ASSESSING THE ROLE OF STRATEGIC MANAGEMENT IN MANAGING UK RETAIL SECTOR COMPETITIVENESS IN GLOBAL MARKET

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ABSTRACT

The aim of the chapter is to show that now retail trade is a global sector but because of its specificity new strategies are necessary if global retailers want to sustain their advantage. The concept of globalization is discussed and then referenced to the retail sector. The process of retail internationalization which resulted in the globalization of retail sector is analysed. It is assumed that the retailers were motivated by the goal of sustaining their competitive advantage. So some ideas of the main theoretical views of developing sustainable competitive advantage (SCA): Environmental View and Resource Based View, referring to the process of internationalization as well as Yip’s description of globalization process are presented. On the examples of some companies, leading the process of retail fast internationalization in XX century, like Ikea, Benetton, Carrefour, Wal-Mart, it is shown how the resources they developed and external environment contributed to their globalization process. It is found out that there were two stages of the globalization of retail sector: first, in which non-food companies develop on international market and second, when the mass merchandisers offering food and other Fast Moving Consumer Goods (FMCG) were involved. The fact that after fast internationalization representatives of both groups face problems leads to the conclusion that to be successful in the contemporary global retail market new capabilities should be developed.
INTRODUCTION

The notion of globalization is used in different senses resulting from different spheres, that may affect spreading of certain norms, standards, unifying patterns of activity on the global scale. The most important of them include spheres such as: political, legal, ethical, scientific, media, technology, and finally economic (Oczkowska, 2013). They affect each other, but also the process of interaction between the most general level of globalization analysis and the next level – the globalization of markets / sectors and the most basic – globalization of enterprises. Globalization in the economic sphere of markets / sectors applies not only to goods, but consequently to services, labour and technology. This process is stimulated by companies operating in these markets / in these sectors that internationalizes their marketing, purchasing, sales and financial strategies. The aim of these companies is to achieve economies of scale and scope, thus reduce costs and achieve competitive advantage in the market for a particular product without spatial boundaries.

Many business organizations in this era of global competition are trying to create a high performance work culture which is incorporated of both business and corporate strategies in order to develop individual’s contribution to the overall success of the organisation. In this process of work, employees of the organisations are the key role players and this process is named as performance management. According to Armstrong (2016), employee performance management is the system of developing individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages the achievement of overall business goal. The performance of the organisation will maximize when both managers and employees have mutual understanding. Then the contribution of the workers will meet the written objectives and goals of the organization (Leopold et al, 2005, p. 184). Therefore, it is very essential to develop a performance management system in the organisation to ensure better productivity of the firm.

Although in nineties last century, it was an opinion that retail is not global sector (Hout et al., 2011) it seems that nowadays trade sector is also a global industry, which is the result of internationalization processes of trade companies. Yet retailers who rapidly developed into foreign markets in the seventies of the last century,
and their dynamics was accelerated in the eighties and nineties, are increasingly beginning to encounter problems of development, hence the questions arise what strategies they should undertake to continue growing or they may even have already reached the limits of growth (Davis et al., 2011). The article presents the internationalization processes, which resulted in the globalization of the retail industry, theory about development of competitive advantage on global markets, which sought to refer to the retail sector and the problems faced by temporary global retailers (Ochieng et al., 2014). These problems are reflected in the decrease of the growth rate of many of them, including the largest ones like Carrefour and Wal-Mart.

LITERATURE REVIEW

The required strategic management course—a feature of almost all graduate and undergraduate degrees in business—is a descendant of the business policy course established at Harvard Business School in 1911. Under the leadership of Roland Christensen and Kenneth Andrews, the Harvard business policy course developed as a sequence of case studies in which “students were asked to ‘size up’ the situation presented in the case, plan a course of action, and propose an organization to implement the plan, along with measures that would permit corrective action” (Kolokotroni et al., 2015). Following Gordon and Howell’s report on business education that recommended that, “The capstone of the core curriculum should be a course in ‘business policy’”. Harvard’s business policy course provided a model for other schools.

However, the rise of strategic management as a research-based field provided an alternative model for the teaching of business strategy; one in which the formulation of strategy is based upon theoretically-based, empirically-validated relationships between a firm’s actions and performance outcomes (Hornibrook et al., 2015).

The result was debate—and conflict—over how the strategy course should be taught. Should it course retain its traditional emphasis on developing the skills of the general manager—a morphed version of the original Harvard tradition—or should it furnish students with theory-based, analytical tools of strategic management? The rivalry inherent in these two approaches played out at Harvard Business School during the 1980s and 1990s when Michael Porter’s course in Competitive Strategy challenged and eventually displaced the long-established Business Policy course as the core strategy course of the MBA program (Gustafsson et al., 2012).

![Figure 2 - Building agility and resilience](image-url)
The debate between the rival merits of theory-based versus skills-oriented strategic management teaching has continued in journals and in forums such as the Academy of Management and Strategic Management Society. Proponents of an analytic approach have emphasized the rigor and the potential for generalization that the empirically-validated theories offer (Heinonen et al., 2013). Those who emphasize the development of managerially-relevant cognitive and behavioral skills advocate a more ‘a-theoretic’ approach to strategic management teaching as an integrative, practice-based experience (De Frias et al., 2015). Yet, on the ground, the situation is clear-cut. The traditional required Harvard Business School policy course is barely alive and in most top business schools the strategy course is heavily based upon theory and analysis.

Not only have conceptually-based courses displaced a-theoretic, skills-oriented courses, but the courses themselves, both at MBA and undergraduate levels, have become increasingly similar in terms of structure (Karpen et al., 2012). Certainly, there is considerable variation in the topics included in the core strategic management course (e.g., the inclusion or exclusion of topics such as game theory, corporate governance, business ethics, leadership, and corporate and environmental sustainability) (Carritte et al., 2015).

Nevertheless, we can observe convergence around a dominant design. Courses are structured around distinctions between business (or competitive) strategy and corporate strategy and between strategy formulation and implementation; their core analytic components are external analysis (principally the analysis of industry and competition, internal analysis (principally the analysis of resources and capabilities), and

Figure 3 - International Retail Strategy

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competitive advantage (Ngo and O’Cass, 2013). This dominant design is reflected in the content and structure of most strategy textbooks

RESEARCH METHODOLOGY
This research work is based on qualitative study where analysis was done based on data collected from case study organisation compared with literatures. This research project is an ‘Evaluative Research’ which helps in the process of assessment of the success and failure of the management plans and policies. This was achieved by the adoption of secondary research techniques. The secondary research includes the literature review, industry reports and explorative case studies (Rigby, 2011). The secondary data is also analysed on a deductive manner based upon the importance and significance of achieving the research objectives (Yu et al., 2010). At the end, some recommendations and suggestions are given for further improvement of strategic management system in the retail company.

RESULT
The primary motive of retailers to implement CES strategies revolves around expected economic benefits, mainly due to cost savings from reducing operational expenses. Overall energy conservation strategies and GHG emission reduction strategies dominate the CES agendas of retailers (Section 4), as energy use represents one of the highest operational expenses for retailers. Policy shifts and regulatory actions towards climate change and energy efficiency, (coupled with the escalating costs and unreliability of energy provision in some developing countries), can accelerate the investments of retailers in renewable energy and energy saving measures (Spicer and Hyatt, 2017). However, there is insufficient research about the optimal energy use and indoor climate for retail outlets, where the satisfaction of workers and customers require the strict control of indoor environment conditions (Raimondo et al., 2015).

Figure 4 - Strategic Management Performance System
Retailers also prioritise waste reduction strategies such as decreasing food waste and reducing/recycling packaging materials. This largely relates to increasing waste disposal costs, as retailers have to regularly and appropriately dispose of substantial amounts of plastic, cardboard and food waste (Demirkan and Spohrer, 2014). Of the CES strategies we have identified in Section 4, there is particularly little peer reviewed literature on CES strategies on water use in the retail sector (Delai and Takahashi, 2013). While some articles do mention indicators related to water use in the retail sector, there is a critical lack of studies on specific strategies such as the instalment of water saving technologies or pollution control measures (McArthur et al., 2016). This is possibly because the highest amount of water use occurs in upstream supply chains during food production/packaging or product manufacturing, which are not under retailers' direct control, which means that many of the environmental costs are externalised (Hoekstra et al., 2011). Retailers may view this as an issue that pertains to the suppliers or manufacturers, which goes beyond their own operations and therefore take less initiative to tackle (Dos Santos et al., 2013). The price and availability of water may also affect actions to address its use and conservation. For example low water tariffs and reliable supply in some countries may encourage lack of action from retailers.

It is interesting to note that the justification of CES investments in the retail sector on ethical grounds is rarely mentioned and elucidated in the peer-reviewed literature. While it may be the ‘right thing to do’ and companies want to be seen as ‘doing the right thing’, altruism is not perceived as a key reason for CES adoption in the retail sector (Ridoutt et al., 2010). It is suggested that altruism or moral concerns (e.g. concern about environmental issues) may influence those decision-makers that feel a sense of responsibility to the environment and the community, this review suggests that a CES strategy is unlikely to be adopted unless there is a good business case or financial incentive for it (Anttiroiko et al., 2013). We should also note that we could not identify peer-reviewed literature, which suggests that resource availability and degradation concerns are primary CES drivers in the retail sector19 (although they may jeopardize supply chain security thereby having an indirect negative impact on revenues) (TEEB, 2012).

Regulatory pressure seems to drive CES up to a certain extent, but does not explain why some companies decide to go beyond measures required by law, as shown by company examples discussed previously (Dennis et al., 2016). On the other hand, expectations from internal and external stakeholders are increasingly becoming the dominant driver for CES in the retail sector. For example, environmental organizations, consumer groups, the media, governments, and even competitors, put pressure on retailers to increase accountability and transparency when reporting the impacts of their internal operations and wider supply chains. Pressure from rival companies to implement CES strategies and sustainability should not be underestimated as this can be perceived as a competitive advantage (Pantano et al., 2017).
Market-based instruments such as sustainability standards have become a very popular tool to facilitate verification and assure compliance with best sustainability practices for various products (Chkanikova and Mont, 2015). For example, retailers increasingly work with organizations such as the Roundtable on Responsible Soy (RTRS), and the Better Cotton Initiative (BCI), among several others, to ensure the sustainable sourcing of raw materials and finished products.

To elucidate further, as more retailers join the BCI the demand for sustainably sourced cotton has risen substantially, with 12% of global cotton production already licensed as ‘Better Cotton’20 (the expected target for 2020 is 30%) (BCI, 2016). Aeon, Japan’s largest supermarket chain, introduced its first MSC certified product in 2006 and has committed to further increase the sales of certified seafood. Its target is that by 2020, 15% of seafood sales by volume will come from MSC certified fisheries or Aquaculture Stewardship Council (ASC) certified farms (MSC, 2017). Through collaboration with the RSPO, leading UK retailers have reached their target of selling 100% certified sustainable palm oil by the end of 2015 (RSPO, 2017).

Similarly, the RTRS has a significant presence in the UK retail sector, with top retailers such as Marks & Spencer, ASDA and Tesco being members (RTRS, 2014).

Finally, there is a relative lack of studies discussing indicators to evaluate the performance of CES interventions in the retail sector, with most of these studies focusing on food retailers and supermarkets (Matopoulos and Bourlakis, 2010). Studies for other types of retailers such as electronics, clothing and home furnishing, are very few and apart in the peer-reviewed literature.

**DISCUSSION**

The issue of retail internationalization and globalization is a widely discussed (Yeng and Yazdanifard, 2015). It is developed that the model of retail internationalization in which they discussed the antecedents, the process and its outcome. They have found out that international retailers have advanced strategies, management and marketing expertise. Their findings as well as findings of the other Authors dealing with the problems of retail
internationalization are generally similar to what has been presented in this paper (Kim et al., 2017). Novelty is the use of the Yip’s model combined with the theories of sustainable competitive advantage development which give strong background for the research as well as separation of two branches food and non-food (or more generally FMCG) retailers and non-food retailers. The limitation of the research is that it does not give the clear answer to the question on limits of growth (Páll and Hanf, 2013).

Although some global retailers have problems with further development the others are boosting. For sure e-commerce will change the rules of competition but now it is difficult to predict the results. A study of how business model innovation by start-ups is influenced by the information possessed by their leaders/owners would be particularly interesting, as largest companies in this study began their lives as start-ups with radically different business models from incumbents in their markets, rather than as large companies who added or switched to a new business model (Lahouasnia, 2010). It could be argued that smaller companies have less access to market information than larger ones but might be “closer” to the customers and suppliers whose cooperation is likely to determine the success of failure of their business model innovation, i.e. the information they use is about individual cases rather than large market-level studies, so the outcomes of such research might be very different (Pantano and Timmermans, 2014).

The focus of this article was primarily on information use as related to business model choice and change. It has not been placed in the context of how business leaders use information in general. One of the known problems in strategic decision-making processes (which include decisions on strategy and decisions on business models) is the identification of whether information does have strategic implications and if so which – the problem of being able (or not) to “see the wood for the trees) (Priporas et al., 2017). Due to developments in information technology, business leaders now have access to far more information than previously, both about what is happening in their own organisations and about the outside world. Although many easily
comprehensible ways of portraying this information have been developed, this does not solve the problem of information overload, although it could be argued that through good processes and learning, leaders will learn to identify which information they need for business model change decisions (Roy et al., 2017). However, it could also be argued that the very nature of business model innovation sometimes means that the information required is of a new type and so not routinely accessible to leaders, or else it could be existing information requiring new interpretation. This area therefore needs further research (Vrontis et al., 2017).

CONCLUSION

Although literature provides evidence on the extent to which involving consumers in service development with emphasis on the consumer co-creation experience in retailing this view is currently under-investigated (Teixera et al., 2012). In fact, the current focus in retail services is on the possibility of improving the process with advanced technological innovations (Pantano, 2014). Our study provides new perspectives in retail by defining a comprehensive model of smart retailing that can be used to improve retail service.

Smart retailing is emerging as an important element within the notion of smart services and smart cities (Chourabi et al., 2012). We identified the starting point of a smart technology for (smart) retailing, the emerging benefits, and the success factors. New trends in technology provide opportunities for developing sophisticated services and applications and integrative platforms for supporting retailing and moving towards a future-oriented concept of “smart retailing”. The progress in technology demonstrates increasing possibilities for access to information/service and connectivity towards the ubiquitous access anywhere/anytime supported by ubiquitous computing, as well as information sharing and collaboration among users (Demirkan and Spohre, 2014).

The implications of this paper are several. First, it extends the growing body of research on innovation in retailing by offering a clear framework that describes the extent to which retailing can be improved through the systematically use of smart technologies, employed to support several aspects of the process (Hagberg et al., 2016). Similarly, practitioners can use this framework to evaluate if their actual retail strategies are “smart enough” and improve them accordingly, while the framework emphasizes the key role played by the choice of the right technology able to reply to actual “call to action”.

Secondly, it contributes to Retail Change Theory by confirming how retail processes are evolving prompted by external uncontrollable factors such as the changes in technology, in economy, in consumers’ behaviors, and so on by providing the smart retailing framework as an aid to strategically planning the response to this environment (Evans, 2011). More specifically, the paper provides a clear understanding of the actual environment where retailers compete as complex and dynamic, which is fundamental for retailers for achieving opportunities.

This research has also educational implications. Indeed, the proposed new framework in retailing will help marketing and retail students to understand the actual competitive scenario through a smart lens (smart retailing framework), which in turn will help them to make sense of their own learning, personal development, and practice in retailing education and marketing programmes/courses in general. The framework expands the
knowledge and skills of students to respond to new technological developments and changing environment, and thus it can support the practice that good learning can further lead to good employability (Anderson and Lees, 2017).

REFERENCES


