nerds are needed. This issue requires new types of workers in the field. The electric car itself is technically simpler and requires less maintenance compared to a traditional combustion engine car".* Additionally, participant 6 wrote that *"The price competition is fierce for electric cars, the warranty periods are longer for some brands".*

4.3.2 Opportunities

According to Teece (2018), sensing and sensemaking capabilities could be of use for car companies to navigate through the uncertainty in the auto industry shift; these skills of strong sensing and sensemaking capabilities can help companies to perceive where the industry is heading, while also enabling the company management to identify their critical capabilities and bottleneck assets that need to be enhanced or acquired (Teece, 1986).

Participant 1 suggested that company's employees, managers, and the company itself perceive new opportunities while EVs are becoming more common in Finland *"by expanding the collection and improving the performance also in arctic conditions"*. Participant 3 added that *"In my opinion, both the employees and the company strive to be on the wave crest of electric cars in the field of generalization. We are constantly learning new things and sharing knowledge/awareness towards our customers".*

When asked if the company's employees, supervisors, and the company itself grasp new opportunities related to EVs, participant 2 answered that *"This is difficult to answer because the electric car market is continuously changing. At first it was a big trend, which now seems to have subsided a bit. We are on top of the situation relatively well".* However, participants 3 and 7 said both yes with these comments *"Yes, they do. Whenever new information/products come, we try to internalize this as well as possible, so that this can be used in the sales. (P3)"* and participant 7: *"Yes. We are focusing more and more on increasing demand in the company car market. The tax benefit of electric cars for company drivers will continue. Company cars play an important role in the electrification of the car fleet. In the consumer trade, there is a great demand for used electric cars which we get e.g. of returned leasing cars.".*

Participant 6 suggested that K-Auto could strengthen its competitive position in Finland by bringing new, more affordable models to the market, which participant 5 also agreed with by also suggesting bringing a cheaper brand to the market, "for example a Chinese brand". Additionally participant 1 suggested bringing even more affordable small EVs to the market.

Participant 6 also added that extending warranty periods (of EVs) also strengthens the consumer's faith in the products. Participant 7 suggested *"Investing even more in digital services and offering new cars for purchase online regardless of the place or the place. In addition, investing more and more mainly in the competitiveness of private leasing in terms of pricing".* Participant 4 also added that *"The first thing that comes to mind is the better utilization of K-Lataus in car sales with. We could offer our customers* *charging benefits from K-Lataus, e.g. certain amount of electricity more cheaply and thus encourages customers to choose K-Auto".*

4.4 Dynamic capabilities of K-Auto

As found in the literature review chapter, K-Auto is the leading player in the car trade in Finland, and EVs have already changed its business model more towards service business, as in addition to normal car maintenance, damage repair and spare parts services, it offers EV charging services called "K-lataus" (K-Ryhmä, 2024). K-lataus was also highlighted multiple times in the research participants' answers, and as K-auto is at the moment the only car retail business that offers its own charging infrastructure nationwide, it can be seen as K-auto's dynamic capability. In fast-moving business environments (such as automobile industry) that are in the global markets and competing against other organizations and characterized by dispersion in organizational and geographical sources of manufacturing and innovation, a sustainable competitive advantage may be difficult to achieve and requires more than the organization having difficult-to-replicate (knowledge) assets; it requires also difficult-to-replicate and unique dynamic capabilities (Teece, 2009).

Participant 1 stated that K-Auto is for example *"responding to customers' equipment needs and reacting to price competition".* Participant 5 stated that K-Auto's competitive advantages include being a "*financially sound company, having its own charging infrastructure (K-Auto) and good products*". Participant 7 also mentioned K-Lataus, stating that "*For example, the K-Lataus infrastructure and its continuous expansion has become significant as a business. K-Auto is therefore also a significant seller of electricity (for EVs)".*

When asked about whether the company's skills and/or resources change while responding to a new kind of competition or alternatively the company is creating a new kind of competitive field, participant 1 answered the following: *"Yes. We have very qualified people in the import (section of the company) who know how to answer even the most difficult questions and carry out a lot of trial runs and tests on their own initiative".* Participant 4 added that *"Yes it does, K-Auto has started a 2021 project in* *which the company will change to the future car sales model before it is done out of necessity".* On the other hand, participant 2 stated that *"I would say that we are on top of the situation, but I can't say whether measures are always taken to deal with it".* Participant 5 stated that a continuous process of change is underway and participant 7 added that the skills of employees are constantly being developed; similarly participant 3 stated that competence and resources are being increased all the time and this is used in discussions with customers. Participant 6 answered that: "*With the introduction of electric cars into the market, K-auto has significantly increased its investment in private leasing, where the customer usually rents the car for a period of 36-48 months, and during that time a certain number of kilometers are included. With this purchase method, the customer only pays for the depreciation and expenses of the car during that period, and after the rental period the car is returned to the car dealership. Similarly, a so-called commission model has been introduced to the market, where the car has a fixed price, and the car dealership receives a separate commission for the cars it sells (this is used in the sale of Cupra Born)".*

4.5 Change mangament

4.5.1 Different views of change management

Change implementation speed and effectiveness in addition to achieving proposed organizational goals through change management are the measure of successful organizational change (Shulga, 2021). Based on the data of the Strategy and Katzenbach Center data, Forbes reported that only 54% of major change initiatives of companies were successful (Gleeson, 2016). According to McKinsey, 70% of change programs are failing due to the employees' negative reaction or resistance (Tams, 2018), and this showed also in the answer of participant 4, as when asked about what does the word "change management" bring in to his mind first, he stated that it brought to his mind *"Possible difficulty in working, rarely things have changed for the better. At the moment, the market is in a very big transition and every change for the better is not always successful, because the market can change again in the middle of* *everything".* However, when the same question was asked from the two managers who were interviewed, participant 5 wrote *"What I do constantly and requires a lot from a manager"* and participant 7 *"Guiding people towards the desired goal"* so their views of change management were very different from participant 4. Participant 2 defined change management as "*Leading in a changing world, making quick decisions according to the situation, if necessary, reform and develop"*. Participant 6 wrote that change management is *"Relinquishment of traditional methods of operation, introduction of a new type of operation model"* and participant 7 that it is *"Guiding people towards the desired goal".*

4.5.2 Change training offered by the company

When asked about the change training that the company offers for the employees, participants 1, 3 and 5 mentioned the teams/online training, participant 3 also added self-study material as well as face-to-face training in the form of test drives and related theory. Participants 2 and 6 mentioned training about the vehicle electrical technology and familiarization with competitors' products, and participants 4 and 6 mentioned continuous product training. Participant 7 commented the following: *"There are more and more new models all the time, so there is plenty of training on the product side. In addition, the software and technical features of electric cars are developing rapidly".*

4.5.3 Company employees' contribution to the spread of EVs

Interviewees were asked about whether they think that the employees can contribute to the spread of EVs in Finland. Five out of seven respondents thought that the employees can affect the EV spread. One did not clearly state his opinion and said that the employees still play an important role (P5), as if they do not believe in EVs, they cannot make the customers believe in the product, and only one answered that *"Employees can't, because decision-making has been moved far away from the customer interface"* (P4). When asked about how the company employees can contribute to the spread of EVs, the answers were following:

- The seller's own experiences: *"Yes. The fact that I also have an electric car and I can honestly tell customers about my own experiences in different conditions is a significant advantage for me."* (P1) *"Yes, they can. Those who drive an electric car are so-called opinion influencers and certainly influence people's willingness to buy with their own example and knowledge."* (P6)
- Positive attitude towards EVs and highlighting expertise: *"Yes, as long as we speak positively and emphasize our expertise and advertising."* (P2)
- Recommending EVs to customers: "*Yes, they can. Sellers are able to actively recommend/offer electric cars to customers for whom this driving force is suitable and thereby increases awareness among customers."* (P3) *"Our salespeople are brave enough to recommend driving an electric car to customers."* (P7)
- Presenting EVs and customer test driving EVs: "*Presenting and test driving an electric car increases customers' understanding of the products' advancement."* (P6)
- Highlighting the advantages of EVs: *"The advantages of driving an electric car are brought up daily in customer discussions and it is often offered as an alternative. Nowadays we talk a lot about e.g. customer's daily driving and not so much about the customer's annual kilometers."* (P7)

4.5.4 Employee/supervisor role in change

Petrou et al. (2018) have highlighted that in addition to other factors, effective organizational change communication is critical when aiming for employee receptivity and commitment to the organizational change. In addition to the contributing factors mentioned before, interviewees were asked about their role as an employee or supervisor in the different areas of the change. These included:

- Implement the changes desired by the managers (P1)
- General positive attitude towards EVs: *"I speak positively to customers about electric cars and urge them to choose an electric car"* (P2)

- Passing information on and helping the customers make solutions that encourage the spread of EVs (P3): “*My role is to influence opinion in the environment and try to tell customers that the future is already here. It also assures that change will come whether we want it or not”.* (P6)
- Excessive flexibility at the expense of the employee: *“A constant flexor who is left to fend for themself without the support of the organization”* (P4)
- Making many changes come through as a supervisor (P5)
- Clearly communicating the goals and supporting the seller (P7)

4.6 Conclusion

The findings were discussed in order to achieve the goals of the study and taking into account the gaps in the existing literature. Insights were gained by drawing connections between the factors of this research topic. The research results support many aspects of the literature review.

4.7 Limitations

The purpose of this study is to examine the dynamic capabilities of K-Auto Turku, in the car fleet shift situation of Finland, as the fleet is slowly changing from ICEVs to EVs. Drawing from the perspective of the company employees, the study examined the dynamic capabilities situation currently and where the company may be lacking based on the answers of the interviewees.

These limitations have been recognized that future researchers may try to address:

- The research investigated the opinions of the participants, so different samples could have given different findings for the study.
- Even suitable for homogenous techniques, sample size can be seen small to draw conclusions that could be generalized.

- As primary data was collected from participants and the company located in Finland, the data cannot be internationally generalized.
- The lack of experience and knowledge of the researcher to implement interviews could have influenced the quality of the primary data.
- The translations of the participants' answers may not be fully correct as some Finnish words or sayings may not be translatable and the translation was not made by an official translator.

5 Summary and discussion

The literature review of this study was started with discussing the concepts of change management and change management communication. It was noted that change implementation speed and effectiveness in addition to achieving proposed organizational goals through change management are the measure of successful organizational change (Shulga, 2021). Major amount of change initiatives of companies are unsuccesful, most of them failing due to employees' negatie reaction or resistance (Gleeson, 2016; Tams, 2018).

After this, dynamic capabilities were discussed, also including the limitations of dynamic capabilities, characteristics of sustainable enterprise performance, the foundations of dynamic capabilities, and finally, shortly about resources, capabilities and Penrose effects.

The last literature review parts were concerned with electric vehicles and car retail market in Finland and automobile industry shift from internal combustion engine vehicles to electric vehicles.

What was found from the interviews concerning the change management and the fourth research question was that many employees had a clear idea of what change management is, and when asked about the change training offered by the company, online/teams training, self-study materials and face-to-face training and test drives were mentioned. Additionally, some mentioned training about electrical technology and familiarization of competitors' products.

When asked about the research question two, whether the company employees can contribute to the spread of EVs in Finland, five out of seven employees answered yes and when asked how they can contribute, arguments were for instance using the seller's own experience, general positive attitude towards EVs, customer test driving EVs, recommending and highlighting the advantages of EVs.

Employee or supervisor role in change was described for instance as implementing the changes desired by the managers, general positive attitude towards EVs, passing information on, making changes come through as a supervisor and clearly communicating the goals and supporting the seller as a supervisor.

When answering to the research question one, strategic position of K-Auto was described by the employees to be good and aiming to become the leading seller of EVs in Finland. K-Lataus infrastructure was mentioned multiple times as competitive advantage in the interviews, and it was also highlighted that K-Auto offers comprehensively all services related to EVs from sales, maintenance, repairs, imports, to public charging infrastructure.
As competitive advantages, employees listed the wide collection of brands, long experience from automotive industry, benefits of large organizations (Kesko and Volkswagen Group) and as mentioned earlier, K-Lataus infrastructure. Extensive sales and service network and technical aspects were also mentioned.
When asked about the company’s weaknesses when compared to other companies in the industry, for instance following aspects where mentioned; varying amount of fast deliverey cars, company being big and rigid, little number of opportunities offered on K-Lataus are utilized. Additionally, EVs requiring new kind of workers in the field, price competition and short warranty periods were mentioned.
On the other hand, answering to a research question three, as opportunities for K-Auto interviewees listed expanding the collection, increasing demand in the company car market, bringing new, more affordable models to the market, extending warranty periods, investing even more in digital services, investing in private leasing pricing, and offering benefits for the customers using K-Lataus.
As for the dynamic capabilities of K-Auto, it was mentioned that the company is responding to customers’ equipment needs and price competition, being a financially sound company and owning its own charging infrastructure and qualified people in the import part of the company.

Managerial implications K-Auto could use in the future is utilizing the ideas from the employees, as they are witnessing first-hand change of the car fleet and customer opinion change in their everyday work. Future research could include quantitative research from the whole company on similar subject or interviews focusing only on certain brand salesmen or certain sections of the company.

Conclusion

This research was a case study conducted in co-operation with K-Auto Turku. The purpose of the research was to identify the dynamic capabilities of K-Auto Turku, in a car fleet change situation in Finland and gain insights from the management and employees for how the company could gain competitive advantage. The purpose was also to examine the change management habits of the management of K-Auto in the situation of car fleet change from ICEVs to EVs in Finland.

The scope of the study was restricted to the company's operations in Finland, as Kesko Oyj, K-Auto's owner, only has business in Finland. However, the development ideas mentioned could be implemented in other car retail businesses as well with minor changes.

The literature review concentrated on the most significant theories related to the study subject on available literature.

Findings were discussed aiming to fulfill the study objectives and keeping in mind the gaps in the existing literature. Insights were provided by drawing connections among the factors of this research topic. Study findings underpin many aspects in the literature review.

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Appendices

Appendix 1. Interview guide in Finnish

Käytä mielellään esimerkkejä vastatessasi kysymyksiin. Jos haluat lisätä vielä jotain mitä ei kysytty, voit kirjoittaa sen vastauksesi loppuun.

Taustaa:

Kuvaile päivittäisiä työtehtäviäsi ja vastuualueitasi

Yrityksen dynaamiset kyvykkyydet:

Mikä on mielestäsi yrityksen nykyinen strateginen asema Suomen sähköautomarkkinoilla? Miksi?

Mitkä ajattelet olevan yrityksen suurimmat kilpailuvaltit Suomen sähköautomarkkinoilla? Miksi?

Miten mielestäsi yrityksen työntekijät, esihenkilöt ja yritys itsessään aistivat uusia mahdollisuuksia sähköautojen yleistymisen saralla Suomessa?

Tarttuvatko yrityksen työntekijät, esihenkilöt ja yritys itsessään helposti uusiin mahdollisuuksiin sähköautoihin liittyen? Jos niin miten?

Muuttaako yritys osaamisiaan/resurssejaan vastatakseen uudenlaiseen kilpailuun tai vaihtoehtoisesti luodakseen kokonaan uudenlaisen kilpailukentän?

Mitkä ajattelet olevan yrityksen heikkoudet sähköautojen myynnissä verrattuna muihin alan yrityksiin?

Miten yritys voisi vahvistaa kilpailuasemaansa Suomen sähköautomarkkinoilla?

Muutosjohtaminen:

Mitä sana ”muutosjohtaminen” tuo ensimmäisenä mieleesi?

Onko yritys tarjonnut lisäkoulutusta liittyen sähköautojen yleistymiseen Suomen markkinoilla? Minkälaista?

Koetko että yrityksen työntekijät pystyvät osaltaan vaikuttamaan sähköautojen yleistymiseen Suomessa? Miksi/Miksi ei?

Mikä on roolisi työntekijänä/esihenkilönä muutoksen eri osa-alueissa?

Appendix 2. Interview guide in English

Feel free to use examples when answering the questions. If you want to add something else that was not asked, you can write it at the end of your answer.

Background:

1. Describe your daily tasks and areas of responsibility

The company's dynamic capabilities:

1. What do you think is the company's current strategic position in the Finnish electric car market? Why?
2. What do you think are the company's biggest competitive advantages in the Finnish electric car market? Why?
3. How do you think the company's employees, managers, and the company itself perceive new opportunities in the field of electric cars becoming common in Finland?
4. Do the company's employees, supervisors, and the company itself easily grasp new opportunities related to electric cars? If so, how?
5. Does the company change its skills/resources to respond to a new kind of competition or alternatively to create a completely new kind of competitive field?
6. What do you think are the company's weaknesses in selling electric cars compared to other companies in the industry?
7. How could the company strengthen its competitive position in the Finnish electric car market?

Change management:

1. What does the word "change management" bring to your mind first?
2. Has the company offered additional training related to the spread of electric cars in the Finnish market? What kind?
3. Do you feel that the company's employees can contribute to the spread of electric cars in Finland? Why/Why not?
4. What is your role as an employee/supervisor in the different areas of the change?

Appendix 3. Participant sample

Participant	Abbreviation	Employee/ manager	Brands/ specialty	Daily tasks
Participant 1	P1	Employee	Volkswagen	- Tracking cars - Customer service - Sales - Equipment orders - Managing the showroom
Participant 2	P2	Employee	Volkswagen	N/A
Participant 3	P3	Employee	Cupra, Seat	- Sales - Customer service - New customer acquisition - Management of existing order base
Participant 4	P4	Employee	Audi	- Selling, ordering and handing oveer new cars
Participant 5	P5	Manager	Commercial vehicles	- Managing sales - Communication with imports and customers - Managing commercial car sales team
Participant 6	P6	Employee	Commercial vehicles	N/A
Participant 7	P7	Manager	Cupra, Seat	- Sales management - Salespeople performance management - Inventory management - Monitoring results - Supporting sellers to achieve goals

Female participant
Male participant

Appendix 4. Code book

Current strategic position

Competitive advantages (internal capabilities)

Competitive weaknesses (challenges)

Competitive position strengthening (opportunities)

Dynamic capabilities (responding to new challenges)

Employee/supervisor definitions of change management

Change training by company

Employee/supervisor role in change

All coded data organised and merged under following structure:

- Strategic position of K-Auto
  - Current strategic position
  - Competitive advantages (internal capabilities)
  - Competitive weaknesses (challenges)
- Future strategic position of K-Auto
  - Competitive position strengthening (opportunities)
  - Dynamic capabilities (responding to new challenges)
- Change management
  - Employee/supervisor definitions of change management
  - Change training by company
  - Employee/supervisor role in change

Appendix 5. Coded transcript

Participant 7

Part 1:

1. *I am responsible for the sale of CUPRA & SEAT passenger cars in the Turku economic area. My team includes, in addition to myself, 2 car salesmen. My daily tasks consist of sales management, salespeople performance management, inventory management, monitoring results and supporting sellers to achieve the goals.*

Part 2:

1. K Auto imports Volkswagen cars and vans manufactured by Volkswagen AG, Audi, SEAT, CUPRA and Porsche cars. K Auto Retail Oy dealerships act as dealers.The network covers Finland's largest cities from the capital region all the way to Oulu. We are a part of Kesko, whose industries include, in addition to the car trade, grocery trade and construction and building technology shop. So we are part of Finland's largest operator in the trade sector. K-Auto offers a country-wide K-Lataus infrastructure that continues to expand.
2. An extensive and well-equipped collection, an extensive sales and service network is one of the biggest advantages. In addition, K Auto offers electric car drivers the nationwide K-Lataus infrastructure.
3. For example, the K-Lataus infrastructure and its continuous expansion has become significant as a business. K-Auto is therefore also a significant seller of electricity.
4. Yes. We are focusing more and more on increasing demand in the company car market. The tax benefit of electric cars for company drivers will continue. Company cars play an important role in the electrification of the car fleet. In the consumer trade, there is a great demand for used electric cars which we get e.g. of returned leasing cars.

5. The skills of employees are constantly being developed.
6. It is not yet possible to purchase a new electric car online.
7. Investing even more in digital services, and offering new cars for purchase online regardless of the place or the place. In addition, investing more and more mainly in the competitiveness of private leasing in terms of pricing.

Part 3:

1. Guiding people towards the desired goal.
2. There are more and more new models all the time, so there is plenty of training on the product side. In addition the software and technical features of electric cars are developing rapidly.
3. Absolutely. Our salespeople are brave enough to recommend driving an electric car to customers. The advantages of driving an electric car are brought up daily in customer discussions and it is often offered as an alternative. Nowadays we talk a lot about e.g. customer's daily driving and not so much about the customer's annual kilometers.
4. By clearly communicating the goals of what the change wants to achieve. Support the seller in the change to achieve the goals.

Appendix 6. SWOT Analysis

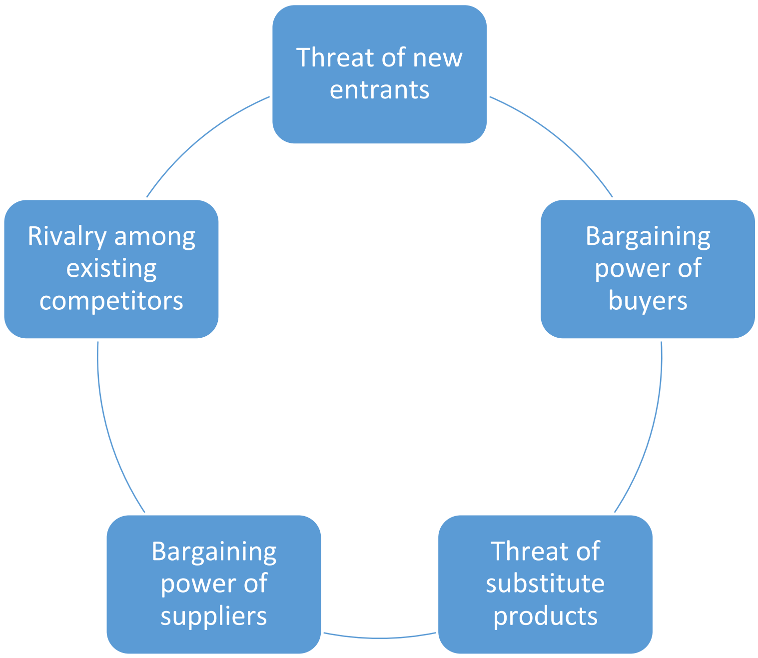
STRENGTHS	WEAKNESSES
- Long experience from automotive industry - Wide collection of different brands - Technically well-made cars - Own nationwide charging infrastructure K-lataus - Large, financially sound organization - Extensive sales and service network	- Varying amount of fast delivery cars - Rigidity in certain operating models, e.g. campaigning - Little utilization of K-lataus in the opportunities offered - Trade-in car pricing - No option for online car purchasing

OPPORTUNITIES	THREATS
- Bringing more affordable small EVs to the market - Highlighting the use of recycled materials and zero emissions in car manufacturing - Offering customers charging benefits from K-lataus - Pricing the trade-in cars to match the new car market - Extending the warranty periods - Investing in digital services and online car purchase option - Investing in private leasing in terms of pricing	- Brands with better pricing and/or longer warranty periods - Online car sales - Increasing amount of competing EV brands coming to markets - Disruptions in the supply chain - The effect of economic uncertainty on demand

Appendix 7. VRIO Analysis

Core Capabilities/ Resources	**Valuable?**	**Rare?**	**Difficult to imitate?**	**Supported by organization?**	**Impact on competitive advantage**
K-Lataus infrastructure	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Long experience from the industry	Yes	No	-	-	Competitive parity
Wide collection of brands	Yes	Yes	No	-	Temporary competitive advantage
Large and financially sound organization	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Extensive sales and services network	Yes	No	-	-	Competitive parity
Technically well-made cars	Yes	Yes	Yes	Yes	Sustainable competitive advantage

Appendix 8. Porter's Five Forces Analysis



Threat of new entrants: LOW	**Bargaining power of buyers: HIGH**	**Threat of substitute products: MEDIUM**	**Bargaining power of suppliers: HIGH**	**Rivalry among existing competitors: HIGH**
• Difficult access to distribution channels • High technical barriers • Requires considerable amount of resources • Takes time to build a trustworthy and popular brand	• Low switching costs • Lots of variety within brands and pricings, consumers can pick what they prefer • Some are very brand loyal, some very price sensitive • Many buyers	• Due to more eco-conscious consumers some may prefer public transport or bike/e-scooter instead of purchasing a vehicle • No switching costs	• Change of supplier can be difficult due to the different aspects of the product • High switching costs • Quality may suffer from switching	• Multiple direct and undirect rivals • Some product differentiation possible • Similar company structures • Similar products offered through other brands • Price war especially with EVs • Customer loyalty may be relevant in some cases

Appendix 9. Framework of the Dynamic Capability Theory