

# The influence of trade unions



## **Introduction**

Analysis of Competitiveness is a vital policymaking tool for ensuring the effective allocation of scarce development resources, thereby helping industries across the spectrum of exporting and domestic industries.[1]It also facilitates the deployment of resources wherever their effect is greatest.

The industry chosen for analysis of business competitiveness is Ethnic Indian Restaurants in UK. This analytical study tries to examine issues relating to business competitiveness in this industry. This is followed by recommendations to establishments desirous of entering this sector and the determination of whether such entry would be a good investment. The essay makes use of a range of marketing tools including PESTLE, Porters Five Forces and Critical Success Factors to examine business competitiveness and effective strategy.

## **Marketing Analysis**

Analysis of competitiveness should not be a unique, mysterious or infrequent exercise. Maintaining competitiveness in markets requires constant monitoring and assessment of regional and global trends in industry and trade and the use of analytical outcomes for decisions on strategic business policies and practices.[2]

Strategic management largely entails strategic decision making with long term vision. It deals with issues concerning the determination of the marketplaces that a company should compete in, the means by which a company can gain competitive advantage, the different resources needed by a company for it to compete successfully, the external environmental issues

that can impact the ability of companies to compete, and the expectations and values of stakeholders who influence the business.[3]

Analysis of competition involves the comprehension of vital external aspects affecting the modus operandi of a business, the diverse environmental conditions within which a business functions and the arrangement of internal organisational wherewithal.[4] Analysis of markets and competitiveness also calls for the deployment of diverse analytical tools to determine the level of intra-industry competition, the competitive forces of business operations in distinct markets, the critical success factors of industries and the general competitive situation of businesses.[5] Such analysis presents decision makers with vital and extensive information that can be utilised to make proper strategic choices and devise the most appropriate business strategy. [6]

## **Outlook of UK Eating Out Sector**

British cuisine has for long been multicultural, a medley of eclectic approaches. The Romans influenced it in ancient times and the French in medieval times.[7] London allows its residents and visitors to sample not just British cuisine, but also food from various other continents and countries. Indian, Chinese, Greek and Italian restaurants are very popular.[8]

McDonald's sponsored a key autonomous study by retail specialists Allegra Strategies in early 2009 named "Eating Out in the UK".[9] Allegra surveyed the behaviour and attitudes of over 2,350 consumers and conducted interviews with 130 senior executives of independent operators and

restaurant chains across UK to obtain responses regarding the strategic challenges confronting the sector.[10]

With the consumption of one of every eight meals' in the UK in 2008 having occurred outside the home, the UK eating-out market is currently valued at approximately £40.3 billion.[11]The survey further revealed that this sector currently employs one twentieth of the UK workforce. The study conducted by Allegra attempted to quantify the economic Gross Value Added (GVA) of the eating out sector.[12](The GVA, initiated in 2005 by the Office for National Statistics, represents the economic contribution to UK industries). Allegra concluded that informal eating out is currently a top 10 contributor towards national GVA.[13]

The eating out sector is expected to grow by £850 million to £42.5 billion in the coming 18 months.[14]The sector is however intensely competitive and experiences hundreds of entries and exits every year.[15]The eating out sector comprises of standalone establishments and restaurant chains of different types, from small snack joints and takeaways to the largest global chains and gourmet restaurants serving a range of global cuisines.

The multicultural population of London and its status as an eminent global food destination make it home to a range of ethnic restaurants, the most ubiquitous of which are Fish and Chips establishments and Indian and Chinese restaurants.[16]The UK has over 12,000 curry houses compared to just 1,250 McDonalds.[17]It is not surprising that chicken tikka masala is UK's favourite dish. The Indian Restaurants sector accounts for a turnover of £3.5 billion and makes up 7.5% of the total UK eating out sector.[18]It is

also interesting to know that the number of curry houses equals and may exceed the number of Chinese establishments.[19]Guesstimates of the workforce number in this sector vary between 50, 000 to 100, 000.[20]Whilst the growth of the sector has been explosive in the past, it appears to have tapered off in recent years. The sector is dominated by small standalone restaurants but also contains chains like Rasa and Kerala Group and fine dining places like Chutney Mary and Veeraswamy.

## **PESTEL Analysis**

The environmental factors that influence and shape the stratagems of business enterprises in a specific industry are best evaluated through a meticulous PESTEL assessment. Such an assessment deals with the enquiry and appraisal of “ political, economic, social, technological, environmental and legal” concerns and aids business executives in aligning business strategies with environmental imperatives.[21]

A PESTEL analysis helps managers to understand the larger picture of environments in which organisations operate. It assists in the determination of factors associated with growth or decline of markets and the actual position of individual organisations or industries.

The political scenario in the UK is essentially democratic, neo-liberal and friendly towards all legitimate businesses. Specific sectors that provide employment and are related to tourism are especially encouraged and the political climate for the eating out sector is supportive.

The economic environment of a society plays a very important role in the fortunes of restaurants and other eating out establishments.[22]The

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economic downturn of the last two years has significantly affected the numbers of people eating out and many frequent restaurant goers have found it economical to cook at home. The expected economic recovery in 2011 should however reverse this situation and increase the incidence of eating out in the UK.[23]

The social environment influences the nature of food consumption in a society. The last few decades has seen considerable shift in social attitudes and mores globally in social interactions, both formal and informal.[24]Such changes of social attitudes can lead to considerable changes in demand, consumption and prices, and can therefore significantly impact the strategies of organisations operating restaurants. Numerous social changes in the contemporary era, including smaller families, single parenting and the rapid increase of women in the workforce have fuelled the growth of the eating out sector.[25]

Changes in food tastes and the growth of a multi-cultural and multi-ethnic society have steadily increased the demand of cuisines that are not native to the United Kingdom. Indian, Chinese, Latin American and European eateries have expanded rapidly in the recent past.[26]Recent surveys however show a decline in the growth rate of Indian restaurants. The contemporary trend towards healthy eating may also adversely affect the business of Indian restaurants because of the excessive use of oil in most types of Indian food. The growth of ethnic Indian restaurants could also be adversely affected by the progressively stricter governmental attitude towards migration from non EU countries. Immigration curbs are likely to reduce the availability of cooks with knowledge of Indian cooking.[27]Existing curbs on short-term visas

make it harder to hire workers from Bangladesh (UK ‘Indians’ are largely Bangladeshi-owned).[28] Restaurateurs also complain that whilst Eastern Europeans are able to be deployed in front-of-house jobs, they need far too much training for curry chef responsibilities.[29] Nevertheless, a £20m Balti academy is planned to be established in Birmingham.

Technological advances have helped the industry in improving their information management and accounting functions.[30] Modern storage and cooking equipment are helping in improving the efficiency of the industry. Technological advances are continually facilitating the productivity of food and drink producers and have to be judged carefully for capital investment purposes along the entire environmental supply chain.[31]

The managements of eateries have to especially ensure the appropriate sustainable waste management practices. The UK’s Food Standards Agency collaborates closely with the local authority’s food law enforcement executives to ensure that food law is enforced throughout the food chain. [32] It lays down the rights and duties of food businesses and enforcement authorities, and strives to ensure that legal and food safety requirements are monitored and upheld.[33] The Agency also makes certain that local authority scrutinising of food businesses is executed correctly by performing audits and collating information regarding local authorities’ enforcement activity.[34]

## **Porter’s Five Forces**

Porter’s five forces hypothesis, advanced by Michael Porter in 1980 assists enterprises in evaluating the levels of competition within an industry through

the analysis of five dimensions, viz. the power of buyers, the influence of sellers, the degree of rivalry amongst market players, the threat from fresh competitors and the threat from alternatives.[35]Porter's hypothesis is extremely appropriate for enterprises who aspire to penetrate fresh markets or enlarge their operations in existing markets.[36]

The power of buyers in the sector is immense because of the extensive choice available to them and their power to use or not to use the services of specific eating establishments.

Whilst the power of sellers by and large is not very strong there are various establishments like McDonalds, KFC and Pizza Hut who derive strength from their brand. Others like Veeraswamy or Chutney Mary have built up reputations and developed loyal clienteles.

The threat from new entrants is ever present. Hundreds of food establishments are opened every year, even as many close shop. The industry also faces threats from substitutes that can occur from the entry of different cuisines or new food products. The competition between industry participants is intense. Considering these factors, the eating out sector can be considered to be intensely competitive.

## **Recommendations**

An analysis of PESTEL conditions and Porter's Five Forces leads to the surmise that the Ethnic Indian Restaurant sector is intensely competitive. It is furthermore experiencing slow growth and is expected to face a shortage of skilled people with the tightening of immigration rules for people from non EU countries. The sector is however expected to benefit from the



forthcoming 2012 Olympics and the associated increase in international tourist traffic.

New entrants should study the sector very carefully and ensure that their establishments are ready in time for the forthcoming London Olympics. The Critical Success Factors for the eating out industry are (a) quality, (b) adaptation to locality, (c) food-processing infrastructure, (d) service levels and (e) strengths of brands.[37] Apart from these it would be unwise to disregard the three most important requirements of a restaurant, namely location, location and location.

Entrants will need to ensure successful performance in these spheres if they are to develop a winning and effectual strategy. It would also be wise to conduct an analysis of internal strengths and weaknesses, align organisational strengths with market opportunities, reduce weaknesses and be aware of threats.

Karan Billimoria, the founder of Cobra beer in UK states that it is important, in operating a successful business to go the extra mile, constant innovate, be disciplined, never give up, achieve product perfection and turn obstacles into opportunities. It is important to be different and better. “ I believe that however competitive a market is, however saturated it may appear to be, you can always start a brand, introduce a product, by doing things differently in some way, doing things better in some way and, in that way, changing the marketplace forever.”.[38]

## **Quality of Investment**

Ethnic Indian restaurants in the UK operate amidst an international marketplace, characterised by intense competition. Having stated this it is also important to realise that numerous ethnic restaurants from across the world are penetrating western markets with value-for-money authentic cuisines.

Judging the quality of an investment is never simple and is influenced by a range of quantitative and qualitative factors. The opening of an ethnic Indian restaurant and achievement of success in the fiercely competitive London marketplace will be a complex, difficult and risky task.

The probability of success and the quality of investment will depend upon a number of factors, namely the physical and financial resources of the entrepreneur, the location of the establishment, the time of opening, the track record and experience of the management, and finally the achievement of the five critical success factors. It is also extremely important to examine the financial projections for the coming few years, particularly with regard to sales, profits and cash flows.

An analysis of all these parameters will enable the formation of an informed judgement on the proposed investment.

## **Section2**

### **Relevance of Strategy**

Alfred Sloan, the legendary former President of General Motors, defined the basic strategic dilemma as placing the organisation in markets where maximum earnings could be generated.[39]His biography laid down the <https://assignbuster.com/the-influence-of-trade-unions/>

classical profit-orientated strategic goal as being a business objective for earning returns on investment, with the proviso that where the long term projection of an activity is unsatisfactory, the deficiency must be rectified or the activity discarded. He importantly acknowledged the necessity for strategy, which he termed ' policy', and the significance of keeping it detached from the day-to-day business operations.[40]Such an opinion implies that strategy is essential for the growth and success of all business organisations.

### **Four Levels of Strategy**

There are four distinctly diverse perspectives to strategy viz. (1) Classical (2) Evolutionary (3) Processual and (4) Systemic. Of these it is the systemic strategic process that best facilitates strategy choices.[41]For systemic strategists, strategy effectiveness is based upon comprehending the strategic framework and participating within local rules and regulations. Whilst classical planning often yields results, the utter unpredictability and ferocity of marketplaces at times requires an adoption of evolutionary strategic processes.

It is also true that organisations are sometimes too stiff to tilt towards simple plans. On occasion the wherewithal on which competitive advantage is based is too entrenched for detached manoeuvring from afar. There is no ' best' strategy. The solution lies in relating strategy to organisational, marketplace and social frameworks.[42]

## **Different Hierarchical Levels of Strategy**

Most theoretical literature concerning the area of business policy has progressively stressed the importance of distinguishing between two levels of organisational strategy, viz. corporate level strategy, which is related to decisions about the actual businesses to participate in, and business level strategy, which concerns matters of how to compete in a specific business.

[43]

Research findings present evidence regarding the relative significance of corporate level and business level strategy in establishing firm profit performance. Theoretically, corporate level and business level stratagems are both viewed as equivalent to inter-industry and intra-industry distinctions in the stratagems of business firms.[44]

Almost all strategic management literature propounds four hierarchical strategy levels. Each of these has its own set of plans, which reflects the “hierarchy of needs”, similar to those espoused by Abraham Maslow. These, in descending order, are enterprise strategy followed by corporate strategy and subsequently by business and functional strategies.[45]

It is significant that all business enterprises do not have officially expressed stratagems at each such level.[46] One or more of such strategy levels are occasionally not provided with formal direction anywhere in the organisation. Many such stratagems on the other hand are simply the outcome of assertions by various organisational observers and stakeholders.[47] The subsistence of such strategy hierarchy is however viewed as essential in the

rationalist methodology, which makes it important to increase organisational focus on the different strategy levels.[48]

The subsistence of such strategy hierarchy is however viewed as essential in the rationalist methodology, which makes it important to increase organisational focus on the different strategy levels.[49] Such strategy levels follow a hierarchy and each strategy level is limited by the one above; for example, a functional strategy is limited by the organisation's business strategy, which is itself limited by its corporate and enterprise strategies. [50] It follows from such hierarchical structure that enterprise strategy is the most important for an organisation and drives the next levels. It is however also significant that the process of strategy is not unidirectional, regardless of the hierarchical configuration.[51]

Mintzberg differentiated between planning strategy and crafting strategy, stating that “ Imagine someone planning strategy. .... The keynote is reason – rational control, the systematic analysis of competitors and markets, of company strengths and weaknesses, the combination of these analyses producing clear, explicit, full-blown strategies”. [52] This statement succinctly explains the relevance of strategy for all organisations wishing to compete effectively in business situations.

## **Importance of Strategy**

History is replete with managers plainly unable to adjust to different and threatening circumstances. Corporate studies of ‘ turnarounds’ subsequent to organisational declines continually validate the need for hiring new chairmen or CEOs to enable successful strategic change and recovery.[53]

New top managers have largely been responsible for successful turnarounds. Laterally recruited managers external to the organisation are also often required to accomplish the transformation necessary for turnarounds. Insiders appear averse to enforce the deep-seated changes frequently needed for turnaround.[54]

Whittington's assessment of strategic responses to the downturn during the early 1980s established that ruthless strategies of refocusing and rationalisation tended to be implemented only after the failure more moderate strategic efforts. These were furthermore often imposed by new chief executives who were recruited from outside the organisation.[55]

Managers, in the energetic and diverse environments of the modern day, would be better equipped by ideating differently, rather than by basing strategic plans on past experiences and prescribed strategy alternatives. [56]Good strategy seldom implies doing precisely what everyone does.[57]

Strategic planning and management is an essential business activity that all business owners need to engage in from the first day of their business lives and is vital for growth and success, both in the short and long term. It is impossible to enhance the size and profitability of a business or to give it concrete direction without formulation and implementation of strategy. It can be safely concluded that good strategy is not necessitated by 'good times' or 'bad times'. The relevance of strategy under all circumstances cannot be under emphasised. The skilful allocation of organisational resources for garnering competitive advantages underscores the need for strategic

vigilance at all times, especially in adverse economic and social environments.