International management- hunter boots ltd.

Business, Management

“ Designed to be outstanding in any field, from city streets tomusicfestivals and rugged countryside, Hunter footwear is recognized for its performance durability and comfort – achieved through a fusion of tradition andtechnology” (Hunter Boot Ltd. , 2013) Hunter Boot Ltd. was founded in 1856, styled as the North British Rubber Company, producing not only rubber boots but also tyres, conveyors and flooring. The famous ‘ wellies’ or wellington boots rose to fame when they were mass-produced during World War I to supply the army.

By the end of the war ‘ wellies’ had become popular for use among the general population as well. After changing ownership several times Hunter Rubber Company became a standalone company in 2004, and was bought out of administration as Hunter Boot Ltd. in 2006. Now solely focusing on footwear, the company has since positioned itself firmly and both the UK and USA footwear markets. In 2008 Hunter closed its plant of 96 years and relocated its headquarters to Edinburgh (Scotland) and production to China.

Striving for more efficiency and effectiveness in the production process Hunter boots are only still visually similar to its original design, whereas they have in fact become virtually identical to the boots produced by its competitors. Nevertheless Hunter has experienced a period of considerable growth and is now distributed internationally in over 30 countries (Hunter Boot Ltd. , 2013). The author feels that is important to make a clear distinction between the years up to 2006, which is the year Hunter Boot Ltd. was placed into admission, and the years 2007 and onwards to where Hunter Boot Ltd. s currently controlled by Searchlight Capital Partners LP (SCP). , which is a private investment firm operating in North America and Europe.

First this paper will analyse the rise, and demise, of the company and then will shed some light on its resurgence in popularity and turn-around sales in recent years (Paton 2011). According to Porter (1991) sustainable competitive advantage in international business is determined by the four factors that form the diamond of national advantage; factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry. The factors are nterdependent and all are essential for achieving (international) success. The application of this framework certainly holds true for Hunter Boot Ltd. ’s (international) success from its founding years to the early 2000’s. Diamond of National Advantage| Hunter Boot Ltd. 1856 – 2006| Relative level of Importance| Factor Conditions| ‘ Dumfries’ production plant, skilled labor and sufficient infrastructure. | High Importance| Demand Conditions| Wet weather conditions make suitable footwear a necessity. Army supplier during both WWI and WWII. Loyal customer ranging from the British RoyalFamilyto general population. High Importance| Related & Supporting Industries| Close working relationships with suppliers and end-users within national boundary. | Medium Importance| Firm Strategy, Structure and Rivalry| Ability to manage vast growth in both production and labor force. Ambitious management strategy. | High Importance| Table 1: Porter’s Diamond of National Advantage applied to Hunter Boot Ltd. 1856-2006 The company’s decline became inevitably clear in the years 2003-2005 when it recorded a pre-tas loss of approximately ? 700, 000 with a net debt that had grown to more than ? 2m. These perils can be explained by two of Porter’s factors.

Firstly the company's Factor Conditions, mainly its production plant, changed from major strength to major weakness. The location and facilities that helped bring to company to greatness during the war became hopelessly outdated in later years leading to relatively high costs of trying to continue its Scotland production. Lower production costs abroad, due to surges in gas, electricity and rubber prices in the UK, and the overall British manufacturing decline made Hunter Boot Ltd's ambitions to remain an independent producer based in Scotland unsustainable (Financial Times 2006).

Also blamed in the process was the company's CEO Mark Sater, which relates to Porter's factor on firm strategy, structure and rivalry, who chose to pursue a diversification strategy in that under his rule the product range was extended extensively in an effort to boost sales. The company even added a range of branded clothing and partnered with charities and fashion designers. With the previously mentioned financial situation the company was forced to consider external business proposals in an effort to keep the company afloat.

Driving the following negotiations were the company's demand conditions which were clearly articulated by an anonymous insider in the Financial Times (2006) as ' anyone who hunts or fishes and has a few quid fancies themselves as the next owner. It is so close to the hearts of so many people it is almost owned by the nation. None of the offers gained sufficient support of the board and the company collapsed in the spring of 2006. In several consecutive constructions Hunter Boot Ltd. Generated sales of ? 56m in 2010 and ? 78 in 2011 which is a strong financial improvement and turnaround from its pre-tax losses in 2005.

Since early 2012 the company is under control of American-owned private equity group SCP which is pursuing global expansion. This makes Hunter Boot Ltd. one of many luxury brand buy-outs by private equity groups the like of SCP in recent times. SCP has announced that it will try to set up stores selling the Hunter brand exclusively across the globe in the coming years. This is a major change in its international strategy since Hunter products are currently sold exclusively via wholesale retail channels (Paton 2011&2012).

Despite the many changes in ownership Hunter product are still clearly trying to hang on its British heritage in a dual effort to maintain its loyal UK customer base and to differentiate itself from its competitors. As an example the company has two different website interfaces, one for UK customers and one for USA customers. Both emphasize the exclusivity and craftsmanship of the product, but the UK website further emphasizes its heritage by portraying the British flag and colors clearly on every opportunity. From a theoretical perspective one could argue that Hunter Boot Ltd. s current (international) business strategy can no longer be sufficiently explained by Porter's Diamond model, and now bears more resemblance to Barney's VRIO model which is a resource-based view focused on the firm's internal capabilities (Barney 1991). The resource-based view argues international success stems from the theory that some firms in one nation generate exports that are valuable (V), unique (R), hard to imitate (I) and supported by organizationally sound processes (O) which firms from other nations find beneficial to import.

A valuable resource will lead to competitive parity, a valuable and rare resource to temporary competitive advantage, the addition of inimitability

will lead to sustained (short-term) competitive advantage and meeting all VRIO-criteria will lead to (long-term) sustainable competitive advantage (Shahriari, M. & Ahmadi, A. , 2010). While companies may have many tangible and intangible resources only few of them are strategic in nature. Most strategic resources are of the created and intangible kind and often knowledge-based, yet they can only be facilitated with the help of tangible resources.

This mix is what enables a company to move past competitive convergence and into competitive advantage (Shariari et al. 2010 and Barney 1991). Globalizationhas affected Hunter's home-based competitive advantages in that in a global economy there has been a shift from natural assets (land and untrained labor) to created assets (human capital). Many of these created assets are intangible and firm or ownership specific which mean they are often no longer controlled by specific countries or governments except within the constraints of the (national) law. Multinational firms (MNEs) like Hunter Boot Ltd. re free to move assets from a domestic to a foreign location which is often done when trying to pursue and generate new valuable assets (Dunning, J. H. , 1993). This opportunity is exactly what the company pursued when it moved its production plant to China while maintaining its HQ in Scotland. It is the company's intangible or created asset of ' reputation ' that currently provides it with a long-term sustained competitive advantage over its competitors. Its constant customer focus and technological capabilities are a close second but do not withstand a long-term orientation to a similar extent.

This is particularly true for Hunter Boot Ltd. ’s technological capability since the recent move of its production facilities and cost-cutting strategy has made the company more vulnerable to imitation by competitors. Recently Hunter Boot Ltd. has been enjoying great success and it will have to prove if this is sustainable or not. It will come down to the following question: Is the company’s gaining in internal capabilities and resources enough to make up for the loss of its national advantages?

The author states that it is vital for the company to uphold its reputation since this is currently the single sustainable source of competitive advantage and not one that cannot be affected. It might be that the company will lose some of its loyal (mainly UK) customers and gain a large number of mass-market global customers, but it is doubtful this will provide long-term success if the company is not able to differentiate itself sufficiently from its competitors in the near future. Bibliography BARNEY, J. , 1991.

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