



PhD thesis titled

**Strategic Behaviours of the UK's Leading Grocery Multiple Firms:
An Hermeneutic Virtuous Inquiry (2006-2009)**

is submitted by

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Declaration

This thesis is the original work of and has been written by Nadeem M. Khan.

I confirm that this is my own work and the use of all material used from other sources has been properly and fully acknowledged.

Signed: _____

This thesis has been prepared by the author for submission and evaluation towards the award of PhD degree at Henley Business School, University of Reading, under the supervisions of Prof. Nada Korac-Kakabadse and Prof. Andrew Kakabadse.

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The completion of this thesis owes deep gratitude to the encouragement and kindness of an essential group of people. They have played not only a critical role in enabling me to dedicate myself to this inquiry and in completing it, but have also supported me and shared my PhD experience.

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Dedication

I dedicate this work to Zahra and Moosa.

Abstract

This thesis examines the strategic behaviour of the UK grocery multiple firm within its retail environments during 2006-2009. In reality, strategic behaviour emerges from the historically realised outcomes (Mintzberg et al., 2009) of firm strategy and influences from the external environment. Where existing models offer only single-level lens or partial understanding of strategy, this inquiry engages the co-evolutionary framework (Volberda and Lewin, 2003) to examine strategic behaviour more holistically; at the global, regional, national, industry (i.e. selective) and firm (i.e. adaptive) interacting levels.

The sample (Tesco, Sainsbury's, Morrisons and Co-operative) is taken from within the leading group of UK-headquartered grocery multiple firms that publically published their annual reports during the period under inquiry. By this inquiry's definition, the corporate firm or institution is a social entity that consists of people (Aristotle, 384B.C.-322B.C.), thereby behaviour is an outcome of empathetic strategising. However, regardless of selective regulatory interventions (Cadbury report and Governance Codes, 1992; 2010; 2012), the cyclical pace (Schularick and Taylor, 2009) and intensity of economic crisis (VanEssen et al., 2013) within the Anglo-American governance system have impacted firm survival and growth (Enron, Parmalat, WorldCom, Tyco, Adelphia, Global Crossing, Maxwell, Polly Peck, Lehman's, RBS, BP).

As such, this qualitative inquiry responds by engaging a Continental approach to better understand adaptive/selective social phenomena as strategic behaviours within the Anglo-American governance system. The sources of empirical evidence (publically published reports) are hermeneutically interpreted (Heidegger, 1927; Dilthey, 1996) at three layers. The inquirer asks reflectively *What was the strategic change event?*, *What was the strategic action?* and *What was the strategic behaviour?* The emergent (1) themes and (2) spheres of action are analysed and interpreted into a strategic virtuous behavioural model at the third layer. Virtues are further conceptualised within Islamic source, as required by philosophical hermeneutics. Findings as a virtue/vice model are supported by golden-mean; Islamic conceptualised virtue/vice; and Islamic golden-mean alternatives. The inquiry concludes with nine propositions for the virtuous nature of the firm and institutional levels, along with the distinct patterns of their strategic behaviours as interpreted within the model. This thesis finds Sainsbury's as the virtuous firm and Tesco as the

growth firm in that context. The propositions assert that the larger the corporation, the more it becomes dependent on its selective environment.

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List of abbreviations

AACG	Anglo-American Corporate Governance
A.D.	Anno Domini
ASEAN	Association of South East Asian Nations
B.C.	Before Christ
BiTC	Business in the Community
BRIC/s	Brazil, Russia, India, China / South Africa
CEO	Chief Executive Officer
CME	Coordinated Market Economy
Co-op	Co-operative (a food grocery multiple)
CSR	Corporate Social Responsibility
DEFRA	Department for Environment Food and Rural Affairs
DIY	Do It Yourself
dVvSR	Deliberate variation-vicarious selection-retention
ETI	Ethical Trade Initiative
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMBF	Global Multi-Business Firm
GNI	Gross National Income
GSJ	Global Strategy Journal
GSNA	Global Strategic Analysis Networks
IGO	Inter-Governmental Organisation
IMF	International Monetary Fund
JTB	Justified True Belief
KPI	Key Performance Indicator
LME	Liberal Market Economy
MMC	Monopolies and Mergers Commission
NAFTA	North American Free Trade Agreement
NE	Nicomachean Ethics
OFT	Office of Fair Trading
ONS	Office of National Statistics
PhD	Doctorate of Philosophy
R&D	Research and Design
RGS	Realised Gap Set
S-as-P	Strategy-as-Practice
SMJ	Strategic Management Journal
TEF	Triple Embedded Framework
TNC	Trans National Corporation
UoN	University of Northampton
UoR	University of Reading
UK	United Kingdom
UN	United Nations
US	United States (of America)
USA	United States of America
WHO	World Health Organisation
WTO	World Trade Organisation

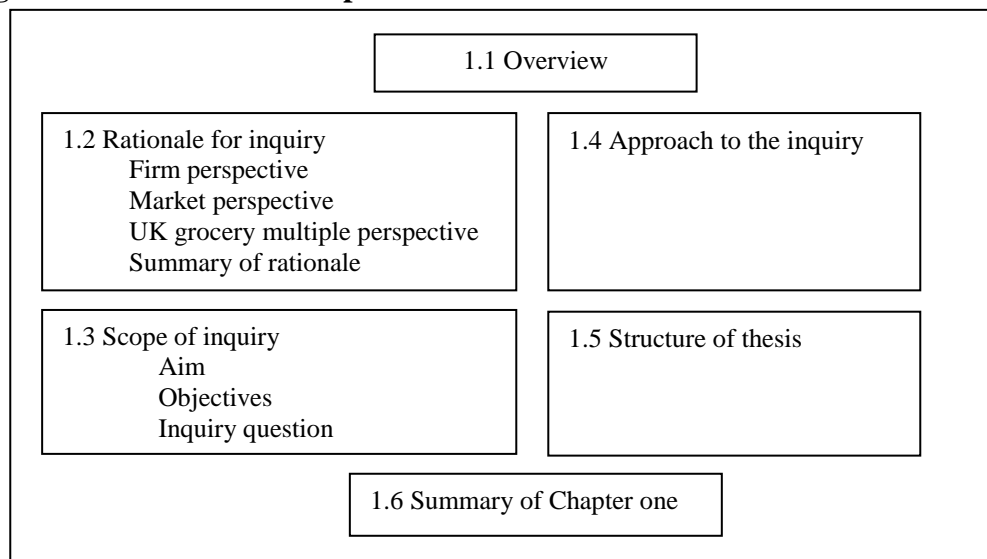
Chapter one: Introduction

1.1 Overview

This thesis examines the strategic behaviour of the UK grocery multiple firm within its environments during 2006-2009¹. Strategic behaviour emerges as an interplay between firm strategy and external environment, which impact each other at different levels – firm, industry, national, regional and global. Although complex, this can be holistically understood as historically modelled outcomes, where at a deeper layer of reflective interpretation, the ethical focus is on defining the characteristic of firm or institution within its context, relative to a conceptualised virtue that represents the excellent behaviour²towards a “common good”.

The purpose of Chapter one is to introduce the topic under inquiry, before outlining the format and development of this thesis. Following this overview is the rationale for inquiry. Section three outlines the scope and inquiry question. The fourth section outlines the approach to inquiry. Towards the end of Chapter one, a structure of the seven chapters within this thesis is presented. Figure 1.1 below presents an outline of the structure of Chapter one.

Figure 1.1 Structure of Chapter one



Section 1.2 below introduces the rationale for inquiry.

¹Inclusive - i.e. the four year period leading up to, during and emerging from the global financial crisis of 2007/8.

²Aristotle's (384B.C.-322B.C.) virtue ethics.

1.2 Rationale for inquiry

Following the overview, this section proceeds to outline the rationale for inquiry.

Two possible approaches to rationale are considered: 1) problematisation, and 2) the gap in the literature. Sharing Mumby's (2011) criticisms and concerns about focusing on problematisation (Alvesson and Kärreman, 2000; 2011; Maguire and Hardy, 2013), the justification for the boundary of inquiry and understanding of the topic is based on the perceived gap in the literature (Hahn, 2015) concerning the firm.

A breadth of literature supports that environment factors can significantly impact the firm (Ghobadian et al., 2004; Aguilera et al., 2008) and are critical to understanding the link between strategy and performance (Peng and Luo, 2000; O'Regan and Ghobadian, 2004) within context.

As such, the rationale has to account for macro environment features shaping firm behaviour, where the impact on each specific firm (micro) can be different. By focusing on firm-specific dimensions of the environment, the link between macro and micro environments allows leverage in examining firm strategic development.

1.2.1 Mapping the field: A firm perspective

Over the years, the primary concern of theories of the firm and subsequent models of their analyses has been to explain and predict the behaviour of the firm within environments. Where economic models have increasingly focused on financial wealth creation (Friedman, 1962; 2007; Williamson, 1975) for predicting firm behaviour in external markets, the field of organisational studies has further recognised the internal complexities³ of the firm. Meanwhile, contemporary scholarly debates (Jensen and Meckling, 1976) and cross-comparative studies (Aguilera et al., 2006) have cyclically directed attention to good governance mechanisms (Weiss, 2000; Aguilera and Cuervo-Cazurra, 2004) as responsible best practices within the leading neo-liberal market economies (Freeman et al., 2007; Kakabadse et al., 2013) - from within which the rise of the twenty-first century corporation (Drucker, 1972; Khan and Kakabadse, 2013) is an increasing focus of attention. In addressing the three dominant sets of leadership, policy makers and public society concerns, the streams of knowledge within these fields direct this inquiry to the common thread of strategic management (Bucheli and Kim, 2015; Blake and Moschieri, 2016), as pivotal to firm outcomes.

Integrating the economic and organisational perspectives, a range of models have emerged from within the field of strategic management (Appendix 1). These models engage contrasting definitions of strategy (Ansoff, 1965; Mintzberg, 1978). They further adopt the same terms, such as firm; competition and value; but with different interpretations and meanings (Bracker, 1980). Thereby, the majority of strategic models are underpinned by narrow underlying assumptions of behaviour, i.e. resources, knowledge, capability. Therefore understanding strategic behaviour of the firm within markets more often takes place at different levels, e.g. firm, competitive, institutional, and at different stages of development (Helfat and Petraf, 2003) where in addition, the models may be weakly conceptualised. Furthermore, the adopted approach of model building in these inquiries frequently suits an inside-out micro lens of inquiry, more likely dependent on controlled and less independent empirical evidence, which reaffirms less learning focused, forward-looking decisions. The compounding effect leads to a risk of justified fraudulent corporate capitalism (Kakabadse et al., 2010). The typical internally generated preferences alone favour more immediate

³ Organisational structures designed by individuals.

judgments⁴, shorter-term outlooks and may limit broader macro reflections in their explanation of the outcomes.

As such, the strategic behaviour, survival, growth and performance of the firm are all widely examined (Burgelman, 1983; 1991; Evans, 1987; Penrose, 2009; Zhang and Rajagopalan, 2010; Hambrick et al., 2015). But the findings of such studies are criticised as being suited to static isolated interpretations, assumptions of rational behaviour, perfect knowledge and ideal market conditions where strategy can be distant from reality (Aumann, 1964; Granovetter, 1985; Eisenhardt, 1989; Minichilli et al., 2012). All this appeals to the need for broader, more holistic and deeper reflective learned understanding in modelling the strategic behaviour of the firm as co-existing micro-macro level determinants (Bamberger, 2008; Minichilli et al., 2012).

1.2.2 Mapping the context: A market perspective

Within the originating economies of Anglo-American capitalism (Hall and Soskice, 2001b), successive post world war governments have introduced increasingly neo-liberal financial policies (Kinderman, 2012; Heyes et al., 2012). This has enabled their interlocked network of leading corporate firms (Riner, 1981; Becker et al., 2005; Vitali et al., 2011) to rapidly invest in technological innovations (Pavitt, 1984). Other following nations have adopted similar pathways (Fennema and Schijf, 1979; Peng and Luo, 2000). However, the locus of control advantage⁵ (Knowles, 1973) of the originating home firms has been exploited through international diffusion (Aguilera and Cuervo-Cazurra, 2004). Markets are enduring an increased pace of change (Schumpeter, 1942; Porter, 2009) that is driving the global dynamic environment to become even more interrelated (McKelvey, 1997). Whereas Anglo-American capitalism (Kakabadse and Kakabadse, 2003) is based on the English common law legal system, which favours financial performance as an explanation for non-compliance⁶ (Maassen et al., 2004; MacNeil and Li, 2006), the contemporary question being asked is to what degree corporate governance systems and business systems in general are converging

⁴Based on financial implications and costs as value.

⁵ Originating capitalistic policies shaping and early market knowledge enabling easier adaptation.

⁶'Comply and explain' is preferred in the UK e.g. Cadbury Report 1992; 2010; 2012

towards the Anglo-Saxon model of corporate governance, or the so-called shareholder value⁷ model? (Aguilera and Cuervo-Cazurra, 2009, p. 6).

During the last fifty years this market's industries have transformed, whereas the modern surviving corporation (Drucker, 1972) has adapted and evolved (Dosi, 1982; Anderson and Cavanagh, 2000; Khan and Kakabadse, 2013). When Ansoff (1965) wrote about growth vectors and Chandler (1962) analysed large corporations, transportation and communication were impacting the United States business environment. More recently, the cyclical behaviour of this form of capitalism (Schularick and Taylor, 2009) has been the subject of increasing criticisms (Clarke, 2009), evident in the implosion of the global financial crisis of 2007/8 from within the United States (Knyght et al., 2011; Dsouli et al., 2013). Whilst advanced market corporations have enjoyed increasing profits (Dobbs et al., 2015), this enables them to choose from where they operate. Meanwhile, their home governments have endured public budget deficits⁸ and are exercising less “public interest” influence (Kakabadse et al., 2007; Palazzo and Scherer, 2008; Scherer and Palazzo, 2011).

The scholarly and public criticisms of Anglo-American markets has been contributed to by the intensification of corporate scandals such as Enron, WorldCom, Parmalat, Lehmans, BP, Northern Rock, Barclays (Kirkpatrick, 2009), indicating that “firms cannot be trusted to behave completely ethically on their own” (Arora and Dharwadkar, 2011, p.14). More concerning is that every crisis reflects governance failure, where the regulatory mechanisms in place (Cadbury Code, 1992; Sarbanes-Oxley, 2002) are revised with little or no long-term prevention as their impact. The macro market perspective asserts a need to transit contextual examination (Bamberger, 2008) more to the consideration of context on the firm, which goes beyond legal governance conformance (Aguilera and Cuervo-Cazurra, 2004) to include normative cultural and institutional influences (Hambrick et al., 2008).

1.2.3 Mapping the UK grocery multiple sector: An integrated perspective

The firm within its environments faces multiple dynamic challenges and pressures to survive and grow (Murrman, 2013; Davies et al., 2016) which is underpinned by “Can organisations adapt and change - and if so how and why?” (O'Reilly and Tushman, 2008, p.3). The

⁷See Friedman, 1962; Williamson, 1975.

⁸For example, in the UK the NHS had a budget deficit of £1.6bn in first six months of 2015.

literature has support for both (micro) firm adaptation or (macro) environmental evolutionary understandings in establishing firm competitive advantage (Porter, 1980). What is rare or missing is an articulation of firm exploring and exploiting (March, 1991; Levinthal and March, 1993) within environments as co-evolving integrated routines or patterns (McKelvey and Boisot, 2009; Lewin and Volberda, 2011; Breslin et al., 2016).

Taking into consideration both adaptive (micro) and selective (macro) factors (de Kervenoael et al., 2006), the UK retail industry has been engaged in examining the survival and growth of the firm based on “what companies have done, rather than what companies intend to do” (Rowlinson et al., 2014); thereby a firm having a “market presence” and accountability as determinants to its strategic outcomes (Alexander et al., 2007, p.432). Furthermore, cultural and linguistic interpretations of the retail industry are more effective for a broader understanding of strategic behavioural characteristics, rather than understanding performance as narrow financial, often creative-based measures (Alexander et al., 2007; Kakabadse et al., 2010).

The historical context of the UK retail industry expresses its maturity in home markets (Burt, 1993; Jefferys, 1954; Alexander, 2016) and in “pro-active” (Evans et al., 2008, p.275) extended strategic internationalisation behaviours (Alexander 1995; 2011; Burt et al., 2008; Cao and Pederozoli, 2013; Pederozoli and Kuppelweiser, 2015) to other diversely governed markets. This reflects the UK retail industry's close critical alignment for integrating ongoing production (manufacturing; supply side) and consumption (consumer; demand side) factors. Such innovation and renewal outcomes, in overcoming the impact of capitalistic crises (Alexander, 1997; Naidoo, 2010), demonstrate sustainable endurance behavioural pathways for the longer timeframe (Schumpeter, 1934; Pitelis and Teece, 2009).

During the last decade, the UK has been recognised as being a technologically advanced, globally interconnected and low corporation tax governed society (H.M. Treasury and Gauke, 2010) making it a preferred location for the largest foreign retail firms (Ferne and Arnold, 2002) and ensuring the prestige of the most international⁹ marketplace (Thompson, 2012). Most recently the country has demonstrated innovation leadership in accounting for more

⁹With the largest number of foreign retailers located within the UK.

than ten percent of global internet sales, as the spend per head on e-commerce within the UK is world-leading (UKTI, 2014). This indicates that both consumers and firms within the UK are savvy and technologically engaged. UK retailing is today part of the expanding service sector (Office of National Statistics, 2013) which has dominated British industry and contributed to government revenue for many years.

More specifically, grocery multiple is by far the largest of the UK retail sectors, with more than 300 billion pounds of sales (IGD, 2013). This sector has been a leading indicator of change within firm and market environments (Smith and Sparks, 2009; Burt, 2010). During the last decade, firms from within the UK grocery multiple sector have sustained leading market positions in home markets (survival), while growing into the global retail sector (Deloitte, *Global Powers of Retailing*, 1998-2015). Some scholars have modelled the strategic behaviour of retailers in internationalisation (Alexander and Morlock, 1992; Pederzoli, 2006; Lessassy and Jolibert, 2007; Corstjens and Lal, 2012), others have considered co-evolving corporate social responsibility (CSR) strategic behaviours (Khan and Kakabadse, 2014). Some scholars focus attention on the oligopolistic elite group (Akehurst, 1984), engaging consumer purchasing loyalty (Knox and Denison, 2000) to enhance retailer power (Clarke, 2000). The UK grocery multiple sector reflects an interplay between micro (firm) and macro (environments) for strategic behavioural contextual examination (Capelli and Sherer, 1991; Johns, 2006), where the call is for performance to adopt the firm as the unit of analysis to explain differences (Lewis and Thomas, 1990).

1.2.4 Summary of rationale

In this section the rationale for inquiry mapped the field, market and grocery multiple sector perspectives. The field perspective indicates a need for macro (environment) and micro (firm) level influences to be understood together in modelling strategic behaviour of leading firms. The market perspective points to the need for a broader understanding of environments (industry, sector, economy, norms, cultures) where firm may influence environment or be influenced by it. The grocery multiples perspective indicates the need for a deeper understanding of performance in establishing the unique pathways of the firm within its environments.

Following the mapped rationale, this inquiry will model the strategic behaviour of the leading firms within their environments as a longitudinal (2006-2009) hermeneutic conceptualised interpretation of historical publically published reports within a co-evolutionary dynamic multilevel framework. The focus is on understanding ethical behaviour rather than financial, where a firm has broader responsibilities to society, towards a “common good” (Aristotle, 384B.C.-322B.C.).

The next section (1.3) will proceed to share the scope of this inquiry.

1.3 Scope of inquiry

In this section the scope of this inquiry is shared.

The relevance of this inquiry is grounded in the highly dynamic and competitive environment of the UK grocery multiple sector, in which the strategic behaviour of the leading firms¹⁰ has provoked much debate. Existing firm-level examinations are often criticised for focusing on isolated micro issues that give priority to the shareholder in performance and/or are lacking in wider social-contextual considerations. At the same time, institutional level examinations often explore governance norms and patterns with little regard for the individual organisational factors. The literature review critically appraised three areas of knowledge: strategy and strategic behaviour of the firm; global change and understanding firm growth; global, UK and grocery multiple retailing; in seeking to better understand the holistic relationship between this industry's micro (firm) and macro (environments) strategic behaviours.

The five leading UK grocery multiple firms, which account for over 70% of the UK grocery multiple sector, have become established and are listed within the global retail sector¹¹ formed in 1997. This inquiry seeks to examine firm survival and growth from within the long-standing UK sector, which is part of the more recently structured wider global retailing sector. As such, a multilevel macro lens is required. Further, the inquiry seeks to consider stable and volatile time periods; hence a focus on leading into and through the last economic crisis that impacted the UK, i.e. 2006-2009 inclusive. The four leading British grocery multiple firms Tesco, Sainsbury's, Morrisons and Co-op¹² are examined, as these are all British in origin and therefore emerge from within the same macro governance environmental influences, and are subject to same regulatory and reporting requirements, for which consistent and reasonably reliable empirical material sources were available that could be reflectively interpreted at a deeper level. The sample selection further appreciates that this is a UK-based inquiry.

¹⁰ This inquiry's selected sample are the British firms Tesco, Sainsbury's, Morrisons and Co-operative.

¹¹ Top 250 Global Retailers by Revenue. 2016 report available at:
<http://www2.deloitte.com/uk/en/pages/consumer-business/articles/global-powers-of-retailing.html>

¹² Asda does not report in the UK after being taken over by Wal-Mart and was therefore excluded from the sample.

Chapter two provides the evidence of the inquiry gap into which this thesis fits along with support for the theoretical and conceptualised framework explained in later chapters. The literature review defines and justifies the simple but critical terms such as strategy, as adopted in this inquiry. The literature review further assists in the development of the approach and method for interpretation of strategic behaviour as a multilevelled and three-layered meaningful construct. The co-evolutionary (Volberda and Lewin, 2003) theoretical framework that places the firm within its macro (industry, national, regional and global) environments where these need to be understood together, is adopted as the guiding theoretical framework. It is considered holistic and most appropriate, which is articulated in Chapter three.

Emerging from the rationale are two integral factors. Firstly, governance concerns and firm collapses within the shareholder model re-occur regardless of regulatory interventions and code revisions. An external lens may, in this case, reflect a better insight into the strategic micro-macro relationship concerns within the Anglo-American shareholder structure. The European social structure and a Continental source of methodology may offer a unique alternative interpretation of the social phenomena, offering closer alignment. This led to engagement of hermeneutics¹³ as the methodological lens for inquiry. Secondly, critiques of the US and UK literature suggest narrow understanding of performance, e.g. as financial or legal, may lack underpinning or might ignore wider civil or social considerations. Such studies have struggled to reconcile the micro-macro relationship gaps. This led to the adoption of Aristotelian virtue ethics, explained in detail within Chapter four, to understand firm performance more holistically as “common good” strategic behaviour.

In turn, the scope of these two factors combined directed the inquirer to self-reflect and philosophically conceptualise the emergent model based on an Islamic ontological position. This is a requirement of philosophical hermeneutic inquiries, where any philosophical text may be engaged to conceptualise the definitions of virtues. As such, this is an ontological inquiry into the strategic behaviour of firms where performance is concerned with characteristics of the firm within context, relative to excellent behaviour (*eudaimonia*) in that context.

¹³ Heidegger (1927), Germanic academic tradition

To summarise, below are the aim and objectives of this inquiry.

Aim

The aim of this inquiry is to explain the survival and growth of the firm from within the UK grocery multiple industry into global retailing during 2006-2009¹⁴.

All the sample firms under inquiry originate and exist within the UK governance system. They faced similar national environmental factors, but each firm's strategic behaviour was unique, e.g. Tesco's action of entering a foreign market. At the same time, all four firms have retained a position within the global retailing sector throughout the period of inquiry - reflecting the strength of the UK domestic marketplace. The need is for a broad multilevel lens that links each firm to all the macro environments.

Objectives

In order to achieve the aim, four objectives will be undertaken:

- 1) To critically review and identify an appropriate system-wide lens of investigation from within the literature on strategy and strategic behaviour of the firm.
- 2) To collect and analyse empirical evidence that interlinks grocery multiple firm strategic behaviours to the wider environments (global retail industry).
- 3) To define the relationship of the selected grocery multiple firm within the macro environments as patterns of strategic behaviour.
- 4) To develop a model of strategic behaviour that explains the strategic outcomes of the firm.

The firms within the UK grocery multiple sector are a part of the wider global retailing sector, where each firm may impact or be impacted by the environments (industry, national, regional, global). The issue is to better and more holistically understand the strategic behaviour of the firm within its environments.

Inquiry question

In order to fulfil the objectives of this inquiry, the following main inquiry question and two subset questions have emerged:

¹⁴Inclusive, i.e. a four-year period.

How did the firm's strategic behaviour co-evolve from British grocery multiple retailing into global retailing during the period 2006-2009?

The main question further considers two subset questions:

- Which factors, endogenous and exogenous to the firm, enhanced firm growth?
- Are adaptive factors more likely to influence survival and growth of the firm than selective factors?

The inquiry question outlines the issue as multilevel (micro-macro) and longitudinal, moving from stable and through the economic crisis period 2006-2009 as impacts. The subset questions consider the firm-environment (micro-macro) relationship and their influences on each other.

In this section the scope of inquiry has been shared. Section 1.4 below briefly introduces the approach to the inquiry.

1.4 Approach to the inquiry

In this section the approach to the inquiry is briefly introduced.

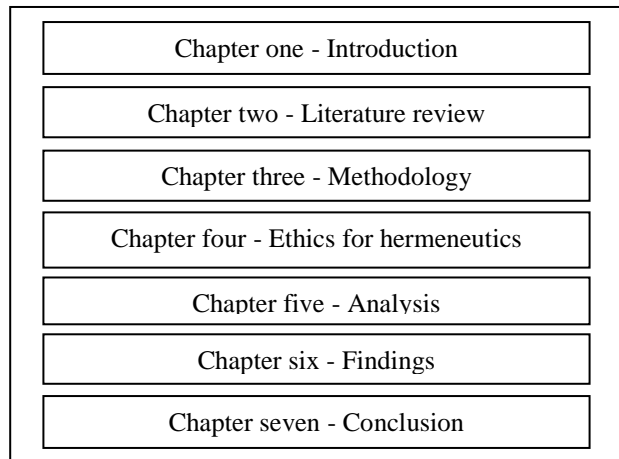
This subjective interpretive qualitative inquiry is concerned with understanding and giving meaning to strategic behaviour in a historical context (2006-2009). It adopts Heideggerian (1927) hermeneutic methodology in the understanding of social phenomena through the interpretation of written text. The level of analysis points to the location from where the inquiry is undertaken, which is at the industry level, i.e. from where relationships stem. This is distinct to the unit of analysis, which is the firm. As such, more than one firm can be understood at the industry level in this inquiry. The guiding theoretical framework is co-evolutionary theory (Volberda and Lewin, 2003) that places the firm within its multilevel environments (industry, national, regional, global). Four grocery multiple firms - Tesco, Sainsbury's, Co-op and Morrisons are examined within their environments. An inductive mode analyses secondary empirical sources, i.e. publically published annual reports during 2006-2009. The inquirer began with specific observations of strategic change from within the written reports, which were interpreted into themes, spheres of action and then Aristotelian virtues to establish the model of strategic behaviour. Chapter three outlines in more detail the methodology and method.

Section 1.4 briefly outlined the inquiry approach. Section 1.5 below shares the overall thesis structure.

1.5 Structure of thesis

Section 1.5 proceeds by briefly introducing and outlining the chapters within this thesis. This thesis consists of seven chapters. Figure 1.2 below outlines the structure of this thesis.

Figure 1.2 Structure of thesis



The content of each chapter outlined in Figure 1.2 above is briefly shared below.

Chapter one introduces and explains the choice, importance and relevance of the social phenomena under inquiry. The extent of this inquiry and its gravitas to main scholarly fields, existing literature and the approach adopted is outlined. The aim, objectives and inquiry question/s are presented before considering the contributions.

Chapter two defines and critically reviews the three main bodies of literature that inform this inquiry: strategy and strategic behaviour; global change and firm growth; global, UK and grocery multiple sector. Each of these literature streams is critically presented and the links between them shared. Chapter two concludes by defining the inquiry gap and emergent inquiry question.

Chapter three presents the philosophical position adopted and methodology engaged in responding to the previously identified inquiry question. The interpretive hermeneutic approach and co-evolutionary framework choices are articulated and defended in giving

meaning to the social phenomena and approach to the question of inquiry. Further in this chapter the sample of firms, empirical material collection and analysis process, inclusive of pilot-inquiry development and learning, are presented.

Chapter four critically considers and explains the understanding of ethics engaged in this inquiry. This chapter outlines the main branches of ethics field and defends the normative, more specifically Aristotelian virtue ethics, approach adopted against other branches (applied, meta) and alternative normative approaches (consequentialism, deontology, relativism). The latter part of Chapter four considers theological interpretive approaches to business ethics, where in this ontological inquiry, virtues are conceptualised based on Islamic sources.

Chapter five presents the analysis. This chapter shares first the process adopted at layer one and the inquirer's interpreted outcomes as themes. . This is followed by the process adopted at layer two, where the inquirer's layer two outcomes are spheres of action. The analysis can be followed directly from the empirical material sources, i.e. publically published reports, to the inquirer's interpretations at these levels. In the model construction, the interpretations are different at each layer to what is being modelled.

Chapter six presents the findings of this inquiry. The layer three process is explained and the inquirer's interpreted outcomes are presented. At layer three, the model of strategic behaviour is understood as 1) the virtue model - establishing behaviour as either virtue or vice; 2) the golden mean (the ideal for the “common good”); and importantly 3) the conceptualised Islamic virtue; and 4) the conceptualised Islamic golden-mean models. Later in Chapter six, the characteristics and nature of strategic behaviour at each co-evolutionary level within these four models is shared. These are examined as patterns of behaviour where different levels are impacting each other or within each level, from which patterns are emergent.

Finally, Chapter seven completes the thesis. In this chapter the conclusions, contributions of this inquiry to existing knowledge, practical implications and limitations of inquiry are presented. The opportunities for further inquiries are also considered.

In this section the structure of this thesis and a brief content of each chapter has been presented. Section 1.6 below offers a summary of Chapter one.

1.6 Chapter one summary

Following the structure of this thesis above, in Section 1.6 the Chapter one summary follows below.

This chapter has introduced the social phenomena under inquiry and presented the rationale for the inquiry, including its aim and scope. The question of inquiry has been introduced. In addition, the theoretical and practical contributions of this inquiry have been outlined. Within the latter parts of Chapter one, the thesis structure and a brief introduction to each of the seven chapters has been shared.

Chapter two, which follows this summary, presents the literature review, which is critically examined towards identifying the gap.

Chapter two: Literature review

2.1 Introduction

The aim of this chapter is to review the existing literature pertaining to the survival and strategic growth of the established firm. The range of views concerning the inquiry question as issue are compared and contrasted within the bounds of three areas of knowledge: strategy and strategic behaviour of the firm; global change and understanding firm growth; global, UK and grocery multiple retailing. The important meanings, definitions and guiding theory that underpin the thesis are identified as key terms.

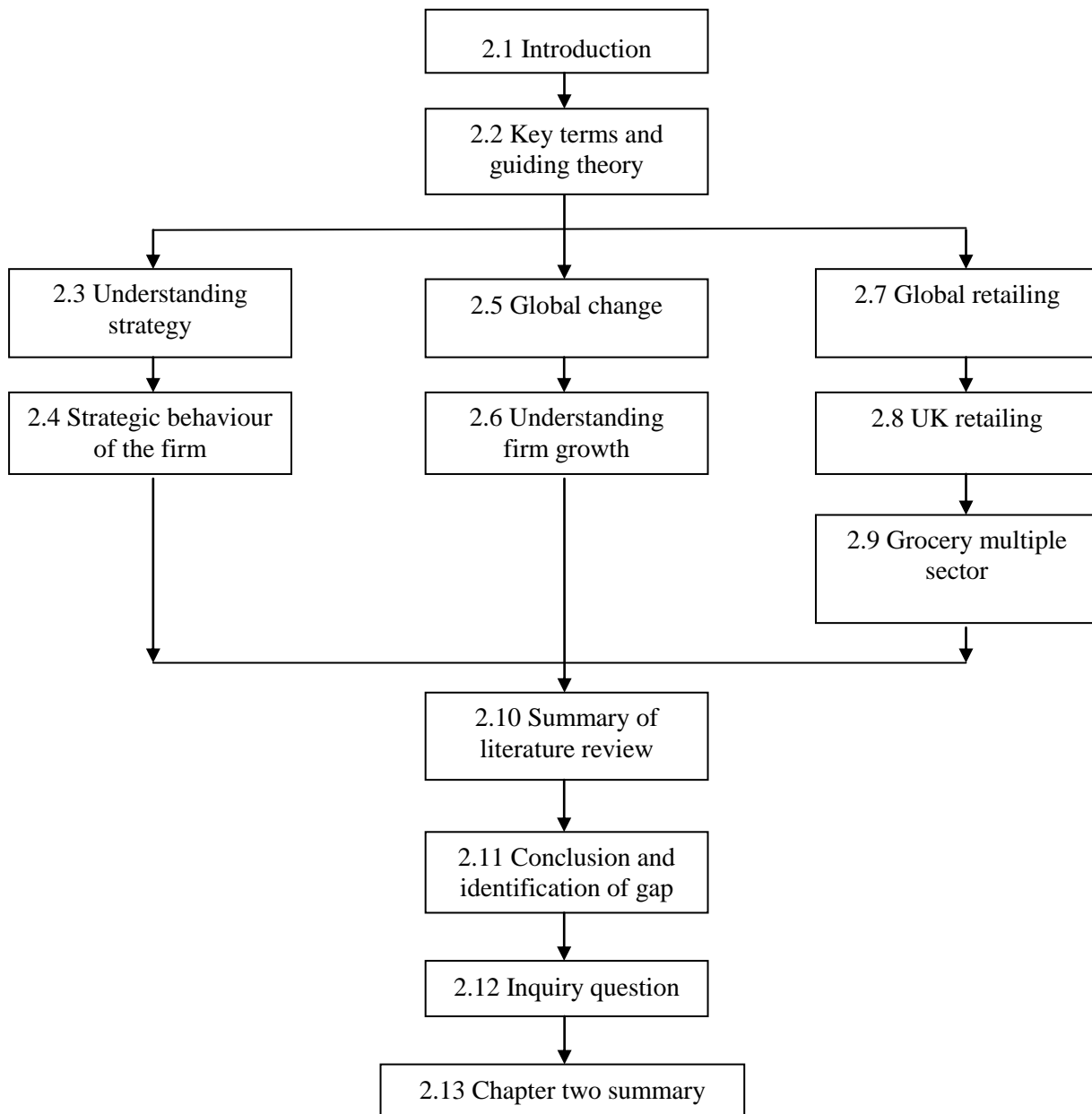
This chapter reviews concepts of strategy and approaches to the strategic analysis of firm behaviour. This is guided by a view that there are adaptive (firm) and selective (markets - competitive/institutional) influences on the firm. The discussion proposes that a qualitative approach to corporate strategy and the co-evolutionary framework best support holistic historical investigation of strategic behaviour.

For the established firm, survival factors include the effects of new entrants, existing competition and evolution of the industry. Studies of organisational adaptation give attention to the trade-off between exploiting existing resources/capability and exploring new opportunities while simultaneously meeting current and future needs of the selective environment. Changing global trends and the societal context within which the firm has evolved are discussed, indicating stability or volatility of environments. Co-evolution supports a view that in dynamic markets, where the firm does not grow, it will shrink. Therefore growth of the firm is critical to sustained survival and must include the industry effect. Recent studies assert different structural alignments are associated with different strategies and different environments.

The retail industry is representative of multilayered patterns of innovation and renewal within which established firms have demonstrated sustained growth. The recent emergence of global retailing, which is dominated by supermarkets, is examined. This is followed by a more detailed review of the established British retailing sector and in particular the grocery multiple sector. Thus the literature review seeks to understand the growth of the firm from within the British grocery multiple sector into global retailing.

A summary of the literature review is presented towards the end of the chapter. This facilitates the emergence of the conclusion and the gap in the literature. This leads to the identification of the inquiry question and the conceptualised framework for the investigation. An outline of the structure of this chapter is presented in Figure 2.1 below.

Figure 2.1: Structure of Chapter two



The chapter concludes that a longitudinal co-evolutionary examination of how UK grocery multiples have grown into the global retail sector is needed. The inquiry will be conducted at industry level and unit of analysis is the firm, for the period 2006-2009.

2.2 Key terms

This section identifies definitions and meanings of key terms, which are selected from the review and that in unique combination support a system-wide lens of inquiry.

<i>Term</i>	<i>Definition</i>
Guiding theory	Co-evolutionary theoretical framework (Volberda and Lewin, 2003: Figure 1 p. 2113; Koza and Lewin, 1998) places the firm within its environments. A managed selection journey to understand adaptive and selective strategic influences.
Adaptive	Within firm or organisation (micro)
Selective environment	Beyond the firm - competitive, industry, national, regional, global market (macro)
Strategy	A pattern in a stream of activity (Mintzberg et al., 2009) – a consistent pattern of past behaviour, with a strategy <i>realised</i> as an outcome of actions.
Emergent strategy	As the realised pattern can be different from the plan or intent (deliberate), strategy is referred to as <i>emergent</i> .
Behaviour	The way in which an entity or individual conducts themselves.
Firm	Corporate organisation consisting of people.
Growth	Innovation and renewal development of firm (exploration/exploitation) within environments (Selection-Variation-Retention)
Event	An adaptive (firm-level) or selective (environment) occurrence that happened in a time and place.
Change	Outcome of realised strategic event (Burgelman, 1983; 1991) that makes things different to what went before, e.g. due to value-seeking/entrepreneurial activities.
Theme	Interpretation of multiple events that have occurred into a single pattern that reveals deeper understanding.
Transformation	Change that is radical rather than incremental (punctuated equilibrium).
Strategic action	Implemented strategic choice that had caused events to occur.
Sphere of action	Reinterpretation of multiple realised themes into a bounded action pattern.
Strategic behaviour	Deeper interpretation of multiple realised spheres of action into a multilevel normative ethical pattern of virtues/vices (Aristotle, 384B.C.-322B.C.) relative to excellent behaviour for the “common good” in that context.
Global change capitalism,	Broad longitudinal context of societal development that charts e.g. the rise of corporate firm and urbanisation from the past to the present (across time).

Global retailing	All the retail markets of the world, which remain fragmented.
Global retail sector	Top 250 global retailers by revenue listed in Global Powers of Retailing - Deloitte annual report since 1997.
UK retailing	Retailing environment with geographical boundaries of England, Scotland, Wales and Northern Ireland, including all types of retailing (British Retail Consortium, 2010).
Grocery multiples	Firms that operate as one-stop shops or secondary markets (Office of Fair Trading, 2006) and are differentiated by size and number of outlets (Institute of Grocery and Distribution, 2010).
Grocery multiple retailing	Grocery multiple is a sector within the retailing industry that has traditionally mainly focuses on food sales, with multi-format outlets, i.e. hypermarket, supermarket, convenience, online.

In this section some key terms have been identified. Section 2.3 proceeds to critically review the existing literature on strategy.

2.3 Understanding strategy

This section provides a review of strategy from three perspectives: firstly, the historical development into business terminology; secondly, the theoretical scholarly debates on definition; and thirdly, strategy contextualised within empirically supported published papers in relevant journals.

2.3.1 Strategy: A historical development perspective

The language of strategy has military origins (Bracker, 1980) and can be traced back to the classical Chinese writings of General Tzu (Tzu, 512B.C.¹⁵), who discusses positioning and planning in the context of warfare. Over the years, the wisdom and teaching of this historical Eastern literature have been interpreted (Amiot, 1772; Giles, 1910) and applied to a variety of contexts (Chu, 2007; Gimian and Boyce, 2008; Rogell, 2011), including twentieth century business strategy (Krause, 1995; Krippendorf, 2003; Michaelson and Michaelson, 2003) within Anglo-American capitalistic environments (Hall and Soskice, 2001a, Clarke, 2009). The application to modern corporate case studies (Krippendorf, 2003) demonstrates harmony between ancient Eastern warfare strategies and modern Western corporate firm behaviour. In this regard, the origins of strategy (Grattan, 2009; 2011) may more specifically relate to human behaviour, firstly to survive and secondly to influence. Further, Giles' (1910, p.23)

¹⁵ See Kauffman (1996).

interpreted text identifies “moral law or harmony” as one of the factors a general must be familiar with in warfare. In a non-military context, morality (Smith, 1759) guides human behaviour and “harmony” is a sweet melodious sound (Sykes, 1985: 455). Therefore, in a business context, strategy may be guided by one’s ethics or may be likened to music, where a variety of instruments combine to create a unique fit at a particular point in time.

Providing a lexical definition of strategy, Sykes (1985, p.1052), Hawker (2006, p.691) and Soanes (2010, p.749) strictly adhere to the etymological derivation from the Greek word *strategia* meaning generalship. In comparison, a wider compendium of meanings is offered in thesauruses, including: “The use of skilful planning to secure one’s advantage in business; a plan or design to achieve ones aims.” (Ilson et al., 1984, p.1644). Here, the terminology “plan” implies the intention to do something as a one-time static activity. More recently, Waite et al. (2008, p.804) use the word “action”, which implies a progressive closeness to reality and suggests “doing” is an ongoing continuous activity.

In a business context, the firm (Coase, 1937; Penrose 2009) is exposed to competitive pressures as it attempts to satisfy demand within a dynamic marketplace. Thus it seems a dilemma exists in defining strategy (plan or action) within the dimensions of time and space, between firm and marketplace. In an attempt to bridge this gap, the classic Andrews (1971, p.1) definition refers to a pattern of decisions where “corporate” strategy focuses firm resources and competence to achieve advantage based on a unique posture, derived from internal strengths/weaknesses and external opportunities/threats. This early conceptualised design model of strategy integrates causal features and implies interdependence and interrelatedness (Rivkin and Sigglekow, 2003). It distinguishes between corporate and business strategy and most importantly, explicitly incorporates the importance of stakeholders (Freeman, 2010) within its definition.

It may be that the early intellectual route into business terminology may have derived from studies of economic organisation and bureaucracy (Rumelt et al., 1994). Nevertheless historical context and business definitions suggest strategy to be a high-level activity seeking advantage of some kind. Furthermore Andrews’ (1971; 1998) definition refers to strategy within a unique situational context where posture through patterns implies a time significance.

The main theme within these historical perspectives suggests that strategy is a high-level (corporate) plan or activity to achieve an advantage for stakeholders. Section 2.3.2 below reviews strategy from a theoretical perspective.

2.3.2 Strategy: A theoretical perspective

Strategy has benefited from contributions to theory, practice and context, resulting in the emergence of a rich and diverse range of definitions over the years by prominent thinkers. Scholars have explored strategy and structure (Chandler, 1962); long-range planning (Ansoff, 1965; 1987; Andrews, 1971; Whittington, 2006); strategy as patterns (Mintzberg, 1978; Nelson and Winter, 1982; Mintzberg and Waters, 1985a); strategy-as-practice (Jarzabkowski and Spee, 2009); taxonomic classifications (Bracker, 1980; Bower, 1982; Hax and Majluf, 1986); strategy as decision making (Chaffee, 1985; Brown and Eisenhardt, 1998), at the competitive level (Porter, 1980; 1985) corporate level (Newman and Logan, 1971; Schendel and Hofer, 1979) and from beyond the field (Henderson, 1989; Koza and Lewin, 1998; Lovas and Ghoshal, 2000). The diversity of definition in itself implies either that all scholars disagree with each other (Hutchinson, 2001), or that diversity is due to specific traits of firm, context, time and leadership causing a lack of commonly accepted, universal definitions (Quinn 1980). Thus a more in-depth review of the contrasting scholarly debates is warranted.

Realised strategy

Mintzberg (1978, p.935) presents the results of a long-term inquiry, in which he argues that the works of Chandler (1962) and Von Neumann & Morgenstern (1953) use an “incomplete definition of strategy” for inquiry and firm purposes. Mintzberg (1978, p.935) suggests that the functional definition of strategy as a plan results in “abstract normative conclusions”, as the plan is made in advance of the specific decisions that apply to it, requiring predictability. For inquiry purposes, Mintzberg (1978) prefers a wider definition of “a pattern in a stream of decisions” which evolves from Andrews’ (1971) definition. Strategy can be intended (forward-looking) and realised (backward-looking). This wider definition argues that strategy may become known as a result of actions (Mintzberg and Waters, 1985a), which may not necessarily have been intended. Strategy emerges as managers take decisions and it is formulated, formed and realised rather than just formulated. The 1978 definition (plan, pattern) has been enhanced to five elements by 1987 with the addition of position, perspective and ploy. The evolution from “decisions” (1978) to “actions” (1985) implies

closer alignment to reality, in contrast to long-range planning. Mintzberg et al. (2009, p.10) demonstrate self validation, as they state, “Strategy is a pattern, that is, consistency in behaviour over time.”

In contrast, Newman and Logan’s (1971) definition suggests that strategy is consciously and purposefully formulated in advance of intended actions. As such, the implementation of strategy is disengaged from the planning of it and predictability is assumed. In this regard, the introduction of long-term objectives (Chandler, 1962) and understanding of the competitive domain (Learned et al., 1965) support Newman and Logan’s (1971) definition. Andrews (1971) extends this further by including all stakeholders (Freeman, 2010). This group of scholars agree with the long-range planning view and have defended it for the last fifty years. Chandler and Andrews’ intellectual base derives from Harvard, Ansoff’s from the Carnegie School. Ansoff (1991) argues that prescriptive formulation and descriptive implementation cannot be combined in their definitions. The problem with Mintzberg’s (1990) definition, according to Ansoff (1991), is that the concept is prescriptive, as strategy needs to be formulated in advance, yet emergent and realised outcomes that need to be observed for strategy to form are descriptive. In contrast, Mintzberg (1978), Rumelt et al., (1994), Schendel (1994), Langley et al., (2007a; 2007b) and Mintzberg et al., (2009) prefer a definition that does not distinguish between formation and implementation. Mintzberg (2000) argues that the linear planning definition distances strategy from reality; strategic thinking cannot be separated from operational management (Pettigrew, 1992), and data analysis cannot produce novel strategies. Strategy to the latter group of scholars is a planned and emergent process rather than just planned.

Patterns of action

Table 2.1 below presents contrasting definitions of strategy as patterns of actions (behavioural) and forward-looking plans (normative), where some definitions offer a narrow perspective and others offer a wider perspective.

Table 2.1 Strategy as a pattern of actions as opposed to forward-looking plans

Characteristics	Narrow perspective	Wider perspective
Patterns of actions	<p>“Strategy provides directional cues to the organisation that permit it to achieve its objectives, while responding to the opportunities and threats in its environment.”</p> <p>Schendel and Hofer (1979, p.516)</p>	<p>“A pattern in a stream of actions. This definition was developed to operationalise the concept of strategy, namely to provide a tangible basis on which to conduct inquiry into how it forms in organisations. Streams of behaviour could be isolated and strategies identified as patterns or consistencies in such streams. The origins of these strategies could then be investigated.”</p> <p>Mintzberg and Waters (1985a, p.257)</p>
Forward-looking plans	<p>“Strategies are forward-looking plans that anticipate change and initiate actions to take advantage of opportunities that are integrated into the concept or mission of the company”</p> <p>Newman and Logan (1971, p. 70)</p>	<p>“Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.”</p> <p>Andrews (1971, p.28)</p>

Source: Adapted from Bracker (1980: Table 1) and Hax and Majluf (1986).

Although individual scholars have heterogeneous views, Hax and Majluf (1986, p.7) have reviewed these in offering a unified multidimensional definition of strategy building on the seminal work of Chandler (1962), Learned et al., (1965) and Andrews (1971; 1987). This normative perspective combines long-range goals, patterns and stakeholders within a definition where the ultimate objective of strategy is to “benefit stakeholders”. But as suggested by Bracker (1980), the normative definitions seem to engage alternative meanings to terms such as “pattern, action or operationalise”, compared with Schendel and Hofer (1979) or Mintzberg and Waters (1985a). Additionally, the transition from business policy (Learned et al., 1965) to strategic management (Schendel and Hofer, 1979) adds to the differences in views. Thus it seems that the same word can have different meanings to different people.

Practices as learned behaviour

A comparatively recent contribution to the formulation – implementation debate has emerged from a sociological perspective. Aligned to Mintzberg's action approach, strategy-as-practice ((S-as-P) (Jarzabkowski, 2002; 2008; Whittington, 2007; Johnson et al., 2008)) proposes strategy is what the firm and its actors do as an activity (Vygotsky, 1978), rather than what they have. Practice is routinisation through self-reinforced learning (Jarzabkowski, 2002) where recursive and adaptive modes co-exist. This definition recognises that practitioners have tacit knowledge (Polanyi, 1966; 1969) where learning through participation engages wider intelligence (Gardner, 1993) and awareness enables retrospective understanding (Weick, 1995) of behaviour. The post-processual perspective (Chia and Mackay, 2007) offers a reflective lens which aligns with the Mintzbergian definition (Mintzberg et al., 2009) and attempts to widen the window of inquiry from its sociological roots (Tsoukas, 2009). S-as-P engages the human/social element by focusing on the daily actions and interactions of actors at micro (within the firm) and macro (outside the firm) levels. Furthermore, planning (Ansoff, 1991) is seen as an aid to strategic thinking if used to synthesise practitioner thought and action (Mintzberg, 1990).

Although a relatively newer concept with limited empirical support (Jarzabkowski and Spee, 2009), the explanation of consequences of activity (Jarzabkowski and Whittington, 2008) may offer insight into realised strategy (Mintzberg, 1990). The distinction being that the inquiry of practices (MacIntyre, 1985; Taylor, 1992; Schatzki, 2005) can be reflective, whereas practice (Tsoukas, 2005) is embedded, current and ongoing. To date, this approach has most suited the inquiry of strategising process outcomes (Maitlis and Lawrence, 2003; Jarzabkowski and Spee, 2009), which implies a need to observe the process in real time rather than historically, and the focus on praxis and practitioners requires access to and understanding of the actors and internal routines (Hutzschenreuter and Volberda, 2007) to strategic outcomes. However, theoretical progress on attributions (Heider, 1958), sense-making (Thomas, et al., 1993; Weick, 1995; Hansen, 2007; 2011), network pictures (Ford and Redwood, 2005; Henneberg et al., 2010) and reflection in action (Schon, 1983; Yanow and Tsoukas, 2009), based on Heideggerian phenomenology (Moran, 2000), may enhance inquiry, as the actors are already embedded in their practices (Yanow and Tsoukas, 2009). Rather than micro level, maybe these concepts can be extended to macro (firm) level inquiry (Mirabeau and Maguire, 2014).

Bounded rationality

To summarise, the qualitative approach encompasses formation, implementation and historical realisation of outcomes (Pettigrew, 1992; Van de Ven, 1992) whereas the quantitative approach proposes strategy to be internal planning within firms (Ansoff, 1991), thus warranting a need to have access to firm routines (Nelson and Winter 1982; Becker, 2004) and decision-making processes (Simon, 1957; Cyert and March, 1963; Nilsson and Dalkmann, 2001). As an alternative definition, S-as-P engages a very different set of underlying assumptions to theory, which emphasise process over content and belief systems within social interaction (Chia and Mackay, 2007). Furthermore, the contrasting views seem to be based on differing perspectives of rationality (Etzioni, 1967; Granovetter, 1985; Ackermann, 2011). Whether planned and/or emergent, the inquiry of strategy of firms is inherently linked to people as entrepreneurs (McGowan 2011; Mangezi, 2011) or actors within the firm (Balogun and Johnson 2004; Mantere, 2008), or more widely, to the environments in which firms operate (Porter, 1980). The deliberate or emergent strategy may therefore be defined based on how rationally one views people (Burgelman, 1994; Gigerenzer, 2008), firm structures (Slevin and Covin, 1997) and environments (Astley and Van de Ven, 1983) in terms of realised strategy.

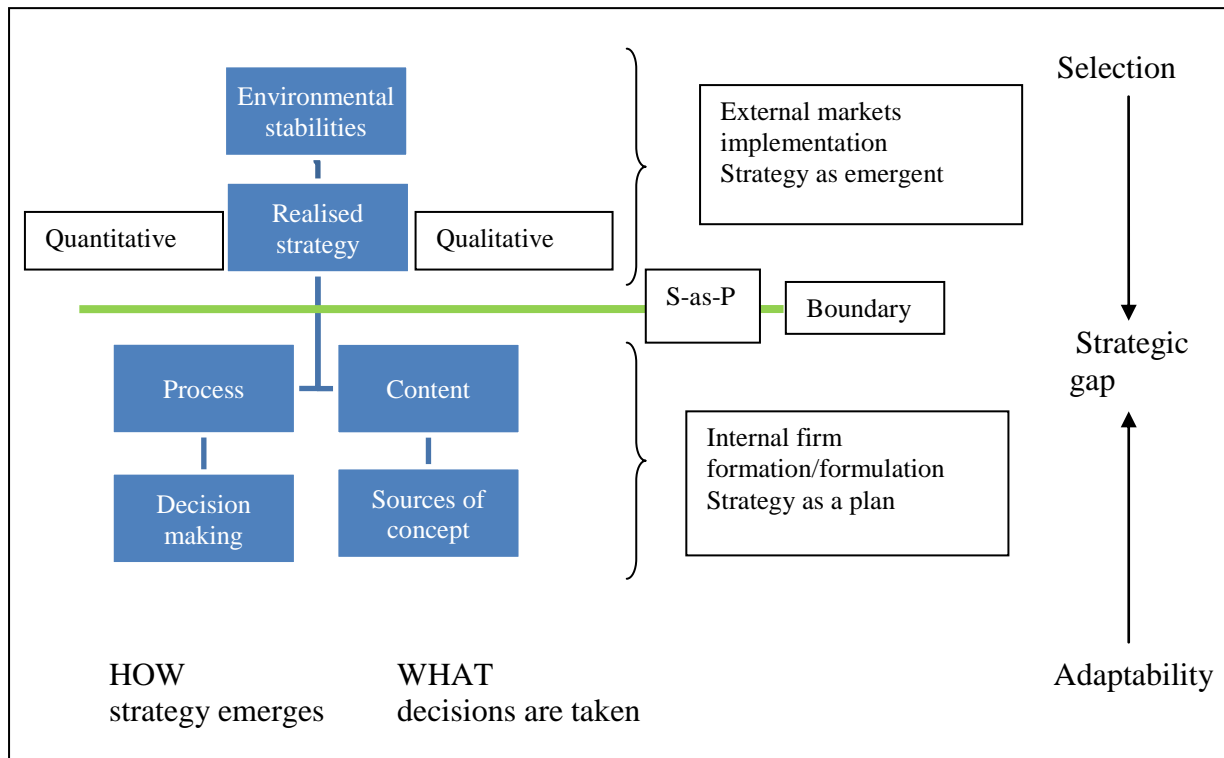
While there is diversity in definition of strategy, the assumptions of rational behaviour (long-range planning) and ongoing activity (strategy-as-practice) can be explained within historical patterns (strategy as results of action). The progressive Mintzbergian definition of realised strategy appears to offer the widest lens of examination, while appealing to multilayered inquiry. It balances and synergises the attributes and assumptions of the contrasting alternative definitions, i.e. bounded rationality and knowledge or consequences of activity. In this regard, realised strategy (Mintzberg et al., 2009) can provide a dimensional boundary (Figure 2.2 below) to explain strategy within phenomenon (Moustakas, 1994) and, importantly, a historical inquiry analysis. The framework thus incorporates the contrasting alternative definitions as partial windows to realised strategy.

Firm-environment dimensions

The heterogeneous firm exists in the marketplace. The influences of internal/external factors need to be taken into consideration and the boundary between firm and environment is

permeable and fluid to enable change. A more detailed review of these dimensional factors is outlined within Figure 2.2 below:

Figure 2.2: Dimensional boundaries of realised strategy



Source: Designed with reference to Mintzberg and Waters (1985a, 1985b); Pettigrew (1987); Slevin and Covin (1997); Chakravarthy (1982); Dagnino (2003).

Over the years, the qualitative intellectuals have preferred continuums to appeal to unique firm qualities, whereas quantitative intellectuals have pursued specialisation with the appeal of universally defined frameworks. Mintzberg and Waters' (1985a) theoretical underpinning of emergent and planned within strategy-formation continuum argues that the majority of firms use strategies with both emergent and planned qualities. This implies that the majority of firms are within the "umbrella and process strategies" (Mintzberg and Waters, 1985b). In these two streams, leaders exercise partial control over actors, set direction and allow actors monitored decision-making abilities within complex, unpredictable environments that require fast responses. Kipping and Cailluet (2010) have used the continuum to conduct a historical inquiry of Alcan and propose that there is correlation between strategy and structure (Chandler, 1962) and that "this co-evolution and the forces that drove it warrant additional

inquiry,” Kipping and Cailluet (2010, p. 103). A much earlier inquiry by Hall and Saias (1980) seems to support the co-evolution of strategy and structure as a two-way process of influence (Mirabeau and Maguire, 2014) whereby strategy is internalised within the firm (Thompson, 1967).

The dimensional boundaries (Feurer and Chaharbaghi, 1995) complexity (Anderson, 1999; Holland, 1998) is enhanced with increasing inquiry on the boundary between firm and marketplace. The seminal works of Coase (1937) and Chandler (1962) in stable environments have evolved into inquiry on growth (Penrose, 1959), absorptive capacities (Cohen and Levinthal, 1990) and international entry modes (Brouthers and Hennart, 2007) within dynamic global markets. The firm adapts to environmental pressures and a gap exists between firm and environments (Porter, 1991). This gap can be described as the difference between the firm’s current and desired position (Wind, 1990); a knowledge gap (Zack, 1999); the difference between action, learning and integration (Bootz, 2010); strengths/ weaknesses and opportunities/threats (Andrews, 1971); or, more appropriately. the process of gap-bridging between capability and opportunity space (Dagnino, 2003; Dagnino and Mariani, 2007). In this regard, the gap can be potential, deliberate, emergent or realised. The capability-opportunity framework links deliberate and emergent and enhances hermeneutic and interpretative capacity in the analysis of firm and environments. In this respect, innovation is the driver to expansion or contraction of the realised gap set (RGS). The RGS incorporates foresight, judgment, mindfulness and chance (Wilson and Hynes, 2008) as the firm adapts to the market.

Intra-firm specialisation based on strategic continuum (Mintzberg and Waters, 1985a) is offered by Slevin and Covin’s (1997) in-depth analysis of the strategy formation process (Mintzberg, 1994a; 1994b), which develops a continuum of emergent to planned decision making. In this inquiry, strategy is discussed as process (Huff and Reger, 1987; Pettigrew, 1997) and content (Barnes, 2001), and there is further theoretical debate on decision making (Fredrickson and Mitchell, 1984) and definition of content (Montgomery et al., 1989; Rumelt et al., 1994). The result is continuums within continuums. A more detailed sociological process perspective offered by Pettigrew (1992) refers to the scholarly debates between choice (Child, 1972) and change, before selecting to make content (what) and process (how) inseparable. Pettigrew’s (1992; 1997) guiding assumptions align with Mintzberg et al.’s

(2009) holistic definition rather than a linear definition, as processes are embedded in contexts. Titus Jr. et al., (2010) further the work of Slevin and Covin (1997) in aligning firm growth with strategic process. The curvilinear findings support a midpoint for the optimal growth of firms in the emergent-to-planned continuum. Figure 2.2 above represents the co-evolving complexity (Ziv, 2004) of qualitative versus quantitative continuums to content and process (Pettigrew, 1987) as the scholarly dimensions of adaptive strategy.

Inter-firm strategy is influenced by strategic partnerships (Koza and Lewin, 1998) which may take the form of alliances, collaborative R&D agreements or spin-off companies (Lewin and Volberda, 1999, Lewin et al., 1999). The relationship and management of partnerships pursue shared strategic outcomes and joint benefits (Inkpen and Currall, 2004). Further environmental stability and dynamics result in selective influences. These may take the form of competitive dynamics (Huygens et al., 2001); revision of institutional policies and competitive control mechanisms; or indeed wider factors such as global supply chains (Swinnen and Vandeplass, 2010), impacting the conduct of business. At the inter-firm level the selective influences on strategy are wider and the emergent or chance factor is higher due to lack of control and the political nature of co-operation.

The process (Fredrickson and Mitchell, 1984; Dean and Sharfman, 1996) and nature (Behling and Eckel, 1991; Kaplan, 2011) of decision making (Baum and Wally, 2003; Hendron and Fredrickson, 2006; Forbes, 2007) has had empirical studies over many years which have advanced earlier inquiry. These studies support the view that strategy is influenced by environment, firm structure, learning, comprehensiveness of decision making, cognition, social relationships and networks (Cook, 1977), where as a result of internal and external influences (Pettigrew, 1990; Hoskisson et al., 1999) firm performance is impacted (Robinson and Pearce, 1988; Pettigrew and Whipp, 1991). The deeper sociological perspective (Pettigrew, 1990) includes elements of political (Narayanan and Fahey, 1982; Chakravarthy and White, 2002) and cultural (Hofstede, 1983) influences within its definition. Furthermore, in some cases a firm may not have a strategy (Inkpen and Chaudhury, 1995) and it may instead simply emerge as a result of “doing” (Maloney, 1997). If the definition of strategy is to consider these views, then it has to apply a qualitative definition rather than a quantitative one. Strategy cannot just be a long-term plan, but must consider the incremental impacts of space and time in its decision making. Consideration should be given to the influence of

leaders as powerful stakeholders (Eisenhardt and Bourgeois, 1988; Kakabadse et al., 2008), other stakeholders (Freeman, 2010) and situational context, as strategy is implemented and realised. These factors only become apparent from a historical perspective once strategy has actually been realised.

Co-evolving outcomes

To support strategic definitions, a range of strategic management theories have emerged as potential intellectual routes to analysis (Appendix 1). These include long-range planning (strategy as planning), structure conduct performance (strategy as competitive posture in industry), the strategic conflict model (strategy to keep rivals off-balance) which is an offshoot of the structure conduct performance model and resource-based view (strategy as resources and capabilities). Farjoun (2002) clusters these frameworks together, suggesting that they are unified by shared epistemological Newtonian mechanistic logic. The definition of strategy in this cluster is characterised by internal differentiation, with emphasis on explanation and prescription rather than relationships that integrate strategy. Farjoun (2002) suggests that these frameworks share simplistic assumptions engaging strategy as a posture and time as discrete, and that therefore this cluster is more suited to predictable environments. In contrast, the organic (adapted from Burns and Stalker, 1961) cluster based on social and natural sciences offers a shift from strategic choice to strategic change, where emphasis is based on continuous processes, time is incessant and strategy is about co-aligning and adapting to the dynamic environment. The organic cluster is a more interactive and integrative framework for inquiry, as coordinated action (Farjoun, 2002, p.571) can be recognised retrospectively as a “pattern in a stream of actions” (Mintzberg and Waters, 1985a, p. 257).

The core competence model (strategy as competence), knowledge-based view (strategy as knowledge and information know-how) and dynamic capabilities model (strategy as dynamic capability) are offshoots of the resource-based view. Competence (Hamel and Prahalad, 1990) has derived from the psychological studies of managers and their performance and is the “collection of learning in the organisation and how to coordinate production skills and streams of technology” (Hamel and Prahalad, 1990), whereas the knowledge-based view focuses on knowledge transfer (Kogut and Zander, 1992; Zack, 1999). Dynamic capabilities (Teece et al., 1997) use “processes, positions and paths” as internal unique routines to

strategy. These offshoot models are bound by similar constraints to the resource-based view, but also take a narrower definition of strategy than Andrews (1971) and are therefore likely to limit the window of inquiry. They propose that competence, knowledge and capability are the sources of value within strategy rather than resources and capability.

Additionally, it is important to recognise that the different frameworks apply alternative definitions and meanings to sustained competitive advantage and value in terms of strategic outcomes based on their unique frameworks. For example, sustained competitive advantage is based on time (Porter, 1996) within the structure conduct performance model, whereas the resource-based view defines sustained advantage based on inimitability.

In terms of strategic analysis, the frameworks define strategy in terms of internal firm attributes (suited to an inside-out view of the firm) and the environment (suited to an outside-in view of the firm). The question arises as to how to understand the internal firm attributes when defining strategy. The structure conduct performance based models are the only ones that offer a usable outside-in view of strategy. While the other models do provide a framework for analysis, the frustrating element is that they all demand internal firm know-how and firm access when defining strategy. This appears to be a major practical disadvantage in engaging these models for empirical strategic historical analysis. Further structure conduct performance limitations are that they assume a defensive position for the firm within the industry structure, where the firm is defined in terms of the competition.

If a qualitative route to strategy definition is to be supported, a wider construct that recognises heterogeneity of the firm and closeness to reality is required from an outside-in perspective. The elements of leadership (Lovas and Ghoshal, 2000) and situation place the firm in a nurtured and natural environment, where firm and marketplace co-exist and cannot be understood independently (McKelvey, 1997). A branch of literature has emerged from social and organisational evolution (Nelson and Winter, 1982; Henderson, 1989; Burgelman, 1994; Koza and Lewin, 1998; Feldman and Pentland, 2003) that offers alternative definitions to the traditional theoretical definitions of strategy and is suited to dynamic environments.

Supported by evolutionary economics (Veblen, 1898; Schumpeter, 1934; Hodgson, 1993, 2007a; 2007b, 2010) and using the work of Friedman (1968) to define markets, Nelson and

Winter (1982) propose that routines (Nelson and Winter, 1982) are the equivalent of the biological gene in evolutionary economics and the unit of analysis for the firm. In this construct, it is the skills of the firm that lead to adaptation. The question is do “routines” overcome the criticism of traditional strategic models in offering an integrative definition? Becker’s (2004) in-depth review suggests that the nature of the involvement of “routines” in processes of variation, selection and retention within its intended evolutionary framework still has limited inquiry. In particular Becker (2004) criticises the “selection of routines” as an untouched area of inquiry. This offers the opportunity to align inquiry of “routines” within realised patterns (Mintzberg et al., 2009) as part of strategy definition in the qualitative paradigm. This captures firm capabilities as being manifest within adaptation outcomes. It is important to note that the term “selection” within natural environments should recognise “drift” (Wilson and Haynes, 2008). Demonstrable examples of evolutionary economics’ cross-functional appeal include Boschma and Wenting (2007), Dosi (2000) and Miozzo and Grimshaw (2011). The groundbreaking work of evolutionary economics has fuelled further biological derivations of strategic paradigms by scholars.

During the rise of industry-based competitive investigations (Porter, 1985), Henderson (1989) discusses the nature of environments and the behaviour of firms within them based on a paradigm of evolutionary behaviour. Applying a competitive frame to strategy for advantage, Henderson (1989) proposes that in naturally competitive environments it is a case of survival of the fittest (Spencer, 1886). This ecological perspective uses Wilson (1975) as a theory of competition and suggests that Darwin (1859) is a better guide to business strategy compared to classical economic theories. Henderson (1989, p.141) states that “strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it.” The term “plan of action” implies distance from reality and supports the quantitative paradigm. Additionally, the dilemma of whether one relates humans directly to animals (Darwin, 1859) or whether decision-making abilities make humans different to animals has social implications for strategy within the natural environment. In terms of competition, the definition of advantage will be unique for each firm (Porter, 2009): is it profit, market share, sales or growth, and in which defined environment? Porter (1996, p.77) argues that the role of leadership is “to define and communicate the unique position, making trade-offs and forging fit among activities.” So does leadership have the ability to influence strategy in Henderson’s model, and how much value is given to the social element of strategy

in this Darwinian model? Henderson (1989) takes a natural approach to the marketplace, suggesting that weak firms die off and the strong survive. Wilson and Hynes (2008) additionally qualify that in evolution, selection can be natural (for advantage) and - more importantly - as a result of drift (by chance), where evolution does not necessarily always mean “survival of the fittest”. The term evolution is based on the implicit notion of inherited characteristics from the previous generation within a population. Wilson and Hynes (2008) criticise business terminology for misunderstanding and ignoring the “genetic drift” (Lande, 1975) aspect of evolution.

Another definition of strategy has emerged from the field of joint ventures and strategic alliances based on the biological concept of co-evolution, where two (or more) species reciprocally affect each other’s evolution (Wilson and Hynes, 2008). Evolution is based on the implicit notion of inherited characteristics from previous generations, whereas co-evolution promotes joint advantages through simultaneous changes. The co-evolutionary model (Koza and Lewin, 1998; Volberda and Lewin, 2003) embeds strategy in the adaptation choices of the firm. The firm, as an agent, is located within the industry and institutional environments, where the firm and marketplace co-exist and cannot be understood independently (McKelvey, 1997). The firm co-evolves through strategic alliances (Parkhe, 1991) using its distinctive capability as value to exploit and explore (March, 1991; 1995), with a view to gaining market power and extracting rent. Thus through alliances with other agents, the firm secures joint values which are embedded in determining strategy. Das and Teng (2002) define co-evolution as “the simultaneous development of organisations, alliances and the environment independently and interactively”.

This lens offers an outside-in definition of strategy. Furthermore, the model strongly supports inquiry over long time frames (McKelvey, 1997; Levinthal, 1997) with a historical perspective (Kieser, 1994; March, 1994; Calori et al., 1997). The co-evolutionary definition of strategy can be analysed at society, industry and firm levels (Wilson and Hynes, 2008), where evolution is part of co-evolution. The importance of this is that strategy can be defined individually, in dyads or groups. The model supports a more social perspective of the firm (Astley, 1984; Barley et al., 1992; Lovas and Ghoshal, 2000), thus incorporating a human political dimension to strategic alliances. It further offers multidirectional analysis at internal and external layers of interaction. The model refers to Kumar (1996) in asking the question

“What is trust?”, as value is derived within a continuum of joint exploitation and exploration between agents. The definition of strategy gives recognition to time and space through alliances as the strategic portfolio is formed (Arino and de la Torre, 1998). Most recently, co-evolution has been engaged at global multi-business firm (GMBF) level based on a process of strategic assembly (Arino, 2011; Koza et al., 2011), with emphasis on leadership through animation. Koza and Lewin (1998) suggest co-evolutionary modelling and empirical investigation as future inquiry. Furthermore, they highlight that the conditions and process variables of alliances is an under-inquired area.

It is further noted that the debate on strategy has even been extended to the phenomenon of absent strategy. Inkpen (1996, p.2) defends the earlier paper by Inkpen and Chaudhury (1995) and the notion that “strategy can be absent in firms” against Bauerschmidt’s (1996) criticisms. This paper engages the support of Mintzberg (1978) as a paradigm. With the concepts of intended and realised, the challenge is whether intended strategies are fully realised and whether realised strategies are those that were actually intended.

The definition of strategy has been explored from a scholarly theoretical perspective. The traditional, evolutionary, ecological and sociological intellectual frameworks all provide valuable insight into definition and, more importantly, how the debate has benefited from open-minded cross-pollination of frameworks. In Section 2.3.2.1 below, the taxonomic classifications of theory are further underpinned with historical reflective inquiry towards scholarly theoretical definition.

2.3.2.1 Reflective inquiry of theoretical definition

The literature suggests that the definition of strategy has gone through a series of Kuhnian (1970, p.88) style shifts over the last fifty years, where “crises are a necessary pre-condition for the emergence of novel theories.” Hoskisson et al. (1999, p.417) support this suggestion to some extent in their review of strategic management. They argue that the “primary theoretical and methodological basis” took a contingency perspective and used a resource framework which has since gone through a series of pendulum swings supported by the evolutionary development of paradigms and methodological approaches. Hoskisson et al. (1999) suggest that each swing has resulted in increased sophistication and maturity.

Similarly, Hafsi and Thomas's (2005, p.512) historical inquiry traces the differing approaches back to "two broad routes", the holistic route and the analytical route. It is suggested that these may represent the qualitative and quantitative paradigms of strategy (Table 2.2 below) as represented within the continuums of Figure 2.2. In this respect, each bounded definition, i.e. each box in Figure 2.2, is open to interpretation within the continuum of qualitative to quantitative. Hafsi and Thomas (2005) suggest that the analytical approach took over the holistic approach in the 1970s, which is supported by Rumelt et al. (1994). This suggests that the scholarly inquiry of strategy developed from earlier theorising towards a more analytical framework as information became available.

Table 2.2 Qualitative versus quantitative paradigms of strategy

Characteristics	Qualitative	Quantitative
Approach	Theoretical/holistic/social	Practical/analytical/predictable
Early Contributors	Barnard (1938)/Selznick (1957)	Simon (1945)/ Thompson (1967)
Strategy	Leadership/situational/community/guide competitive advantage/relationship to environment. Babel effect (thousands of topics).	Strategy vs. structure/ resource allocation/ firm adaptation/ decision making/ content-based quantitative inquiry.
Approach	Idiographic Firms are heterogeneous in competitive environments. Lakatosian inquiry programme. Inductive/evolutionary	Nomothetic Firms are homogeneous in competitive environments. Kuhnian paradigm. Deductive/revolutionary
Decision Making	Contextual variables (environmental influence) Bounded rationality.	Rational decision making Systematic approach and carefully thought out goals.
Dominant Period	1940s/1960s/1980s/2000s/2020s	1930s/1950s/1970s/1990s/2010s
Focus	Context-based singular events Process of exploration Grounded in practice (reality) Paradigmatic pluralism	Generalised rules and procedures Grounded in theory (formula or hypothesis) Paradigmatic consensus

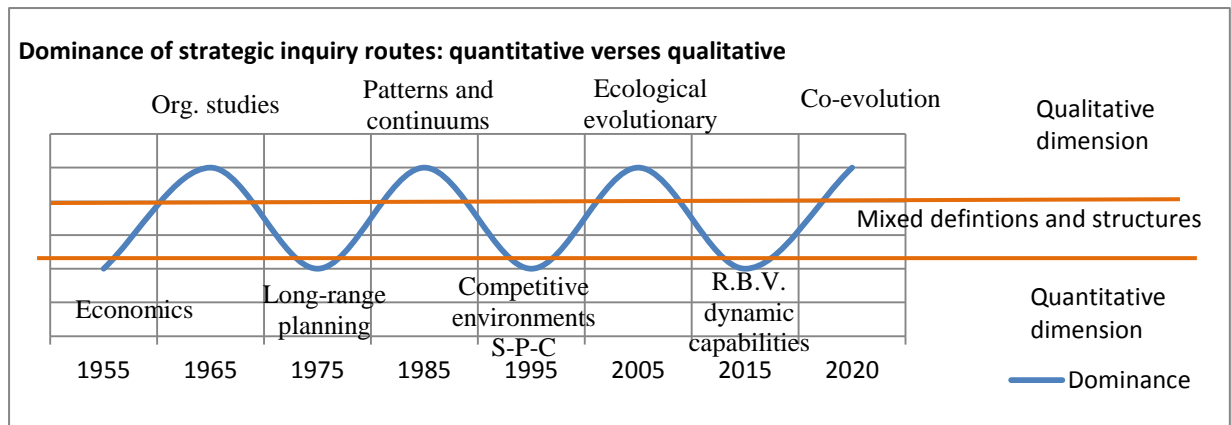
Source: Adapted from Hafsi and Thomas (2005)

Hafsi and Thomas (2005) hold the view that the academic field of strategy suffers from a high level of misunderstanding and the isolation of elements that can be measured. Bower (1982) seems to share this frustration twenty years earlier. Table 2.2 suggests that Hafsi and Thomas (2005) and Bower (1982) prefer a quantitative definition of strategy and, at the time

of writing, the qualitative route was dominating inquiry in the field. Comparatively, Barney (1991) adopts a qualitative route (based on the assumptions of the firm for a resource-based model of competitive advantage), along with Rumelt et al. (1994), who imply the reason for disagreement in the field is a positive one, due to firms behaving differently, i.e. it is situational. Haugstad (1999), who prefers a quantitative route, highlights that there are competing schools of thought and disagreements about what strategy theory should explain. Haugstad (1999, p.3) identifies the “considerable effort during the last decade within the field to identify ‘paradigms’ (Schendel, 1994) and search for new approaches (Rumelt et al., 1994).” His basis for this view is a lack of universally accepted ontological and heuristic support for its definition, thus supporting the quantitative route.

Applying Porter’s (1996) ten-year horizon of strategic position to the strategic paradigms of definition (Table 2.2) offers a wider perspective of Hoskisson et al.’s (1999) swings as a fluid development of strategy. The fluidity further recognises, using an adaptation of Kolb’s (1984) model, that definitions and theories take time (Porter, 1996) to be conceived (two years), published for debate (three years), empirically applied (two years) and accepted (three years). Thus, rather than Kuhnian (1970) shifts, the definition and development of strategy becomes a Lakatosian (Lakatos and Musgrave, 1970) progressive/degenerative inquiry programme within the dimensions of time and space. In Figure 2.3 below, an idealised representation of the cyclical development of strategy is portrayed. While the dominant schools are presented within the continuum of time, the line recognises oscillations at a microscopic level, as naturally other schools of thought will have been competing at the time.

Figure 2.3: Cycles of dominance within the dimensional boundaries of strategy:



Adapted from Hoskisson et al., (1999); Porter (1996) and Kolb (1984)

Moussetis (2011) succinctly presents the historically competing theories, typologies and empirical studies in the field of strategy that have resulted in competing schools of thought. Whether referring to Mintzberg et al.’s (2009) taxonomy or the Moussetis (2011) tables, the theoretical foundation of strategy can be followed. Current inquiry continues to focus on specialisation within definition, for example Splitter and Seidl (2011) refer to the work of Johnson et al. (2003; 2007) and Golsorkhi et al., (2010) on the “practice-based approach to strategy”, where knowledge and capability drive definition.

From a theoretical perspective, the paradigms (Table 2.2), dimensional boundaries (Figure 2.2) and development within space and time (Figure 2.3) of strategy have been explored. The earliest theorising of strategy was contingent on and resource-based within stable and simple environments. The classical scholars Ansoff (1965) and Andrews (1971) pursued an integrative definition at the time. In the modern complex environment, a qualitative definition is more appropriate.

Section 2.3.3 below proceeds with a review of empirically supported published papers.

2.3.3 Strategy: An empirically supported published papers perspective

The academic and empirical inquiry of strategy is debated within internationally recognised journals. A critical examination of these publications supports an understanding of how strategy is defined, what empirical inquiry is being done to support definitions. and what the trends are within publications.

Phelan et al. (2002, p.1162) are keen to point out that the Strategic Management Journal (SMJ) has "...enjoyed a single editor (Dan Schendel) for the past twenty years", as they investigate the changes in content of the SMJ. Accepting the sustained high ranking of the journal, having a single editor allows for consistent editorial policy, but may have also influenced some of these ongoing debates. Their findings highlight the increases in empirical examination, joint publications and the rise in referencing of published papers. Nag et al. (2007) support these findings as positive, implying a preference for a firm-specific approach. This more recent inquiry uses Kuhn's (1970) paradigm of shared values to conduct a lexical inquiry of the literature. The inquiry attributes Schendel and Hofer (1979) to rechristening the field of strategy. The findings identify the words "firm" and "performance" as most linked to strategy. Interestingly, economics scholars tend to have restricted conceptions of the field and they make little reference to "resources, managers and owners and internal firm", whereas managers were the most widely faceted in definition. Nag et al., (2007) conclude that the success of strategic management is its multiple perspectives.

This can be contrasted with the more recent quantitative analysis of wider strategic literature by Furrer et al., (2008). Their findings highlight an increase in articles using the keywords "capabilities and alliances", and a decrease in articles using the keywords "fit and environment". Furrer et al. (2008, p.11) imply a shift in paradigms from the structure conduct performance (SCP) model to the resource-based view and suggest that current inquiry in 2008 is focusing on the integration of corporate and competitive strategies and its implications for performance and competitive posture. The statistical examination highlights performance, resource-based theory (capabilities) (Wernfelt, 1984; Barney, 1991), the SCP paradigm (environmental modelling), and strategy and structure (Chandler, 1962) organisation as the top areas of inquiry. However, it should be taken into consideration that older papers will have benefited from time and debate in the public domain.

These reflective analyses offer insight into the evolution of thinking on strategy. The first inquiry highlights an increase in empirical examination, while both studies acknowledge increased collaboration and integration of elements within the debate on strategy. Paradigms and approaches in thinking are progressing with time (Smothers et al., 2010) as earlier inquiry forms a historical base for newer, more appropriate paradigms and explanations. The

2008 focus suggests a more dynamic nature of strategy is emerging towards the end of the first decade of the twenty-first century.

More recently, Macedo-Soares (2011) while introducing a framework of global strategic network analysis (GSNA) indicates that the Strategic Management Society has recently launched a newer journal called The Global Strategy Journal (GSJ). This is a sister journal to the established SMJ and seeks to fill a gap in the market for a specific global-orientated strategy journal. Edited by Stephen Tallman and Torben Pedersen, the ten themes include international and global strategy, assembling the global enterprise, performance and global strategy and global innovation.

The main theme within the empirically supported published papers is that current inquiries are focused on corporate and competitive strategies through alliances and capabilities. Section 2.4 below progresses from strategy to strategic behaviour as interlinked exogenous and endogenous factors of the firm.

2.4 Strategic behaviour of the firm

This section critically reviews the literature relating to the exogenous and endogenous factors of strategic behaviour of the firm. The adaptive factors and firm survival are understood in relation to the competitive and institutional factors within the selective environment of co-evolution.

Behaviour theory (Cyert and March, 1963) and evolutionary theory (Nelson and Winter, 1982) represent earlier attempts to integrate the economic and organisational studies perspectives, which have been superseded by the co-evolutionary lens (Volberda and Lewin, 2003; Koza and Lewin, 1998). As this is a historical inquiry of the firm, the emphasis is on explanation, where the inquiry is concerned with “the aggregate effects of observable behaviour and performance outcomes as opposed to intentions, plans and policy,” (Winn and Angell, 2000; Dalmann and Brammer, 2011, p.530).

A pre-requisite to fully understanding realised strategy within a co-evolutionary framework (Koza and Lewin, 1998) warrants an understanding of the firm and its environments (Volberda and Lewin, 2003). Long-term historical analysis provides information to

investigate the conditioners of the environment and the strategic actions of the firm, leading to the causes of behaviour (Eisenhardt, 1989). In this regard, the forces of selection from market environments and forces of adaptation by the firm are interrelated (Volberda and Lewin, 2003; Dalmann and Brammer, 2011). Therefore adaptive responses to selection processes, along with environment changes as impacted by and/or the causes of adaptive responses, need to be understood to explain the survival and evolution of the firm (Volberda et al., 2011).

The adaptation perspective proposes firm development can be explained through the strategies and structures at firm level (Bower and Doz, 1979; Burgelman, 1983; 1991) in response to the environment. In contrast, the selection perspective explains development through industry population (Hannan and Freeman, 1989), where the population of firms remove the unfit firm from the population, allowing new, fitter firms to establish. At the same time, institutional control (DiMaggio and Powell, 1983) regulates conditions within the industry environment. Thus the firm is subjected to inertia pressures (Hannan and Freeman, 1989) and isomorphic forces (DiMaggio and Powell, 1983; Daft and Lewin, 1990; Papavramides, 2009) as managerial intentionality (Baum, 1996; Hutzschenreuter and Volberda, 2007) or firm ambidexterity (Raisch and Birkinshaw, 2008) attempt to satisfy stakeholders (Cyert and March, 1963; Freeman, 2010) through realised actions.

The co-evolutionary dynamics lens (Koza and Lewin, 1998; Lewin and Volberda, 1999; Volberda and Lewin, 2003; Lewin and Volberda, 2011) advances and integrates earlier single silo theories towards establishing a multivariate, multilevel lens of inquiry to understand the strategic behaviour of the multi-unit firm within its environments. This is achieved by engaging multidirectional relationships across levels of analysis to explain the possible journeys of co-evolution as “naïve selection, managed selection, hierarchical renewal and holistic renewal” (Volberda and Lewin, 2003, p.2114). The focus of “understanding” in this context refers to “change”, which can be adaptive or selective (Dalmann and Brammer, 2011) and is driven by innovation as the firm seeks to capture value (Pitelis and Teece, 2009; Zenger et al., 2011). As firms co-exist, intra-firm (Tsai and Ghoshal, 1998; Tsai, 2001; 2002), inter-firm (Kale and Singh, 2009) and network (Columbo et al., 2011) relationships and interactions support explanation of the co-evolutionary journey.

In this section the strategic behaviour of the firm was understood as an inter-relationship between exogenous and endogenous influences. Section 2.4.1 below proceeds with a review of the adaptation perspective.

2.4.1 The firm: An adaptation perspective

Section 2.4 shared strategic behaviour as exogenous and endogenous factors of co-evolution. This section proceeds by focusing on the adaptive firm perspective.

Coase (1991) asks the question why the economy not run as one big factory. Many years earlier, his seminal work (Coase, 1937) addressed risk and uncertainty (Knight, 1921) by using marketplace transaction costs (Williamson, 1975; 2008) to justify the existence, boundaries, organisation and heterogeneity of the firm. Thus a distinction or boundary is defined between the firm and the marketplace (Zenger et al., 2011). The firm becomes an efficient organisation, coordinated by the entrepreneur (Ardagna and Lusardi, 2008) to meet needs and wants within a system of exchanging goods, services and information. When the motive is profit-seeking (Nelson and Winter, 1982), survival (Nahlik, 2004), growth (Penrose, 2009) and the size of the firm (Kumar et al., 1999) are dependent on the ability of the entrepreneur to coordinate buying and selling of goods or services in relation to the price mechanism. Whereas Coase (1937, p.388) refers to the “cost of market transactions”, scholars are divided about whether transaction costs are purely external to the firm (Demsetz, 2003) or also incorporate internal firm costs (Cheung, 1969). This has a further impact on the notion of power of the firm (Glasberg and Schwartz, 1983; Rajan and Zingales, 1998). Market-based transactions are suited to complete contracts (lower risk and uncertainty), whereas incomplete contracts (Williamson, 1975) warrant internalisation of the transaction within the firm to enable negotiation and management of the gaps as the contract evolves. In dynamic or chaotic environments, managerial intent (Hutzschenreuter and Volberda, 2007) is subject to bounded rationality and information in decision making (Cyert and March, 1963).

Comparatively, Penrose (2009, p.17) defines the firm as a “collection of productive resources (human and non-human)” where the boundary of the firm is based on “administrative coordination and authoritative communication”. Penrose’s (2009) definition focuses on overcoming dynamic administrative constraints to facilitate faster growth. This definition seems to advance Coase’s (1937) definition of the firm towards being a repository and

processor of knowledge as opposed to an information processor (Fransman, 1994; Nonaka, 1994). This shift of thinking suggests a perspective that learns, explores, absorbs into routines (Cohen and Levinthal, 1990) exploits more fluidly compared to the neoclassical school of thought. Knowledge becomes tacit and explicit (Polanyi, 1962; 1966; Connell et al., 2003) rather than static information, where a sense of purpose and autonomy motivate self-renewal.

A diverse range of constructs to the firm have been proposed following the durable work of Coase (1937) and Penrose (2009). These include behaviour theory (Cyert and March, 1963), resource dependence (Pfeffer and Salancik, 1978), population ecology (Hannan and Freeman, 1989; Baum, 1996), agency theory (Jensen and Meckling, 1976), resource-based view (Wernfelt, 1984), dynamic capabilities (Teece et al., 1997) and the evolutionary perspective (Nelson and Winter, 1982). These constructs are derived from a range of fields and each has its own unique characteristics and implications (Appendix 2), which supports the view that there is “no consensus to the theory of the firm” (Grant, 1996, p.109; Cyert and March, 1963, p.5). From these alternatives, behaviour theory (Cyert and March, 1963) and the evolutionary perspective (Nelson and Winter, 1982) most closely support the Penrosian shift towards understanding the firm as growing within a Schumpeterian dynamic competitive environment, while Argandona (2010) links the firm to human action and calls for an ethical theory of the firm. These constructs relate to routines, based on history, to explain firm behaviour, thus allowing realised strategy to be inquired about (as action). They further understand the firm as a social entity in an explanation of behaviour. However, these constructs, along with the others, do not clearly address the concerns of incomplete contracts (Williamson, 1975). Further, a major criticism is that all of these constructs only offer a single lens of analysis to selection/adaptation, limiting the window of examination. Within these theoretical frameworks, there is limited understanding of how strategy is actually embedded, how time relates to the wider environments and how diverse international environments (Rugman, 2005; Hutzschenreuter et al., 2011) can be examined simultaneously for the purposes of inquiry.

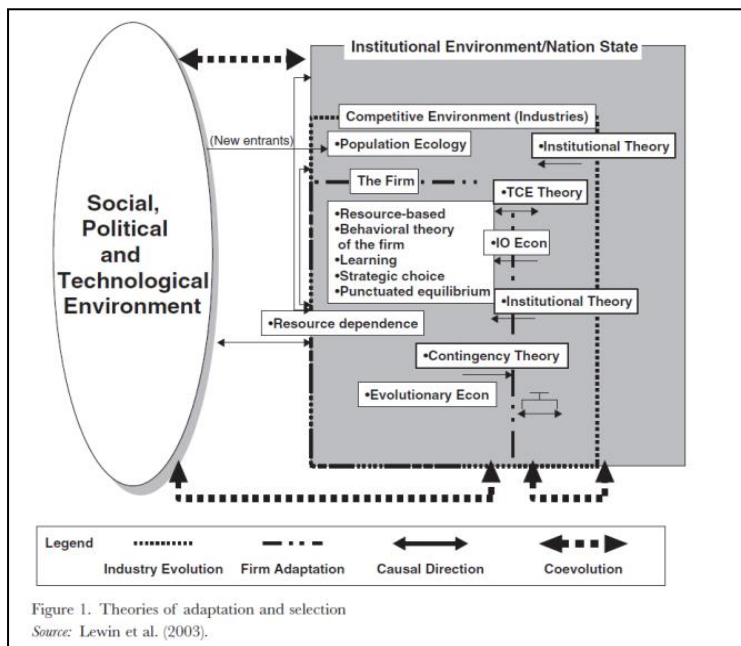
What these constructs share is a consensus that the firm as an entity is subjected to internal and external stimuli simply by existing. But the relationship of the firm with the market can be explained by contrasting views (Smith and Cao, 2007; Zenger et al., 2011). Contingency theory (Burns and Stalker, 1961) and the ecological perspective (Hannan and Freeman, 1989)

propose that the environment influences the firm, and management react to adapt the firm to the environment, whereas the evolutionary (Nelson and Winter, 1982) and strategic choice perspectives (Miles and Snow, 1978) propose that firms can shape and influence the environment. From this inquiry's perspective, a multilayered lens is needed to support firm adaptation, competitive, institutional and global-level examination, as all are interrelated and will have influenced the emerged realised strategy (Mintzberg, 1990). The evolutionary and co-evolutionary frameworks suggest that the firm may be able to influence the market, but it is the market that induces adaptation (Barr et al., 1992; Eisenhardt and Martin, 2000). Based on the limitations of the evolutionary framework as a single-lens theory, the co-evolutionary dynamics framework (Volberda and Lewin, 2003, Figure 1: p. 2113) emerges as the appropriate adaptation lens for multilevel inquiry.

Co-evolutionary framework

Volberda and Lewin (2003) note that strategic firm adaptation theories are not concerned with the macro population level, whilst population-level theories do not consider firm-level micro adaptation. Classifying adaptation, selection theories and empirical studies into (1) firm-level capability and strategy to adapt and survive, (2) meso or boundary-level theories linking firm to environment and (3) theories that link macro environment to firm, offers a co-evolutionary systemic framework (Koza and Lewin, 1998; Volberda and Lewin, 2003) of firm within environments (McKelvey, 1997). Firm theories support heterogeneity of firm, meso theories consider the firm in competitive and market environments, whilst at the third level, macro (institutional/market) originating impacts on the firm are considered. Figure 2.4.1 below positions these in an adaptation-selection space, notes causal relationships and different levels of analysis. Adaptation is path and history dependent (Lewin and Volberda, 1999) and interactions (Cook, 1977) have multidirectional causalities. This interdependency (Selznick, 1957) is recognised by Pfeffer and Salancik (1978) in their argument that the firm seizes to exist without a marketplace.

Figure 2.4 Co-evolutionary theoretical framework



Source: Volberda and Lewin (2003, p.2113)

The co-evolutionary construct (Kallis, 2007a; Kallis, 2007b) uses a process framework for inquiring (Ring and Van de Ven, 1994), which addresses the concern of incomplete contracts (Williamson, 1975; 1979). It further embeds strategy within alliances (Arino and de la Torre, 1998) allowing differences between alliance agents (Jones et al., 1998) to be examined within heterogeneous production and exchange environments (Madhoc and Tallman, 1998). Thus strategic partnerships and their managerial intent (Husserl, 1968), form and structure characterise how the firm performs within inter-firm alliances (Gomes-Casseres, 1996; 2003; Flier et al., 2003; Gomes-Casseres et al., 2006) as it explores and exploits (March, 1994; 1995). The dis-synchronisation (Madhok and Liu, 2006) of rates of development at different levels can be considered externally and internally within multinational corporate/subsidiary environments. Furthermore, co-evolution itself can be examined as process and capability (Madhoc and Liu, 2006) to understand the effects of causal ambiguity (Lippman and Rumelt, 1982) and absorptive capacity (Cohen and Levinthal, 1990; Tsai, 2001; Zahra and George, 2002).

At a global level, the global multi-business firm (GMBF) (Koza et al., 2011) advances earlier multinational and transnational (Bartlett and Ghoshal, 1989) constructs from hierarchical and internally standardised explanations of firm behaviour to the leveraging of high-value

resources as paths to value creation. While the GMBF model is supported by co-evolution, it is at an early conceptual stage and not suitable for the historical inquiry of adaptation. However, the emphasis is on skills and rate of deployment of managerial capability (Nelson and Winter, 1982) as routes to value, and the process of assembly/disassembly is critical. The process of strategic assembly (Arino, 2011) again advances the GMBF model but it is conceptual and not suited to historical inquiry. However, these concepts may be of benefit to advancing the co-evolutionary dynamic framework (Volberda and Lewin, 2003).

Within the co-evolutionary dynamic framework, the underlying principles of self-renewal are: managing internal rates of change (McKelvey, 2003); optimising self-organisation (Nonaka, 1988; Anderson, 1999); and balancing concurrent exploration and exploitation (Lewin and Volberda, 1999). The most suited co-evolutionary generative engine to understand joint outcomes of adaptation-selection (Van de Ven and Poole, 1995; 2005) is managed selection (Volberda and Lewin, 2003). The multi-unit firm under inquiry is incumbent within a population of heterogeneous firms where dynamics of co-evolution (McKelvey, 2002) persist. Deliberate variation-vicarious selection-retention (dVvSR) causes top management to engage anticipatory control supported by prior knowledge, intelligence and past experience. Adaptation is constrained by time and resource dependency (Galunic and Eisenhardt, 1996), where management trigger and limit variation, creating an internal selection environment and deliberate buffers against the selective environment.

Recognising the firm as a social construct (Selznick, 1949; Nutting, 1976) or community of interactions (Nonaka, 1994), managerial discretion (Williamson, 1967) becomes critical within large complex firms (Cyert and March, 1963) in driving managerial intent (Lewin and Volberda, 1999). Agency theory (Eisenhardt, 1989) explains this as multi-tiered principal-agent relationships (Berle and Means, 1932; Jensen and Meckling, 1976) based on assumptions of self-interest, goal conflict, rational behaviour and outcomes, whereas the co-evolutionary explanation guides the inquirer using a basis of shared dynamic outcomes of partnerships and alliances. In co-evolution, exploration is associated with discovering new opportunities for wealth creation and involves innovation, risk taking and capability construction. Exploitation is concerned with productivity, routine improvement and cost reduction. Thus firm survival is dependent upon the ability “to engage in sufficient

exploitation to ensure current viability and at the same time to devote enough energy to exploration to ensure future viability.” (Levinthal and March, 1993, p.105).

Of paramount importance to corporate firm behaviour in increasingly dynamic/chaotic environments (Kakabadse, 2015; Wheatley, 2006) are the relational and deeper attributes of leadership (Kakabadse and Kakabadse, 1999; 2001) and risk management (Bodnar et al., 2011; Maguire and Hardy, 2013). These attributes contribute to establishing a purpose (Freeman, 2010) and providing a sense of cohesiveness, culture and morality (Kakabadse et al., 2002; Nagarajan and Padhmanabhan, 2011) in motivating individuals to deliver value for the firm (Bligh and Hatch, 2011). Thus the board’s roles, wisdom and responsibilities in directing the firm (Kakabadse and Van den Berghe, 2013) go beyond just profit maximisation (Friedman, 1962; 2002) towards encompassing wider societal stakeholders (Freeman et al., 2007), extended geographical boundaries and ecological/environmental factors to ensure long-term sustainability (Przychodzen and Przychodzen, 2012) as the firm explores and exploits. Recently, the issue of board influence and compensation packages have become a priority concern as mechanisms for directing firm behaviour (Smith and Main, 2012).

While the firm continuously regulates between exploration and exploitation, incremental and radical realised strategic outcomes offer historical retrospective insight into what transformation actually takes place and the value derived from it. Behavioural adaptation therefore involves the creation and development of learning processes for change, similar to how the caterpillar becomes a butterfly (Ehrlich and Raven, 1964). Decision making is based on bounded rationality where the difference between information and knowledge implies a shift towards bounded adaptability. The loops of renewal and learning (Hedberg et al., 1976; Argyris and Schon, 1978; Fyol and Lyles, 1985) gained from experience manifest themselves ultimately in strategic outcomes and new organisational forms (Lewin and Volberda, 1999). In this case the adaptation elements of design of alliances (Noteboom, 2000) and intra-firm development (Ireland et al., 2002) are explained as understood realised outcomes.

The internal firm environment will have changed throughout the period of inquiry (Donaldson, 1987; 1996; Ambrosini et al., 2009). The lens suited to ongoing internal examination of the firm is strategy-as-practice (Jarzabkowski, 2005; Vaara and Whittington, 2012). However as this is a historical inquiry the internal interactions cannot be examined

through this lens. In terms of realised strategy, the strategic choices of management and their intentionality (Koza and Lewin, 1999, Van den Bosch et al., 1999) are embedded within incremental and radical processes of change which emerge as self-renewal outcomes. Huygens et al. (2001)'s historical inquiry of the music industry is an example of co-evolutionary explanation. It engages a framework based on manipulation and adaptation (Hedberg et al., 1976) where learning routines as heterogeneous routes manifest themselves in strategic outcomes. This historical case-inquiry approach (Yin, 2009) engages the scanning of secondary empirical evidence to identify patterns within the sequence of events. The framework links firm-level capability with competitive markets and demonstrates historical co-evolutionary inquiry. Volberda and Lewin (2003) also refer to the drivers of co-evolutionary journey as patterns.

From this inquiry's perspective, the concepts of innovation (Pitelis and Teece, 2009), firm heterogeneity, routines (Mintzberg, 1990) and change (Burgelman, 1991) offer a basis for the advancement of generalisations¹⁶ in support of co-evolutionary managed selection. However, it is noted that each journey is unique (Volberda and Baden-Fuller, 2003). The alternative options of naïve selection (blind and random variation), hierarchical renewal (top-down management, rational process) and holistic renewal (shared schemas which are hard to change) are not best suited to dynamic historical explanation. Furthermore, while the adaptation choice of entry into strategic partnerships can be investigated using co-evolution (Koza and Lewin, 1998), the managed selection journey provides the foundation for a more supportive longitudinal multilayered framework (Volberda and Lewin, 2003) to be engaged or extended, where progress and performance of strategic partnerships in terms of management (competition) and actual outcomes (value) through historical inquiry can be examined (Lewin and Volberda, 2005).

In support of co-evolution, Freeman's (2010) stakeholder approach responds to the call to extend managerial intent and action from only satisfying critical stakeholders like shareholders (Ansoff, 1965) towards seeing all stakeholders as potentially central to the success of the firm (Freeman and McVea, 2001). This further reflects a shift from stable predictable environments to fast changing, turbulent or even chaotic environments (Tallman

¹⁶A qualitative definition adopted in this inquiry that is focused on propositions.

and Koza, 2010; Kakabadse, 2015). Firm survival becomes critical, and multilayered management is seen as deliberately engaging with, rather than simply predicting, the environment. In this respect, causal relationships within and beyond the firm become multidirectional and more complexly interlinked to one another (Lewin and Volberda, 2005). Corporate social responsibility (CSR) (Kakabadse and Kakabadse, 2007) or ethical values (Schwartz, 2005) of large corporations (Moore, 2001; Morhardt, 2009) have greater priority and come into focus in this regard, as associated considerations of their foundational underpinning.

While firm management is engaged in delivering stakeholder value (Mathur and Kenyon, 1997; Pitelis and Teece, 2009), the ethics of continuous growth have been called into question (Hart, 1997), along with managerial incentives to deliver growth (Wood and Callaghan, 2003). This has resulted in the development of a corporate model for sustainable business practices (Svensson et al., 2010). The co-evolutionary framework engages periods of change and consolidation by describing punctuated equilibrium as paths to growth while “incentivised voluntarism” (Koza et al., 2011, p.30), embedded in social motivation, drives the firm towards sustained advantage. Meanwhile, the concept of stakeholders has been progressed to distinguish between analysis, management, buffering and bridging (Harrison and St. John, 1996), and the development of successful collaborative stakeholders (Svendsen, 1998). These advancements complement the analytical journey of managed selection, while offering the opportunity for a more explicit definition of the co-evolutionary stakeholders’ behaviour.

In this section the adaptive factors have been critically considered. Section 2.4.2 below proceeds to consider survival of the firm.

2.4.2 Survival of the firm

The causes and explanations of market (Arrow, 1974) and firm (McGrath, 1999; Shane, 2001; Langley et al., 2007) failures are often based on the nature or boundary of the firm (Zenger et al., 2011). These are: transaction costs (Williamson, 1975), property rights (Alchian, 1965; Barzel, 1997), nexus of contracts (Jensen and Meckling, 1976), resources (Wernfelt, 1984), asset specificity (Riordan and Williamson, 1985; Lui et al., 2009), competencies (Hamel and Prahalad, 1990) or capabilities that define firm uniqueness (Teece

et al., 1997; Huygens et al., 2001). Pitelis and Teece (2009, p.23) cluster these terms under “innovation”, and argue that the “essence and nature of the firm” need to be combined to create and capture value, as the firm “co-creates markets” as well as responds to market failures. Thus value cannot be known in advance, as the future is being co-created via actions. The firm is protecting existing value while creating new value through co-assembly and co-specialisation of skills, assets and capabilities. Thus the nature and objective of the firm either shapes or conforms to the economy, where innovation in incomplete markets seeks to capture value as something more than just profits. This concept of the firm aligns itself with the co-evolutionary approach of exploration and exploitation (March, 1994; 1995).

Based on this understanding of innovation, business strategy is concerned with the survival and growth of the firm (Nelson and Winter, 1982) within its competitive (Porter, 2009) and institutional (Cantwell et al., 2010) environments (Table 2.3 below), where the priority is seeking longer-term sustainable value, as opposed to maximising profit, through corporate entrepreneurship (Rumelt et al., 1994). Therefore corporate behaviour is aligned with the Schumpeterian vision (Schumpeter, 1934; 1942) of technological change (Dosi, 1982) and innovation patterns (Breschi et al., 2000). New firms innovate in markets, eroding the competitive and technological advantage of existing firms (widening), or the dominance of established innovating firms and their barriers to entry prevent new firms from entering (deepening). Thus technological regimes (Nelson and Winter, 1982) impact the intensity of innovation within dynamic environments (Porter, 2009) and conditions of stochastic or chaotic uncertainty (Lewin et al., 2009). In comparison, neoclassical theory is more suited to static profit maximisation within stable equilibrium environments. While Porter (1980) situates the firm within a competitive population, Carroll and Hannan (2000 pg XX) refer to industry as the “corporate operating environments”.

Table 2.3 The co-evolutionary relationship of the firm with markets

Motive	Firm behaviour	Survival	Growth	Competition	Environment
Sustainable value-seeking	Corporate entrepreneurial	Adaptation	Innovation selection	Schumpeterian	Dynamic chaotic

The firm must survive to experience future growth. At the same time, growth is necessary to enhance survival, but these two outcomes for the firm are distinct from each other and the

relationship is complex between them (Evans, 1987; Romanelli, 1989; Delmar et al., 2003). Further, survival does not guarantee growth and not all strategic growth is profitable (Markman and Gartner, 2002). As the emerging firm evolves (Hite and Hesterley, 2001), the emphasis on survival (Shimizu, 1978) shifts from exploitation to exploration. Although firm size can be a determinant of survival (Mata and Portugal, 2000), the assumption that larger firms are able to survive as a result of scale and scope (Porter, 1980; Evans, 1987) is questionable in view of the ever new heights of bankruptcy collapses exemplified by Enron (2001) and Lehman Brothers (2008). Additionally, age may improve the chances of survival and growth (Evans, 1987) but in increasingly dynamic or chaotic markets (Kakabadse, 2015), the closure of News of the World (1843-2011) would suggest otherwise. Smaller or newer firms are able to overcome size limitations by selecting the right partnerships (Contractor and Lorange, 1988; Langley et al., 2007a) and alliances (Koza and Lewin, 1998; Contractor and Lorange, 2002) with other firms (Piskorski and Anand, 2003; Nahlik, 2004) and may adapt more quickly or experience faster growth.

Survival in behaviour theory (Cyert and March, 1963) focuses on the process of decision making, where goals are politically conceptualised and managers seek to satisfy stakeholders. Survival is about conflict resolution, avoidance of uncertainty, searching for problems, and learning. However, managerial intentionality results in the build-up of slack (Arora and Dharwadkar, 2011) as a buffer which impacts innovation, growth and survival. The evolutionary argument (Eigen, 1971; Nelson and Winter, 1982) is that the firm's knowledge and skill base is the heterogeneous distinction and thus cause of survival, where adaptation is contingent upon access to knowledge, loops of learning (Argyris and Schon, 1978) and resources. These adaptation perspectives can be contrasted with the selection perspective (Hannan and Freeman, 1989), in which survival is based on inertia. The firm accumulates structures and routines which impact its ability to adapt. Managerial intentionality overcomes this pressure by specialising and improving reliability. However, the industry or population selects the firm, so adaptation should have no or minimal influence on market selection.

The co-evolutionary lens explains survival of the firm as being based on its ability to explore and exploit (March, 1991). Managerial concern is with balancing the tension between exploitation (production and lean efficiencies) and exploration (new prospecting, discovering). This approach seems to advance behaviour theory (Cyert and March, 1963) as

the firm negotiates alliances, discovers new prospects, improves efficiencies and gains tacit and explicit knowledge through actions. Exploitation offers short-term profit, whereas exploration offers longer-term profit. Hedberg (1981) points out that in fast-paced environments the ability to unlearn can also be crucial to survival and the pace of assembly or disassembly (Koza et al., 2011) will directly impact survival. Managed selection emphasises managing the pace of variety generation (Mintzberg and Westley, 1992) to ensure survival.

The historical context of inquiry will need to understand the forces of age and size as part of survival patterns, but more so as unique pathway of growth. The ideal adaptive firm under inquiry will have experienced faster growth (organisational development) within multilayered markets, locally and internationally. As such, the recent combination of nature and essence of the firm by Pitelis and Teece (2009) is a welcome insight into explaining innovation within the firm. In a wider global context, location is an important consideration, and furthermore, the period of inquiry warrants an understanding of how the global environment will have influenced survival of the firm (sustainability). The case of Northern Rock has highlighted that survival is influenced by market and institution selective behaviours which may or may not be dependent on firm adaptation. After all, in a co-evolving environment, firm failure and survival may be attributable to control mechanisms, behaviour and/or governance of markets.

For the purpose of inquiry, the ability of the firm to survive will become apparent in the historical outcomes and resulting impacts on value, through the co-evolutionary journey. A retrospective comparison of adaptive and selective influences on survival will be of value to the inquiry.

In this section firm survival has been critically considered. Section 2.4.3 follows and reviews the selective influences on the firm.

2.4.3 Selective influences on the firm

The previous sections (2.4.1 and 2.4.2) considered adaptation and survival of the firm. In this section the selective influences on the firm are considered.

The firm has been and is continuously subject to external market forces. These can be classified and examined within an environmental framework (Lewin and Volberda, 1999;

Lewin and Volberda, 2005) of strategic behaviour. The external environment is structured as competitive (industry/competitive environment) and institutional (national/regional/global system governed). In a fast-paced and diversified global environment, it is proposed that the political, economic, social, technological (PEST) environment (Volberda and Lewin, 2003) can be advanced into a regional and global tier of governance, within which differentiated institutional systems operate (Hall and Soskice, 2001b; Lane, 2003; Clarke, 2009), which will benefit the inquiry. This will enable more accurate examination of the impacts on the firm of European legislation (Fischer, 2011) and global partnerships such as BRIC nations (Oehler-Sincai, 2011), and policy change impacts from the interacting capitalistic, communist and other governed environments (Rozelle and Swinnen, 2007). Thus, along with the adaptive environment (internal firm), a four tier structure of strategic behaviour can be interlinked with multidirectional causality based on the co-evolutionary framework (Volberda and Lewin, 2003). Scholarly contributions to outsourcing (Lahiri and Kedia 2011; Lewin and Volberda, 2011) demonstrate that the firm is fast learning to relocate processes globally from high cost economies (Sidhu and Volberda, 2011). Thus a more encompassing co-evolutionary perspective linking firm level knowledge/experience with selection and institutional forces is called for (Lewin and Volberda, 2011). The global and regional tiers of co-evolution respond together to this call.

The environment is conceptualised as a multidimensional construct which has characteristics of dynamism, complexity and hostility (Lawrence and Lorsch, 1967; Dess and Beard, 1984;). While the firm is continuously adapting to the market (Forte et al., 2000), the market selects the firm that survives and grows. Environmental pressures continuously subjected on the firm can be regulatory (Smith and Grimm, 1987; Tan, 1996), competitive (Bowen and Wiersema, 2005), technological (Tushman and Anderson, 1986), or even socio/geo-political (Greening and Gray, 1994). The shift in level between firm and environmental analysis is further enriched in explanation, as evolutionary modelling (Nelson and Winter, 1982) interlinks with ecological modelling (Hannan and Freeman, 1989). The underlying assumption in co-evolution is that a gap exists between the market and the firm. The market leads change and the firm deliberately anticipates and adapts to integrate with the environment. Thus the firm is continuously assembling or disassembling against the selective inertias of markets as it adapts to meet the needs of the marketplace. Existing capability, routines and resources enable inertia but also bind the change process itself (Helfat, 1994).

The co-evolutionary managed selective journey emphasises the need to manage internal rates of change with external rates of change. Each level of selective environment presents different opportunities and challenges for the firm.

In this section the selective influences have been outlined. Section 2.4.4 below focuses on the competitive environment.

2.4.4 The competitive environment

The selective influences have been outlined above. In this section the focus is on the competitive environment.

Chandler's (2004) historical explanation of post world war II American capitalism refers to the scale and scope of markets which have benefited from improved communication and transportation. Emerging from traditional neoclassical economics (Smith, 1776; Ricardo, 1817; Marshall, 1890; Keynes, 1936), the development of market structures is often benchmarked against the theoretical extreme of perfect competition (Carlton and Perloff, 2000). Underlying assumptions to this ideal include infinite buyers and sellers (Aumann, 1964), no entry and exit barriers, price taking, perfect mobility, no transaction costs, homogeneous demand for products within the industry and perfect knowledge. As a result, where the conditions of perfect competition are not satisfied, imperfect competition arises in forms such as monopolistic (Chamberlain, 1950), oligopolistic (Levin et al., 2009), monopsonic (Blair and Harrison, 2010) and oligopsonic (Asche et al., 2006) behaviours. An alternative explanation of perfect competition is offered by Baumol (1982), based on the assumptions of free entry and cost-free exit for firms within contestable markets. In this case, inefficient market structures and firm efficiency determine how vulnerable incumbent firms are to new entrants. However this idealistic proposition is based on zero profit characterising equilibrium and only an endogenous determination of outcomes.

Where Friedman (1970) asserts that the only social responsibility of business is to increase its profits, this is conditional upon a firm staying within the rules of the game. But the rules demand "open free society with non-coercive voluntary co-operation and competition without deception or fraud" and "market mechanisms deny limitation to failure or political

intervention” (Khan et al., 2015, p. 34). The reality is that social welfare, pollution control and bank bail outs are interventions free markets would oppose and this requires individuals to take fuller responsibilities for externalities beyond transactional costs.

Recognising the unrealistic assumptions of perfect and free market competition, Austrian economics (Hayek, 1945) proposes incessant processes and praxeology (Mises, 1966) as purposeful behaviour. Comparatively, industrial organisation (Cabral, 2000) generalises strategic behaviour of the firm in imperfect markets by explaining information asymmetry, time lags between firm and market, interactions between firm and supply chains (Schroeter et al., 2000; Mingxia and Sexton, 2002), product differentiation (Baker and Bresnahan, 1988), types of competition (Bertrand, (price); Cournot, (quantity)) and cooperation (Tsai, 2002; Dagnino and Padula, 2002), anti-trust cartels, and collusive (Armstrong and Huck, 2010) or interdependent behaviour (Contractor and Lorange, 1988) enabling comparative advantage (Barney, 1991; Hunt and Morgan, 1995) and divergent interests (Eisenhardt, 1989) as some of the causes of strategic behaviour and competitive advantage.

Criticisms of economic theories refer to the static nature of analysis, lack of heterogeneity, the assumption of profit maximisation and price mechanisms, the disconnected relationship between buyers, sellers and competitors (Coyne and Subramaniam, 1996), along with the underlying assumption of rational behaviour and access to information (Bingham and Eisenhardt, 2011). Alternatively, the industrial organisation perspective of competition (Porter, 1985) proposes that the purpose of firm behaviour is to obtain an advantageous position in the industry, enabling superior rent collection compared to the competition. The firm exists in industry characterised by the population of firms. Routes to competitive analysis of historic patterns include value chain (Porter, 1985), cluster analysis (Porter, 1998; 2000; 2003) and the five forces model (Porter, 2008). This perspective supports the structure–conduct–performance (SCP) framework in which the firm adopts a defensive position rather than one of discovery or innovation. Furthermore, the notion of power (Lukes, 1974) becomes distorted when the firm operates independently of competitive constraints. Comparatively the evolutionary perspective (Langlois and Everett, 1994; Budzinski, 2004) suggests that competitive environments are permanently evolving, but for the purpose of inquiry this is restricted to a single-lens theory.

The Schumpeterian (1934) concept of competition is a dynamic process of rivalry (Cool and Dierickx, 1993) between creative (innovation) and adaptive (imitative) forces, which are cyclical and time variant. Schumpeter distinguishes between the competitive and institutional environments and proposes that technological advances and innovations create short-term monopolies. The entrepreneur drives the creative destruction process, enabling self-renewal and competitive advantage. Therefore the theories proposed thus far do not offer an appropriate lens for historical analysis, as strategy and environment are both dynamic and interlinked with actors and the firm.

Co-evolutionary competition engages ecological theory (Hannan and Freeman, 1989) with relationships to the wider environment and firm-level examination. Selective pressures force the firm to innovate as competitive and technological advantage is eroded by new and incumbent firms. The co-evolutionary lens engages strategic partnerships, alliances (Gulati, 1995; Gulati et al., 2005) and networks (Macedo-Soares, 2011) to explain strategic behaviour within the selective environment. Alliances support the firm in achieving competitive advantage and enhanced market power (Kogut, 1991). However alliances also have high failure rates (Dyer et al., 2001). Thus the control mechanisms in managing successful partnerships and alliances (Kale and Singh, 2009) are important.

Trust and control

In this respect, there is a call for antecedents and explanation for trust (Koza and Lewin, 1998; McKnight and Chervany, 2000) and for how management progress strategic partnerships successfully (Parkhe, 1993; Doz, 1996). Trust becomes more crucial in dynamic and chaotic environments, where there is a higher level of risk, uncertainty and interdependence (Mayer et al., 1995; Mishra, 1996). Innovation capability can be reliant on (Levin and Cross, 2004) or a result of (Petersen et al., 2005) supply chain collaboration or other strategic partnerships. Wang et al., (2011) identify that formal contracts control opportunistic behaviour, but that highly complex contracts can also result in distrust (Ghoshal and Moran, 1996). They further identify that in less structured environments such as China, building informal relationships is more important, but opportunistic behaviour is also widespread (Li and Zhou, 2010). Ring and Van de Ven (1994) suggest that formal contracts support trust in co-evolution, however Wang et al., (2011) point out that innovation by its nature demands trust as outcomes are in fact uncertain.

Whether trust is perceived as expectations (Lane and Bachmann, 1998) or as shared norms (Putnam, 1995), trust and control are interlinked (Edelenbos and Eshuis, 2011). Building on the work of Das and Teng (1998; 2001) and supported by Teisman et al.'s (2009) view of co-evolution derived from complexity theory (Anderson, 1999), Edelenbos and Eshuis (2011) propose a definition of inferential co-evolutionary cycles (negative) and symbiotic co-evolutionary cycles (positive) of control and trust. This definition supports the historical managed selection inquiry lens (Volberda and Lewin, 2003) and enables the causal examination (Weick, 1995) of realised patterns. Koza et al., (2011) suggest that communication and the effects of reputation on partnerships overcome issues of trust, as opportunistic behaviour results in lost value and poor reputation. However, recognising shared ownership and interest as a characteristic of successful alliances implies theoretical support to trust within the co-evolutionary relationship. Finally, it is noted that the dimension of time evolves both informal and formal relationships of trust, gained through shared experiences and understanding.

Punctuated equilibrium

As dynamic environments become chaotic, characteristics of competitive behaviour are increasingly subject to hypercompetition (D'Aveni, 1994). Therefore the firm has to be flexible and responsive to changeable and discontinuous markets. Competitive fitness is determined by the ability of the firm to learn, develop and apply in collaboration with other firms (Alter and Hage, 1993). Within Schumpeterian competition the pressures of hypercompetition may be overcome by concatenating a series of advantages to achieve sustained competitive advantage (Wiggins and Ruefli, 2005). However it is noted that historical inquiry indicates that hypercompetitive patterns vary with time (McNamara et al., 2003; Pandin, 2007), as environments and firms are faced with increases and decreases in performance and stability. This turbulence (Mintzberg, 1994a; 1994b) may be linked with the boom and bust cycles of neo-liberal capitalism (Schularick and Taylor, 2009). The co-evolutionary explanation refers to punctuated equilibrium (Lewin and Volberda, 1999) within markets as periods of incremental advances which are followed by radical transformation. Alternatively life cycles (Mazzucatto, 2002; Helfat and Peteraf, 2003) offer explanation.

Population pressures

Co-evolutionary behaviour can be influenced further by competitive isomorphic pressures. Where there is uncertainty, limited information or goal uncertainty, a behavioural characteristic is to observe the competition or a more successful firm within the industry (Galaskiewicz and Wasserman, 1989). Hawley's (1968) description of isomorphism outlines it as a constraining process where rational behaviour creates homogeneity. Hannan and Freeman (1977) ask why are there so many types of firms while DiMaggio (1983) questions the homogeneous similarities between firms. At the competitive level, mimetic isomorphism is more about firm structures, follow the leader, branding and conformity to industry norms. Coercive competitive pressures will be different to institutional level forces, but similarities in behavioural outcomes may exist. At the competitive industry level, isomorphic pressures have implications on growth and innovation. As the firm grows the bureaucracy (Weber, 1962) of administration has structural implications.

Floreano and Nolfi (1997) bring to attention the "Red Queen effect" within co-evolving competitive environments. In this scenario, two or more co-evolving populations are in competition with each other and as a result, the fitness landscape is continuously changing. This contribution highlights that the pace of firm change is important relative to environment and various competitive populations (Koza, 1992; Cliff and Miller, 1995), as all are in dynamic progression with each other.

Furthermore, the nature and characteristics of a population of firms in the same industry or sector often result in the formation of a dominant oligopolistic group of larger firms (Akehurst, 1984), where pricing (Rotemberg and Woodford, 1992), volumes (Grossman and Helpman, 1992) and other protective behaviours (Caves and Porter, 1977; Porter, 1985) may cause unfair competition, barriers to entry or advantage. In this respect industry regulation (Baldwin et al., 2012), corporate ethical behaviour (Schwartz, 2005) and consumer ethics (Schwartz, 2010) determine accepted practices and norms.

The heterogeneous firm exists within a competitive population. The dynamics of population, impacts of new innovations and technologies and multilevel influences will have impacted

firm structure, behaviour and performance. The competitive managed selection journey will explain these as strategic outcomes in historical inquiry.

In this section the focus was on the competitive environment. In Section 2.4.5 below, a review of the institutional environment follows.

2.4.5 The institutional environment

In the previous section the competitive environment was reviewed. This section (2.4.5) proceeds to outline the institutional environment.

PEST

The institution governs societal transactions (Polanyi, 1944) in areas of social, political and technological environments (Volberda and Lewin, 2003). The institution can be formal (North, 1990) or informal (Scott, 2001), where national environments can be differentiated based on political risk, stability (Simon, 1984) or performance differences (Gomez-Meija and Palich, 1997; Homburg et al., 2005; Chelminski and Coulter, 2007; Luk et al., 2008) such as education, capital investment or technological innovation. A wider understanding of institution incorporates culture (Hofstede, 2001; Kirkman et al., 2006) within informal definition and acknowledges the benefits of group behaviour and interaction (Bowles et al., 2003) as structured populations seek survival within selective environments. Institutions can influence environments through government policies (Nasra and Dacin, 2010) and may have political ties with other institutions, which impact the firm. Internally the institution can limit competitive behaviour and reduce phenotype variation, but interest groups may use the coercive powers of the institution to bring about change (Stigler, 1971), and institutions which are out of kilter are also vulnerable to failure (Stiglitz, 1991).

Early contributions to institutional theory (Meyer and Rowan, 1977) refer to a rule-like framework, whereas more recent scholars (Scott, 2001; Björck, 2004) refer to the mechanisms for supporting and restricting social behaviour. In this regard, institutional structures and processes shape the environments of the firm and the population of firms (Nelson, 1992; 1995b), directing social actors, social norms and competitive behaviour (Scott, 2008). The outcomes emerge as linkages, national patterns of innovation (Nelson, 1992; Lundvall, 1992) or frameworks of incentives and constraints (Soskice, 1993).

Reflecting on the historical nature of institutional development from kingdom to democracy, Zysman (1994) suggests that the earlier economic Lockean definition has shifted towards being more Tocquevillian where historical patterns (Weber, 1968) matter and behaviour becomes embedded.

While the scholarly backbone of institution is institutional theory (Scott, 2001), the traditional strategic frameworks such as industry (Porter, 1980) and resource-based view (Wernfelt, 1984) have received criticism for giving limited consideration to institutions (Kogut, 2003). This view is echoed by Peng et al., (2008), who suggest that these frameworks are limited to highly stable environments rather than diverse developed economies (Hall and Soskice, 2001b; Lewin and Kim, 2004) or emerging markets (Wright et al., 2005; Narayanan and Fahey, 2005). In this regard, evolutionary economics derives its path to institution from routines (Boschma and Frenken, 2009) and in co-evolution the relationship to institution is through industry or via the wider political, economic, social and technological environments (PEST). While this is suited to dynamic environments and historical inquiry, it is suggested that a direct relationship between firm and institution may also exist, as exemplified by when Rover was sold to BMW (1994) and later Shanghai Automotive (2005). Institutional theory has developed from the early economic works of Menger (1871) and Schmoller (1904) to include history as a social variable (Weber, 1968) and cognitive or cultural aspects (DiMaggio, 1983) in its framework.

Global-Regional-National structures

In recent years, the fast growth of emerging economies has generated interest (Hitt et al., 2004) along with the implications for firm management within these economies (Wan and Hoskisson, 2003). Recognising that the firm typically develops within the home market before expanding internationally (Tallman and Li, 1996) and that home-country factors impact decisions about geographic diversification and performance (Li and Yue, 2005), an inquiry needs to consider institutional effects globally (Peng, 2006; Lewin and Volberda, 2011; Hutzschenreuter et al., 2011). In the far-reaching global environment, institutional forms range in structure, character, influence and behaviour. The internal infrastructures and external partnerships will have evolved during the period under inquiry and need to be considered.

Discussing societal change from industrialisation to the information age during the early and mid-twentieth century, Toffler (1980, pp.29-30) describes America and Europe as shifting from “mass production, mass distribution and standardisation” towards the information age. Satterthwaite (2005)’s comprehensive inquiry on urbanisation further contextualises the speed of change and growth since 1950. Even in the 1950s Ansoff (1957, p.118) comments that the “pace of economic and technological change is so rapid”. As this is a UK-based inquiry, the patterns of survival and growth for the firm will best be understood if the firm evolves from within the UK into the global environment. In this respect, the institutional environment is the Anglo-Saxon (case-law) capitalist system of governance (Lane, 2003; Khan et al., 2015). In the UK in the early twentieth century, mass production (Scott and Storper, 1992) warranted the regulation of social and economic effects, resulting in the emergence of oligopolistic industry structures. However, by the 1970s the influx of cheap imports caused de-industrialisation and new high technology and service sectors were formed. This has resulted in the reform of institutional structures, new competition within industries and new labour markets (Dosi and Salvatore, 1992) as the institution balances home-country demands with the regional and global comparative advantages open to the firm. More specifically, the time frame for inquiry is guided by a period of diversification and international expansion (as growth) resulting in entry into a diverse range of capitalistic and non-capitalistic governed markets (Hall and Soskice, 2001b).

Co-evolving governed markets

In co-evolution, the choice of entry into institutionally governed markets (Brouthers, 2002) can be interpreted using an array of process measures (Tolbert and Zucker, 1996) at both firm and institutional level (Mayer and Ottaviano, 2007). Performance and renewal developments can further be explained as multilayered (Flier et al., 2003), and historical changes as strategic outcomes (Cantwell and Piscetello, 2005). Recognising institutional environments themselves as diverse and changeable (Tan and Tan, 2005), the impact of national environments on each other will influence outcomes and rates of growth (Capelleras et al., 2008). The exogenous influences of the PEST environment on divergent institutions are supported within the co-evolutionary explanation. In this regard, the resulting outcomes are absorbed (Zahra and George, 2002; Jansen et al., 2005) at different rates at each level (Van Den Bosch et al., 2003; Schmidt, 2005; Volberda et al., 2010), and emerge as patterns.

Systematic institutional routines (Nelson, 1995a; 1995b; Boschma and Frenken, 2009) govern the environment of the firm, where co-evolution is the root of self-organising behaviour (Kauffman, 1993; Arthur, 2000) as a source of novelty, adaptation and survival. The conditions for it to occur are based on heterogeneity, adaptive learning, connected, interactive and mutually influencing conditions (McKelvey, 2002). Thus the institution may act as a dampening or control mechanism for the industry and the firm. As co-evolution produces non-linear outcomes, the control of industry and firm in terms of regulation, structure and function of industries (Levinthal and Myatt, 1994) and international development (Contractor and Lorange, 1988; Koza et al., 2011) is within the grasp of the institution. Whether taking foreign direct investment (FDI) decisions or attracting investment, strategic partnerships are not without political hazards (Henisz, 2000; Henisz and Delios, 2003) as the firm progresses through experiential learning (Barkema et al., 1996; 1997).

Scholarly contributions to institutional theory (DiMaggio and Powell, 1983; 1991, DiMaggio, 1988; Scott, 2008) propose regulatory, normative and culturally cognitive frameworks of conformity on the firm, legitimised by legal, moral and cultural structures. The co-evolutionary lens (Volberda and Lewin, 2003) deepens the relationship in the temporal dimension (Nelson, 1995b) and in dualism, where firm and environment are separate but related constructs (Tan and Tan, 2005). For historical explanation, the environment-strategy-performance paradigm (Tan and Litschert, 1994) has been advanced to environment-strategy-interdependence (Tan and Tan, 2005), where recursive interactions are time dependent (Lewin et al., 1999). As the firm adapts to the environment, strategic responses to institutional pressures can be compliance, compromise, avoidance, defiance and manipulation (Oliver, 1991). These responses can be examined historically using the co-evolutionary lens where the institutional environment is linked to the industry sector (Rodrigues and Child, 2003) and firm (Tan and Tan, 2005). The historic nature of this inquiry should further consider the cultural development of institutions over time (Murrell and Schmidt, 2011).

Governance influences

As with the competitive selection environment, isomorphic pressures exist at institutional level (DiMaggio, 1983; Lewin and Volberda, 2011). These can be mimetic (uncertainty), coercive (political) or normative (professionalisation). Further, it is important to note that institutional isomorphic pressures, particularly mimetic, will be different to competitive

isomorphic pressures, but the understood outcomes may be similar. Lewin and Volberda (2011) highlight the trend for global outsourcing as a mimetic behaviour. In the current economic climate, the power of collaborative firms within industry sectors, such as banking, is delicately balanced against institutional enforced reform (Copelovitch and Singer, 2012) as the two co-evolve.

The firm has greater flexibility at a global level, where alternative institutional environments and markets may become attractive (Haveman, 1993). The institution may use legislation to control (Howell, 2005) or structure (Toke, 2002; Lahiri and Kedia, 2011) the selective environment which impacts attractiveness (Morgan, 1997) and competitiveness to the firm and industry. But at a regional level, institutions are increasingly interdependent on each other (Amin and Thrift, 1995) and the impact of increasing interdependence widens the potential influences of major global events (Dadush and Shaw, 2011; Jacobson et al., 2011; Gause and Lustick, 2012) and regional governing bodies (Knill and Lenschow, 1998) to which the firm will be exposed (Kusuda, 2011). Furthermore, the development of a nation's market infrastructure (Hutzchenreuter et al., 2011), such as legal systems, labour markets and fiscal policies, impacts firm reconfiguration and success (Chakrabarti et al., 2011).

The co-evolutionary lens best supports historical inquiry at the institutional level. There is multilevel support and opportunity to advance the understanding of institutional effects directly on the firm. The managed selection journey will be used to explain behaviour as strategic outcomes.

In this section institutional environment influences were critically considered. Section 2.4.6 below proceeds to outline the overall benefits of engaging and the potential opportunities to advance the current co-evolutionary framework.

2.4.6 Co-evolutionary opportunity

In this section the opportunities to advance the co-evolutionary framework (Volberda and Lewin, 2003) are shared.

While a wide range of theoretical constructs to analysis have been explored, it is apparent that a multilevel (Tosi, 1992; House and Thomas-Hunt, 1995) construct, in which multilayered

empirical evidence (George and James, 1993) can be gathered, will best support the inquiry. The co-evolutionary construct provides a defined framework with distinctive multilevels (Benbya and McKelvey, 2006) of adaptation and selection. The co-evolutionary construct has developed (Koza and Lewin, 1998; Lewin and Volberda, 1999; Volberda and Lewin, 2003) as a strategic construct, yet offers the opportunity for advancement in understanding of longer-term sustained competitive advantage. It is noted that typically alliances are based on “activities” (Porter, 1985) and “actions” (Mintzberg and Waters, 1985a) where the inquiry is historical (realised). Could co-evolutionary dynamics benefit from a theory of the firm? In contrasting evolution and co-evolution, the question of inherited characteristics may benefit from explanation. Current scholarly contribution to global strategy is being advanced, but how can the dynamic co-evolutionary construct respond more fully at this level? While there is opportunity for advancement, at the same time this is a holistic framework that supports a system-wide explanation. Most importantly, the co-evolutionary lens offers an outside-in window of inquiry suited to hermeneutical examination.

This section shared advantages and potential opportunities to advance the co-evolutionary framework. In Section 2.5 below, the global context within which the firm has evolved and exists is reviewed.

2.5 Global change

This section proceeds by understanding the historical context and influential drivers (innovation and renewal) that have impacted industries and societies in the transition from earlier times to the present day. A critical review of the literature seeks to contextualise longitudinally the global environment in which the firm has survived and grown.

Transformational change

Schumpeterian change (1942; 1994) is underpinned within a process of creative destruction. In this regard, change can be defined as continuous transformation (Balogun and Hailey, 2008). The drivers of transformation are innovation and technological advancement, to which entrepreneurship is central (Burgelman, 1983). This makes man himself the principal resource (Rand, 1965). Similarly, Drucker (1992; 1995) relates the process of destabilisation to entrepreneurial behaviour and proposes that the only constant in an organisation should be change itself. In an increasingly complex and uncertain dynamic environment, it is vital to be

aware not just of the global economic forces, but also the broader drivers of change (O'Brien and Leichenko, 2003; Becker et al., 2005) that can and do influence firm behaviour.

Historically, traditional and neoclassical economics (Smith, 1776; Ricardo, 1817; Chamberlain, 1950) has concerned itself with the efficient use of finite resources, engaging price and value to explain rational behaviour. In the meantime, global societies have co-evolved entangled in a web of ideological or religious beliefs and materialistic or economic advancement (Tawney, 1926; Ingham, 2003). The strands of modern capitalism have emerged from within feudalism in Western industrialised societies (Holton, 1985) and have been embraced in alternative forms (Hall and Soskice, 2001b), creating a continuum of coordinated (CME) and liberal (LME) market economies (Knyght et al., 2011). This has been contributed to by increasing co-operation between national economies after the two world wars (Crafts and Toniolo, 1996; Baylis et al., 2008), as intergovernmental organisations (IGOs) have strengthened strategic partnerships for mutual survival and benefit. These co-evolutions are represented in the modern environment by 250 IGOs including the United Nations (UN), World Bank, International Monetary Fund (IMF) and World Trade Organisation (WTO). The challenges of these global institutions are to maintain political stability (UN), economic stability (IMF), international trade relations (WTO) and to alleviate poverty (World Bank). The global arena has 196 recognised nations (plus forty-seven disputed territories) and a diverse array of governance systems ranging from communism (Kornai, 1992) to capitalism (Hall, 2009).

Anglo-American governance

In this regard, the conceptualisation of Schumpeterian change (1942) can be situated within the Anglo-American Capitalistic Governance System (AACG) just before the end of World War II, or more appropriately prior to the golden age of capitalism (Marglin and Schor, 1990; Thompson, 2011). While Schumpeter (1942) acknowledges the long-term wealth creating benefits of capitalism, he highlights that, in the transformation process, there are few winners and many losers (O'Brien and Leichenko, 2003). Therefore the role of national governance has been to use control mechanisms that enable the redistribution of wealth and market regulation. Thus, in reality both the US and the UK are liberal mixed economies with a state presence. During the last seventy years, the pace of change has quickened, resulting in shorter life cycles (Klepper, 1996) and expanding markets. The liberal AACG system has evolved

subject to a series of boom and bust cycles (Schularick and Taylor, 2009) while extending its reach and dominance in global business practices. From within this US manifestation of capitalism the epicentres of recent financial earthquakes (Amin, 2004; 2008; Knyght et al., 2011) have had far-reaching effects. As a result, there has been criticism (Lane, 2003; Clarke, 2009) and a call for intervention towards social capitalism (Rodrick, 1997; Streek and Yamamura, 2003) with longer time horizons.

Corporation

In this context, the development of the modern corporation (Drucker, 1972; Dobson, 2008) can in part be attributed to technological advancements, and the development of faster life cycles (Helfat and Peteraf, 2003) supporting innovation (Burgelman, 1983). As outlined earlier, when Ansoff (1957) wrote about growth vectors and Chandler (1962) analysed large US corporations, transportation and communication were impacting the United States business environment. In the modern more global environment, the corporation has access to computers, internet and mobile phones, while new industries in commercial space travel and genetically modified foods are emerging. In this regard, technological patterns (Dosi, 1982; Becker et al., 2005) are related to innovation, where continuous change is progress and discontinuous change results in new paradigms of technology or industries.

Globally (Giddens, 2010), the significant benefits of technological advances, coupled with liberalising infrastructures and forces of trade, have resulted in a more interrelated environment (Friedman, 2005; Learner, 2007). The firm is able to transcend geographic boundaries, having access to information, global markets (Krugman, 1987) and ideas from around the world (Romer, 2010). As unequal markets open up to each other (Becker et al., 2005), the disparities and differences between nations become more apparent (Hofstede, 1983; Ghemewat, 2007) and competition is more fierce (Blinder, 2006). Within these fluctuating forces of convergence and divergence (Zysman, 1994) selective forces to firm survival can be local, regional and global. The liberalisation of capital and markets, supported by the IMF and World Bank (Joyce and Noy, 2005; Wacziarg and Welch, 2008), has empowered firms to grow fast, while government control has weakened (Knyght et al., 2011). As a result, corporate firms are increasingly able to test national control mechanisms (Kakabadse et al., 2001; 2006), making markets more fluid, de-regulated and chaotic (Urry, 2003). Indeed, in the second decade of the twenty-first century, of the top one hundred and

fifty global economies, fifty-nine percent are corporations rather than countries (Anderson and Cavanagh, 2000; Global Trends, 2012).

Liberalisation

Within these forces of liberalisation, historically established trading agreements have been structured into regional economic blocs (Frankel, 1997) such as the European Union (EU), North American Free Trade Agreement (NAFTA), and Association of South East Asian Nations (ASEAN.). Intra-trading opportunities are supported by aligned governance and preferential benefits, while regional size and power offers protectionism (Bhagwati, 1989). Trade agreements have been extended to non-member states as each region seeks to expand its sphere of influence. Recent negotiations have sought access to Asian/African markets (Weatherspoon and Ross, 2008). NAFTA has pursued liberalised competition (Zoellick, 2002; Evenett and Meier, 2008), while the EU has pursued improved internal co-operation in a bid to overcome concerns of imbalances in the Euro currency. A consequence of regional trade has been the emergence of new structures and financial centres such as New York, Hong Kong and London. Competitiveness between trading blocs is opening up new memberships and new regional blocs are forming, such as Brazil, Russia, India, China, and South Africa (BRICs).

In this respect, the firm under inquiry evolves from within the EU region. Impacted by the fall of the Berlin wall (Rose, 1999; Tupy, 2003), the EU has grown from 6 to 28 member states (Jacoby, 2006, Europa, 2015a), extending its market power in the process (Young and Peterson, 2006). The ongoing economic debt crises of member states (Greece, Ireland, Italy, Spain) has demanded financial restructuring (Kolb, 2011) and threatened the single currency. Consequentially, France was amongst the countries that had their ratings downgraded (Wiesmann et al., 2012). While there are benefits to membership, sovereignty of nations remains the compromise. The UK currently maintains its sovereign currency outside of the Euro and is seeking re-negotiation in advance of a national referendum (June, 2016) concerning its membership.

As the overarching body over regional trade, the WTO has promoted the liberalisation of trade as the key driver of economic globalisation. However, this remains a point of international contention. Scholars debate the causal relationships between trade and growth

(Frankel and Romer, 1999), increased competition (Garrett, 2000) or the inequality of global incomes (Melchior, 2001; Wade, 2001). Commentary on the benefits to member states (Keohane, 1984), on the neo-colonialist advantages of power (Bello, 2001; 2004) or the motives behind membership (Giplin et al., 2006) persist. An Oxfam report (Atkinson, 2000) and UNDP administrator's speech (Grynspan, 2010) identify that more than a dozen of the poorest nations of the world are unrepresented at WTO discussions due to the cost of attendance.

The combination of the Western capitalism's financial crises (Knyght et al., 2011; O'Dwyer, 2014) and Asia's growth (Lee and Hong, 2012) prompted Stiglitz (2010) to highlight the consequences of neo-liberalisation on the poorer and less powerful economies of the world. The coercive forces of the controlling powers of globalisation appear to have motives of self-interest (Stiglitz, 2010), which further divide the haves and have nots. In contrast, the former president of the World Bank, James Wolfensohn (2010) outlined that his generation have lived in a world where the West (20%) dominated the GDP of the rest of the world (80%), and a tectonic shift in wealth is now taking place where Asia (65% of the world) will dominate the GDP of the West (35%) by 2020.

Demographics

The expansion and far-reaching impacts of trade liberalisation can be contrasted with the demographic changes in world population. Human population has grown in waves, reaching one billion by 1800, of which three per cent were living in cities. More recently, the acceleration has increased and during the last fifty years the world population has doubled to more than seven billion (Bongaarts, 2009), of which fifty per cent live in cities. People are living longer and there is shift from rural populations to urbanisation (Ploeg and Poelhekke, 2008). Currently there are twenty-one megacities (with a population of over ten million). The growth areas are Latin America, Africa and Asia, with further megacities forming. McManus et al. (2009) identify Brazil, Russia, India and China (BRIC) as the growth nations leading up to 2050. These nations occupy large areas of land and are highly populated. These nations are also opening up to capitalism and global trade. Recently, the deindustrialisation of Western societies is shifting manufacturing to cheaper labour markets and outsourcing has grown. This has supported the growth of the middle classes (Prahalad and Hammond, 2002; Ravallion, 2010) in developing countries such as India and China (Guillén, 2001; Kharas,

2010). With China and India being the most populated nations in the world, Asia is likely to dominate trade in the coming years, at a time when less developed nations in Africa grow.

Change

The combination of these global changes, i.e. the liberalisation of trade, technological advancement, population growth and market dynamics, is placing increasing demand on finite resources (Arnell, 1999; Campbell and Luckert, 2002; Hoekstra, 2005) and the ecology of the planet. For the firm, the emphasis on recycling (Wollny et al., 2001), biodegradable packaging (Gross and Kalra, 2002), carbon emission targets (Mathews and Caldeira, 2008) and growing legislation on corporate responsibility (Thompson and Jain, 2006) is resulting in alternative markets emerging (Pearce et al., 1989) and new ways of doing business. Multi-business corporate firm survival has become increasingly dependent on business ethics (Solomon, 1992a, 1992b; Schwartz, 2005) and risk management (Bromiley, 1991) within corporate governance, while the selective environment grapples with austerity measures to control spiralling debt and a shift towards Asian/African markets.

The social and behavioural consequences of these changes, place further unique demands on the modern entrepreneur (Smith and Cao, 2007) to utilise the capabilities of the firm in gaining value from resources within the selective environment. In this regard, leadership wisdom (Kakabadse et al., 2001), styles (Sheard et al., 2009) and attitudes to risk become critical to the process. Therefore for the purpose of co-evolutionary inquiry, change needs to consider both adaptive (Nelson and Winter, 1982) and selective (Hannan and Freeman, 1989) environments. In this respect, change happens at the border between firm and environments, as this is where adaptive and selective forces interact and value is derived for both heterogeneous firm and selective environment (or population). As such, change is the consequence of value-seeking by both firm and environment, where value can be lost as well as gained at the border.

The inquiry engages Burgelman's (1983; 1991) view of the strategic change process for adaptive firm and selective environment. The environment is able to exert selective forces on the firm (diversity) in retaining (or deselecting) the fit adaptive firm (order). The firm is concerned with bottom-up variety generation initiatives (diversity) and top management buffering and balancing of strategy (order) to manage the rate of change at firm level. Where

the selective environment retains the adaptive firm (order) and top management buffer against the environment (order), change occurs. Change is the result of a mixture of path-dependent routines (Becker et al., 2005) between adaptation and selection factors, where the balance in RGS determines growth within the co-evolutionary managed selection journey.

Thus, in dynamic markets, cycles of value capture and creation enable growth and long-term sustainability, because if the firm does not grow it will shrink. By building the bridge between adaptation and selection at the border, the inquiry seeks to respond to the call by Daft and Lewin (1990) and Lewin and Volberda (1999) in explanation of multilayered strategic behaviour.

Importantly from a historical perspective, change has occurred and is the result of realised strategic outcomes, and this is interpreted as positive or negative growth. Thus the patterns of order and diversity (Burgelman, 1983) can be understood and reinterpreted as exogenous (selective) and endogenous (adaptive) outcomes explained in the context of time and space. In this regard, Becker et al., (2005) recommend engaging a wide lens to explain the characteristics of patterns in longitudinal analysis.

In terms of firm behaviour, global change is best understood in inquiry of an industry that has historical context and is representative of the successful transition to modern, fast and dynamic market conditions.

In this section global change has been critically reviewed. Section 2.6 below proceeds to understand firm growth.

2.6 Understanding firm growth

In this section, the alternative perspectives of growth are critically reviewed. Building on the foundation, that patterns of change can be understood as strategic outcomes, a theoretical multilayered framework to examine adaptive and selective factors of growth is constructed to support a co-evolutionary inquiry across time and space.

The works of Ansoff (1965) and Chandler (1962) are often referred to in the literature on firm growth. The widely used Ansoff matrix (1957) maps products and markets, where strategic

growth options include market penetration, market development, product development and diversification. Whereas the other strategies engage existing firm capabilities and resources, diversification requires the acquisition of new skills, equipment and facilities. This implies that compared to the other options, diversified growth requires well-developed financial systems (Beck et al., 2008) or capital outlay. In this respect, both small firms (McKelvie and Wiklund, 2010) and large firms (Greenwood and Jovanovic, 1990) are impacted by incentives and barriers to growth. Chandler (1962) further proposes that structure (organisational) follows strategy. First strategy is planned and then firm structure is developed to meet the needs of the strategy. In this respect, growth is not determined by the markets, but it is the markets that are defined by the firm (Teece, 1993). These perspectives of firm-level growth offer a corporate adaptive window of inquiry, but they suit advance planning rather than historical examination.

Further contributions to growth modelling that engage selective measures have emerged from within the field of economics. Historically, early neoclassical economic explanations of growth (Arrow, 1962; Romer, 1986; Lucas, 1988; Agion and Howitt, 1992) referred to savings rates (Harrod, 1939; Domar, 1946) or technical progress (Solow, 1956) to explain growth based on investment in human capital. As productivity and capital accumulation supported the explanation, growth in these models was exogenously driven, did not consider technological change and assumed diminishing returns, causing criticism (Jones, 1995). As a result, the early models have been superseded by endogenous economic models (Ha and Howitt, 2007; Madsen, 2008) that include technological change as a driver of growth. Based on the Schumpeterian process of creative destruction, these more recent models recognise growth as including obsolescence, where technological breakthroughs emerge through a discontinuous process.

The systemic economic perspective offers an industry and institutional window of inquiry, where the firm is placed within a population and macro measures are engaged to explain growth. In this regard, the influences of institutional policies (North, 1990) and competition (Schumpeter, 1934) on growth can be examined. Furthermore, there is scope to explain the wider implications of R&D spillover effects (Coe and Helpman, 1995) and openness of trade across industry sectors. However, both exogenous and endogenous economic models are

suiting to assumptions of perfect competition, supply and demand constraints and static environments, while the major criticism of diminishing return of capital remains.

More holistic and longitudinal lenses of inquiry have attempted to explain the relationship between growth, size and age of the firm (Evans, 1987), thus linking the adaptive firm to its selective environments. In this regard, Gibrat's law (1931) proposes that growth is independent of size, whereas Evans (1987) suggests that growth decreases with age and size. Further Piergiovanni et al., (1997; 2002) highlight that different industry sectors have different dynamics and that firms are heterogeneous. Therefore the relationship between growth, age and size is different in each case. The criticism of these inquiries is that they assume that wider factors such as entry and exit into industry, ownership structure and the third factor (either age or size) all remain constant. Thus the relationship is specific to either growth and size, or growth and age, while all else remains constant. The additional concern is that in these frameworks the window of inquiry is at a single level.

Alternatively, the literature considers growth in relation to survival of the firm (Section 2.4.2) and proposes that larger firms survive better (Porter, 1980), and that growth is faster in smaller firms compared with larger firms (Evans, 1987). Contrastingly, inquiries have considered the effects of competitive forces (Acs and Audretsch, 1987), market factors (Baumol, 2002), financial systems (Minier, 2008) and internationalisation (Johanson and Weidersheim-Paul, 1975) in understanding growth. Although multi-relational models (Varaiya et al., 1987) have been developed in an attempt to explain growth, the associated assumptions do not support dynamic market conditions, heterogeneous firms or historical multilayered longitudinal inquiry.

In this regard, the adaptive and selective perspectives to growth shared above all offer narrow windows of inquiry, which makes them unsuitable for co-evolutionary examination. However, these frameworks highlight the importance of time and space in growth modelling and show that a more holistic multilevel understanding of growth is needed.

The all encompassing paths of time and space (Hawking et al., 1998; 2008) are interrelated and continuous within the co-evolutionary framework, where one cannot exist without the other. In this way, the boundaries of firm and environments are connected. Although

scientific (Perroux, 1950; Keogh and Pazzani, 2000) and statistical (Fuller, 1976) interpretations of time and space exist (Deutsch and Lockwood, 1994), these are more suited to static comparatives and narrow explanations. In this inquiry, a quantum perspective that aligns with M-theory (Witten, 1995) and the earlier string theory (Green et al., 1998) is more suited to explain the dynamic dimensions of time and space within a holistic framework. In this regard, patterns (Nelson and Winter, 1982; Becker et al., 2005) emerge in historical stochastic events as behavioural and random chance outcomes at the borders. For the multi-business firm, multidimensional strings of value are created or lost, resulting in growth or shrinkage.

The co-evolutionary managed selection journey is a mixture of selection and adaptation processes resulting in renewal. In the multi-business firm, top management facilitate deliberate variety generation and buffer vicarious selection (Volberda and Lewin, 2003) by matching internal capabilities with the buffered selection environment to enable growth. In particular, the co-evolutionary lens (Koza and Lewin, 1998) highlights the value of strategic partnerships to growth. Referring to the variety of inquiries on market power (Berg and Friedman, 1980), inter-firm networks (Cook, 1977) and motivation for alliances (Hitt et al., 1997), partnerships co-evolve with strategy (Arino and de la Torre, 1998), where industry practices and institutional arrangements affect alliances and therefore growth (Levinthal and Myatt, 1994). In this respect, strategic co-operation remains heterogeneous (Contractor and Lorange, 1988) and produces mixed results (Hitt et al., 1990), as the process needs to be managed. Alliance forms include joint equity ventures, networks, franchises and research and development (R&D) partnerships. More specific inquiries explore mergers and acquisitions (Huyghebaert and Luypaert, 2010) and internationalisation (Hutzschenreuter et al., 2011) as routes to growth for the firm. In this way, the firm is further exposed to the competitive environment and market influence (Haveman and Nonnemaker, 2000), impacting behaviour and growth.

While growth may arise organically or through mergers and acquisitions, the alternatives of divestment (Alexander and Quinn, 2002; Cairns et al., 2010; Berry, 2010), demerger (Tseng, 2009) or retrenchment (Chakrabarti et al., 2011) are also possible strategic outcomes, where a firm may deliberately move out of a market into a new market, or consolidate in a difficult position (Teece, 1982).

The firm may seek to restructure its portfolio (Chow and Hamilton, 1993) or spatial presence (Morgan et al., 2001), learning from experience (Wrigley and Lowe, 2002). Alternatively, in fast-paced dynamic conditions, markets themselves may shrink or even fail (Gilliam, 2005), which will impact growth. Both formal and informal network relationships between firms (Lensink and Molen, 2010) may influence survival and growth, or the concentric nature of an industry and the position of the firm within it (Sturgeon et al., 2009) may impact strategic outcomes. Leadership styles and perspectives (Eisenhardt and Schoonhoven, 1990; Kakabadse et al., 2008) are another influence on behaviour and outcomes. Thus, to understand survival and growth of firms within their dynamic environments is complicated and complex, and requires a holistic, multilayered understanding.

Attempts have been made to define the boundary between firm and environments (Coase, 1937; Barney, 1991; Kogut and Zander 1992) and valued outcome (Pitelis and Teece, 2009) has been explained cognitively (Gavetti, 2011) and entrepreneurially (Felin and Zenger, 2009). But it seems that a system-wide understanding of boundary (Zenger et al., 2011) that also explains growth remains to be defined. In this regard, Penrose's (2009) administrative definition appeals to explanation for both firm and markets. The dynamic environment can be explained as governance systems, competitive industries and the firm within a jurisprudence framework. Interaction takes place at the boundaries, where events as outcomes are heterogeneous and morphological (Wilson and Hynes, 2008) explanations. In this respect, historical events have been influenced by earlier events (referred to as "inherited" in Wilson and Hynes, 2008) and can be understood individually, in dyads or groups. This further aligns with Schumpeterian creative destruction where change (Burgelman, 1983) is the outcome of events.

Additionally, where neoclassical economics refers to demand and supply to explain growth, the Penrosian definition of the firm recognises organisation and social form (Cyert and March, 1963). Therefore the understanding of factors relating to size, age and growth becomes related by administrative boundaries and behaviour rather than economic values. This further enables strategic behavioural outcomes to be explained as understandable paths, based on a deeper purpose of the firm.

Based on a Penrosian (2009) definition (see Section 2.4.1), the firm is a repository and processor of knowledge (Nonaka, 1994), with the ability to learn. Individual actions guide behaviour and direct resources towards achieving growth. Importantly, Penrose (2009) refers to resources as human and non-human. The human is intelligent (Gardner, 1993) and for the firm to learn, absorb and adapt, it too must be intelligent (Gardner, 1993) as the firm is a social construct (Selznick, 1949). Although Grant (1996) and March (1991) share the capabilities and resources perspective of the firm, they differ in their explanation of knowledge within the firm. March (1991) proposes that knowledge is stored within historical firm routines. In contrast, Grant (1996) proposes that individual member interactions (Simon, 1991) create new knowledge which is distinguishable from the application of existing knowledge to the production of goods and services. For historical inquiry, March's (1991) explanation is more suited to co-evolutionary growth, as events have taken place and the engagement of knowledge has resulted in strategic outcomes, whereas Grant's (1996) interpretation is suited to a narrower, knowledge-based view of the firm.

In this way, the firm can be understood as an entity in itself (March, 1991), similar to that of individuals within it (Grant, 1996). The firm becomes an intelligent, adaptable, evolving form that acts and reacts to the environment (strategic routines). Penrose (2009, p.13) further distinguishes adaptive and selective environments, where the firm adaptive environment consists of productive resources and knowledge, which are not limited by the selective demands of the marketplace. In this way, the firm is able to seek new opportunities beyond existing demand, i.e. diversification and growth. However, in contrast to Ansoff (1957), this construct is suitable to co-evolutionary historical inquiry. In the Penrosian construct (2009, p.13), history matters and individual knowledge (Loasby, 1991) evolves without threatening the cohesiveness of the firm, which is in equilibrium. Further, the process of Schumpeterian obsolescence and renewal as creative destruction occurs when the patterns of Penrosian learning become absorbed within the firm. The entrepreneur remains central to idea generation while strategic behaviour institutionalises innovation and results in patterns of growth.

In similar regard, it is proposed in this inquiry construct that in co-evolutionary dynamics (Volberda and Lewin, 2003) the marketplace consists of intelligent (Gardner, 1993) buyers, suppliers, competitors and governance systems, directed by humans. Thus, the selective

environment is also intelligent (Gardner, 1993) and variation, selection and retention outcomes of the selective environment can be explained as patterns in the historical context through the analysis of institutional and industry levels. Survival, growth and failure emerge as strategic outcomes and patterns. Additionally, the selective environment provides a wider lens of understanding, as institutional and firm-level outcomes are closely connected within co-evolution. Therefore selective lens learning can be understood as reforms at the institutional level (UK CG Code 2010), and competitive outcomes (Porter,1985) and ethical conduct within firm populations (Robinson, 2009). Ultimately, heterogeneous firm behaviour is explained in historical patterns.

The co-evolutionary understanding of growth needs to consider both selective and adaptive factors as the firm and markets co-exist (McKelvey, 1997). The impact of adaptation and selection environments results in path dependency (David, 2007; Lewin et al., 2013), differing absorption rates and rates of learning (Cohen and Levinthal, 1989; 1990). Further, learning myopia (Levinthal and March, 1993) indicates that the options of learning are based on experience (trial and error) or control of interactions (buffering), where the firm should consider the long run, the wider picture and the risk of failure. These interrelated factors all impact growth. In this regard, Levinthal and March (1993, p.8) argue that “learning creates a simplified world and specialises organisation of it” and these elements are suitable for capturing the central elements of past environments. Additionally, “the self destructive properties of learning” (Levinthal and March, 1993, p.10) make replacing obsolescence easier.

In this respect, the bridge between exogenous and endogenous factors is human intelligence (Gardner, 1993). Scholarly definition of intelligence has alternative lenses (Piaget, 1952; Sternberg, 1989; Mackintosh, 1998). Of these, Gardner’s (1993) interpretation is broader and more flexible towards exploration and exploitation (March, 1991), leading to intelligent selection, variation and retention outcomes at the translucent, fluid borders of co-evolution. Therefore, growth becomes a sustainable, regenerative eco-system (Adner, 2006; Adner and Kapoor, 2010), where adaptive and selective factors are interdependent and historical patterns explain the unique co-evolutionary journey.

In co-evolution (Volberda and Lewin, 2003), the firm pursues optimal equilibrium (March, 2006) and the selective environment retains the fit firm. Within the continuums of time and space, interactions may oscillate at the micro level (Figure 2.2 and Figure 2.3), but the wider lens acknowledges that short-term (up to one year) and long-term (up to three years) realised strategic outcomes are different. In this inquiry, both firm and industry may have longer histories, but the period of inquiry is limited to four years (2006-2009 inclusive). This represents sufficient time for both the shorter- and longer-term outcomes to be understood as survival and growth through cycles of innovation and renewal in the home and international markets. Both short-term and long-term factors need to be considered for firm and environments. Additionally, large corporations have many subsidiary firms and multiple locations requiring multilevel inquiry. Further, it has become apparent that the holistic understanding of growth must consider the influence of global change (Section 2.5), competition (Section 2.4.4), barriers to entry in both home and international markets, along with emerging and shrinking industries.

In terms of firm growth, an industry that is representative of understandable multilayered patterns of innovation and renewal and that has close links with consumers and producers will best suit this inquiry. Recognising the attributes identified in the global change section (2.5) and in this section - the retail industry has been selected for inquiry.

In understanding survival and growth, the two interdependent routes to inquiry are adaptation and selection (Levinthal, 1991). While being complimentary of the holistic perspective, Scott (1987) suggests that the selective perspective is particularly useful in explaining the core features of the firm and accounting for change over longer time frames, whereas the adaptive lens is more suited to explaining survival of the firm and change over shorter time frames. With this in mind, Section 2.7 proceeds below to review global retailing, the widest selective environment in which the firm is located.

2.7 Global retailing

In this section the global retail environment is critically reviewed. An analysis of the recently evolved global retail sector is contrasted with the wider global retail environment. The factors relating to internationalisation by the oligopolistic elite and its influences on local and

regional markets are explored. Is global retailing fragmented or converging, and where in the world do retailers demand presence?

The 2010 Deloitte Global Powers of Retailing report reaffirms the global change environment as being impacted by the global financial crisis (GFC) which started in America in 2007. Of the top 250 global retailers, sixty-one had declining sales, which may be attributable to cautious consumer habits, reduced credit and uncertain employment conditions caused by the economic downturn (Perriman et al., 2011). However, food companies maintain resilience as overall growth continues at five and a half per cent per year. This report, in its thirteenth year, implies the formation of a consolidated global tier of retailing, where the elite top ten retain their concentration with combined sales of \$1.3 trillion, which is thirty per cent of the combined sales of the top 250 companies in 2009. In 2011, this oligopolistic group remains, with five American and five European corporations jostling for positions. Sixty-four out of the top 250 companies are supermarkets and the elite group are Wal-Mart, Carrefour, Metro and Tesco. Other companies represented include home improvement stores, pharmacies, department stores and electronic goods retailers.

Although retail internationalisation is not a new phenomenon (Hollander, 1970), it has accelerated since the 1970s (Burt, 1993) and taken off in the 1990s (Reardon and Trimmer, 2005). In this regard, Carrefour developed the hypermarket format in 1963 (Dupuis and Prime, 1996) and is currently the second largest retailer in the world, operating in thirty-six countries (Deloitte Global Powers of Retailing Report, 2011). Similarly, Metro extended the cash-and-carry format into multi-formats to become the third largest retailer (Mierdorf et al., 2007). The drivers for internationalisation range from home-market saturation (Johanson and Vahlne, 1977) to pro-active exploration (Alexander, 1997; Quinn, 1999), or indeed a combination of domestic and international factors, such as government regulation, the size of the market and competitor activities (Wrigley et al., 2005; Evans et al., 2008). However, “the most commonly cited drivers are profit and growth which cannot be neatly classified” (Evans et al., 2008, p.269).

In the global retail sector, one hundred retailers remain national chains and fifty operate in ten or more countries, the latter enjoying higher returns. The retail firms established in the thirty-five developed countries (World Bank, 2010) have exploited their home advantage and

explored new international markets, as world GNI data indicates that eighty-four per cent of the world's population live in developing countries. The increase in foreign direct investments (FDI) and European integration during the 1990s has contributed to globalisation, as governments relaxed the barriers to entry (Dawson, 2001). While retailers in developed countries pursue developing markets (De Mello, 1997; Reardon et al., 2003; Bertoni et al., 2008) the developing countries are responding with growing their own national chains (Lorentz et al., 2006; Cuervo-Cazurra and Genc, 2008). However, the developed countries are not benefitting from a similar level of reverse inward FDI flow (Katseli, 1992).

In the global retail sector one hundred and thirty-four firms use multi-format sales (Ahlert et al., 2010) and are increasingly diversifying the products and services being offered to the consumer (IGD Report, 2010). The UK-based firm Tesco, the fourth largest global retailer (Deloitte Global Powers of Retailing, 2011), has a convenience format that is performing particularly well in the UK. It has also gradually overcome regulatory barriers and offers banking services in UK (Welch and Worthington, 2010). Other examples of innovations include the growth of online shopping (Seth and Randall, 2011), Clubcard loyalty memberships (Humby et al., 2003) and an increasing range of products and services (Seth and Randall, 2005). It thus appears that retailing is becoming a one-stop shop for all modern consumer needs (Solomon et al., 2009). Continued diversification and innovation by firms has contributed significantly to retail growth and profit.

A wider explanation to the “supermarket revolution” is offered by Reardon and Trimmer (2005), who review the implications for the agricultural supply chain (Reardon and Berdegue, 2002). The diffusion of supermarkets from being a niche in the major cities of developed nations to establishing themselves in developing nations (Reardon et al., 2004), is attributed to demands from emerging consumers (new middle classes), coupled with entrepreneurial investment by supermarkets (liberalisation of FDI). Supported by the benefits of fridges, freezers and cars (Anand and Nambiar, 2004), consumer behaviour (Solomon et al., 2009) in developing nations is changing. In order to meet this demand, the agricultural output markets have consolidated and globalised (Reardon and Trimmer, 2005; Burch and Lawrence, 2007), benefitting from liberalised capital flows. This has created global chains where innovation and imitation fuel expansion (Aspara et al., 2010). Reardon et al., (2003) explain this in terms of waves of growth over the last sixty years. Wave 1) is much of South America, East Asia

outside China, and northern-central Europe; Wave 2) much of Central America and Mexico, Southeast Asia, southern-central Europe, and South Africa; and Wave 3) is South Asia, China, Eastern Europe, and parts of Africa.

Additionally, supermarkets have been highly successful in capturing a share of food retail sales once established, to the extent that they dominate the market share (Reardon and Berdegue, 2002). The fastest-growing supermarket sector in the world has been China (Hu et al., 2004), which since 1991 has grown to sales of \$55 billion per year (2003) with thirty to forty per cent of urban food retail sales being captured by supermarkets. Multi-nationalisation has been supported with strategic alliances such as Pau De Acucar (Brazil – Casino of France) and Lianhui (China – in partnership with Carrefour) that seek to promote home/foreign country advantages. Furthermore, increasing international acquisitions and merger activity (Wrigley, 1999; Palmer, 2004) is resulting in regional blocs forming between home and host countries (Burt, 1993; Dawson, 1994). This in turn has impacted supply chain and distribution, resulting in a shift in power from commodity supplier driven control to product market driven control. On the supply side, Anand and Nambiar (2004) point out that Brazil, China and India are the largest suppliers of fruit and vegetables to the world, while on the demand side, the emergence of high-end, traditional and low-price formats (Sparks, 2010; Hansen and Singh, 2009) is appealing to a wider consumer market.

A broad lens identifies that global retailing remains a fragmented marketplace. The top eight players represent only eight per cent of the global retail market, where the split between grocery and non-grocery is forty: sixty. However, the use of multi-formats and diversification strategies by the elite group has enabled them to gain presence in both sectors. At the same time, heterogeneous firms pursue their own varied strategies and formats. As such, this reflects population trends and globally growing markets. The largest player is Wal-Mart (McNally, 2005; Fishman, 2006; Mujtaba and Maxwell, 2011), which operates in twenty-seven countries (Wal-Mart Fact Sheet, 2011), has a revenue greater than 174 countries of the world and is the eighteenth largest global public company (Forbes, 2011). However, Pederzoli (2006) highlights that Wal-Mart's international operation is only sixteen per cent of its total turnover, while Carrefour generates the majority of its turnover in Europe. Similarly in 2010, Tesco increased its international contribution to twenty-two per cent of total profit, indicating the growth of Asian markets compared to stagnation in home markets. Thus it

seems that globalisation has momentum, but there are regional variations. In this respect, more global companies, such as Tata, generate the majority of their profit internationally (The Economist, 2011) and operate across eighty countries. This suggests that the globalisation of retailing is at a nascent/developing stage compared to more globally mature industries.

Acknowledging that internationalisation (Malhotra and Hinings, 2010) has benefits, the implementation and experience has produced mixed results (Palmer, 2004; Mujtaba and Maxwell, 2011) for retail companies due to cultural differences (Hofstede, 1983), varied governance systems (Hall and Soskice, 2001b) and managerial attitudes of the firm (Pioch et al., 2009). In some cases firms have decided to divest (Christopherson, 2007; Aoyama, 2007) or restructure (Treatgold, 1990; Burt, 1991; Burt et al., 2002) following entry into new markets. Cao and Dupuis's (2009) analysis indicates that Carrefour has made inroads into China, where it has opted for smaller secondary regions to establish its base. The major issues in China include inefficient supply chains, high staff turnover costs, bureaucracy and the challenge of acquiring loyalty (Nielsen, 2005).

The latest Global Retail Development Index (GRDI, 2011) identifies Brazil, Uruguay, Chile, India and China as the expanding countries for retail. Although developed nations (USA., UK, France and Germany) remain the current power houses of consumer spending, the Asian markets are growing fast and the pyramid (Anderson and Markides, 2007) is evolving. Recently the Indian government has relaxed the rules on FDI investment (IGD, 2011). Thus the innovation challenges of global retailing (Reinartz et al., 2011) vary for developed, emerging and less developed markets. More importantly, beyond the elite group of supermarket retailers and their expanding internationalisation (Coe and Wrigley, 2007), the major context of global retailing remains highly fragmented with competition at local, regional and international levels. Within the growing Asian and African markets, local firms have home-country and population advantage, while international corporations may be more sophisticated in doing business (Reinartz et al., 2011; Euromonitor, 2011). A major global concern in retailing is shrinkage due to theft, which continues to rise (Centre for Retail Research, 2011) as firms expand into riskier environments (Corruption Perception Index, 2010). In this regard, the UK has been identified as the most international retail market (IMAP, 2010) with alternative firms and formats competing in a saturated marketplace.

In summary, the global retail environment is fragmented, but the global sector is converging (Howard, 2011) resulting in an array of local, regional and international firms competing to meet consumer wants and needs. The elite group of supermarket retailers have emerged from within their home countries to dominate global retailing and the UK is the most international retail market where there is a demand for its presence.

In this section global retailing has been outlined. Section 2.8 below reviews UK retailing.

2.8 UK retailing

The previous section outlined global retailing. This section proceeds with a review of UK retailing.

Along with being the most international retail environment (IMAP, 2010), UK retailing has matured historically and the marketplace is highly saturated and competitive. This creates interesting dynamics between the firm, regulators, competitors and consumers. Why do global retailers want to be in the UK and which sectors are dominating national retailing?

Historically, the UK is associated with industrialisation and ship building (Ville, 1987) which contributed to Imperial overseas demand for British products (Cain and Hopkins, 1987; Daudin et al., 2008). While manufacturing thrived (Prais, 1981), the Rochdale Pioneers (1844) had popularised co-operative societies, which dominated the retail landscape at home (Fairbairn, 1994). Although a small number of foreign retailers were present, the multiple shop form (Jefferys, 1954) was retained and UK retailing was largely unaffected by FDI or innovation until the 1960s (Godley and Fletcher, 2000). But in the first half of the twentieth century, the innovative performance of British industrial firms slowed down due to a lack of research and development, while other countries such as the USA improved (Mowery, 1984).

Legislative, economic and social changes exerted pressure on traditional retailing following the Second World War (Thomas, 1991). The self-service format (Alexander et al., 2005) had become popular in America (Shaw et al., 2004) and in 1951 an American presented the idea of supermarkets to the board of Express Dairies, resulting in Premier Supermarket opening in London (Alexander et al., 2009). New retailing formats emerged and transformation

(Bamfield, 1980) or revolutionary change (Alexander, 1988a; 1988b) ensued. The Clone Town Britain Survey in 1955 reports “the British High Street retail space is filled with a thriving range of independent butchers, newsagents, green grocers, family owned general stores and co-operatives.” However, the supermarket had arrived.

The growth of cost effective and competitive retailing during the 1960s and 1970s resulted in superstore, hypermarket and out-of-town centre formats evolving (Burt and Sparks, 1994). This was supported by a rise in living standards (Doyle and Cook, 1979) and favourable planning laws (Guy, 2007). Improvements in managerial, technical and operational methods contributed to retail transformation (Dawson and Kirby, 1977). As a consequence of the rise in larger retailing formats, the number of retailers in the UK fell by thirty per cent by 1980 (Thomas, 1991). The retail environment was further influenced by the introduction of legislation (Fair Trading Act, 1973; Consumer Credit Act, 1974) and during the following two decades, a sharp rise in FDI investment increased competition, as international retailers established entry into the British retail sector (Godley and Fletcher, 2000). The Monopolies and Mergers Commission (MMC, 1981) and Office of Fair Trading (OFT, 1985), while recognising the impact of large retailers at that time, felt that the consumer was benefitting from lower prices. Following academic concerns about the abuse of power by large retailers (Wrigley, 1992; 1993; Clarke, 2000; Dobson et al., 2003) regulatory policies have been reversed during the last decade in favour of reviving the town centre or high street. More recently, the High Street Britain report 2015 (House of Commons report, 2006) has suggested that Britain’s small shops will cease trading and multiples will dominate the retail sector. This view is supported by Portas (2011), who argues that the community or social aspect of the high street has been compromised for convenience.

The UK was the world’s seventh largest economy (Euromonitor, 2010) and is presently the fifth largest economy (2015). It has a population of over sixty million and is the third most densely populated country in Europe (Burt et al., 2010). Nationally, London is the most populated city (CIA World Factbook, 2011) and an inflow of ethnic minorities (seven per cent of the UK) has contributed to the richly diverse urban landscape (Scott et al., 2001). However, with a sharp rise in people aged over 45 and 75, compared with a sharp fall in under 16s (The Age and Employment Network, 2011), the UK population is aging. Furthermore, within all the major cities of UK, a class divide between rich and poor remains

(Pacione, 1997). In terms of trade, the service sector is the dominant industry (Office of National Statistics, 2013) which includes retailing, financial services, distribution, hotels and restaurants, tourism, transport and communication. Meanwhile, manufacturing has declined (Brendon, 2010). National austerity measures by the Conservative-led coalition government (Haldenby et al., 2011) saw growth and high youth unemployment debated in Parliament. In this context, the retail sector was worth 292 billion pounds (British Retail Consortium, 2011; DataMonitor, 2011) and employed fourteen per cent of the UK workforce, making it the largest private sector employer¹⁷.

Over the years, changing trends that have influenced British retailing include the transition from manufacturing to services, most notably the rise of the financial services sector (Marshall et al., 1992), which contributed to reduction in employment in the north of England (manufacturing) and increasing employment in south England (services) (Martin, 1988). More widely, social trends such as increasing dual-income households (Gregg and Wadsworth, 1999), rises in the number of women working (Crompton, 2002) and more flexible working hours (Crompton, 2002) have resulted in changing consumer needs and industry responses (Dawson and Sparks, 1985). Within an individualistic culture (Hofstede, 1982; 1991) the idiocentric consumer (Sun et al., 2004) is brand savvy, travel orientated and behaves heterogeneously (De Mooij and Hofstede, 2002). As such, the historical link between consumption and status (Bailey, 2011) has translated into the modern age, where complexities of consumer thrift, taste, fashion and choice can be contrasted with retail supply chains (Smith, 2006), branding (Chernatony et al., 1992) and locations (Clarke, 2000) as underlying patterns of behaviour. Reflecting changing trends, the retail sector employs a sixty per cent female workforce and has the highest female representation in industry on its boards (Broadbridge, 2010). But most importantly for retailing, the UK has the fourth highest consumer spend (Burt et al., 2010), contributed to by a rise in credit in the 1980s (Atanassio and Weber, 1994), which has since turned into cautious consumer behaviour as a result of rising costs and lower incomes (Institute for Fiscal Studies, 2011).

The UK retail sector is dominated by a small number of large players (Tesco, Asda, Sainsbury's, Morrisons), followed by Marks and Spencer, Co-op, John Lewis and Boots

¹⁷ The literature is related to the period under inquiry (2006-2009). More recently a new Conservative government has been elected into power in Parliament.

(Retail Week, 2011). The wider environment includes fashion, DIY, electricals, health and beauty, banking and department stores. Casualties of the retailing downturn included the chains Woolworths and Pier (Ramnaryan, 2011) while Arcadia Group and Mothercare were drastically reducing their number of stores, blaming the effects of rising prices and low wage growth on consumer confidence. The specialist music retailer HMV also struggled to survive, as consumers are now able to download music from the internet (Parry et al., 2012). In contrast, Morrisons announced it was opening twenty-five new stores in 2012 (Daily Express, 2011). In this rebalancing, British consumer trends indicate store design and convenience as important factors, while e-retailing is growing with grocery multiples amongst the most visited retail sites in the UK (IMRG, 2011).

Within the current competitive UK retailing environment it is the British firms that lead in all retail sectors, but the food sector dominates UK retailing (Mintel, 2010). More interestingly, in each sector there is a representative of British retailers that operates internationally (Burt et al., 2010). Contrastingly, the successful international players that operate in the UK include Aldi (Germany), Primark (Ireland), IKEA (Sweden) and Amazon (USA). In a difficult financial climate (Kirby et al., 2011), the oligopolistic elite have engaged in price wars, while the low-end retailers (Aldi, Lidl and Primark) have performed well.

In discussing the unique attributes of UK retailing, the literature distinguishes the UK from the wider global environment in terms of legislation, competition, productivity, firm behaviour and consumer demands (Griffith et al., 2003; Higón et al., 2010). As such, the UK retail sector is different to Europe in that it employs more part-time workers (Baret et al., 2000) and is comparatively more technologically innovative with centralised management and supply procedures. This has enabled the market leader Tesco to reduce inventory levels by fifty per cent since 1980 (Burt et al., 2010). The latest innovative trials include new web and store technology, while urban formats (Tesco Express) are ready to respond to the drive to return to high street Britain.

Another factor that has contributed to UK retailing is outsourcing (Fernie, 1999). Retailers have developed sophisticated partnerships and alliances at the back end of operations, preferring to work with a smaller group of well managed suppliers (Macbeth, 1994). While becoming a source of competitive advantage for retailers (Bolumole, 2001), these

relationships have been found to be different in the UK compared to Europe and the USA (Hughes, 1996). The preferred supplier status (Lowe and Crewe, 1996) and logistical arrangements (Whiteoak, 1993) have benefited retailers, but at the same time, concerns have been raised about the shift in power from manufacturer to retailer (Ogbanna and Wilkinson, 1996). In this regard, the ethical behaviour (Carroll, 1999; 2008) of retailers has come under scrutiny, when competitive pressures result in unfair supplier exploitation (Besley and Ghatak, 2007).

More recently, a major initiative within UK retailing is that of environmental sustainability. As governments reach agreement¹⁸ on long-term recycling and carbon emission targets (Summers and Carrington, 2008; Audsley et al., 2010), corporations are increasingly prioritising the use of sustainable alternative materials in their packaging (Monkhouse et al., 2004); eco-friendly design formats (Lai et al., 2010) and ethically honourable produce (Hughes, 2001). Thus retailers seek to demonstrate commitment and progress towards their obligations of meeting the 2050 zero waste targets (Phillips et al., 2010), placing new demands on the supply chain.

The forefront of these initiatives and developments appear to be exposed within the increased reporting of corporate social responsibility (CSR) (Matten and Moon, 2008; Khan et al., 2015). In UK, the ethically aware consumer questions the social and ethical obligations of the corporation (Carroll and Shabana, 2010; Clifton and Amran, 2011) and corporations seek to demonstrate ethics (Smith, 1759) in their business conduct (Jenkins et al., 2002). More specifically in retailing, while CSR has contributed to developments in local sourcing (Coley et al., 2009), organic produce (Tomlinson, 2008) labour conditions (Robinson, 2010), ethical trade (Ethical Trade Initiative (ETI); FTSE for Good Index; Business in the Community (BiTC)) and philanthropy (Jones et al., 2007), the motivations and virtues of CSR agendas and risk reporting remain voluntary, firm specific and self regulated (Kakabadse and Kakabadse, 2007). The resulting plethora of CSR interpretations (Jones et al., 2005; Kakabadse et al., 2006) by corporations suggests that UK retailing is a complex web of supplier survival, corporate profits, government regulation and consumer demands (Khan and

¹⁸ Most recently the Paris Climate Change agreement was signed in December 2015.

Korac-Kakabadse, 2014). As such, the deeper ethical concern of capitalistic behaviour by corporations remains a cause of frustration.

As a consequence of selective forces and firm adaptations (Volberda and Lewin, 2003), UK retailers have become sophisticated in appealing to consumer loyalty (Bridson et al., 2008). In this respect, loyalty (McGoldrick and Andre, 1997; Oliver, 1997) can be to product, store or brand (Roehm et al., 2002) and needs to consider employees along with consumers (Bradley et al., 1990). Further, there is a distinction between rewarding repeat purchases and actual loyalty (Parker and Worthington, 2000). Therefore, modern advertising formats associate products with celebrities (McCracken, 1989), target consumers directly via mobile applications (Scharl et al., 2005) and offer discounts for volume purchasing (Grewal et al., 1998) or as employee benefits (Marino and Zabojnik, 2004). Although impulse buying persists, brand representation drives repeat custom (Dowling and Uncles, 1997; Rowley, 2005) and loyalty cards/programs have survived despite reservations (O'Malley and Tynan, 2000; Capizzi and Ferguson, 2005). This has provided the grocery multiple sector in particular with a rich database of consumer preferences and patterns of behaviour (Rowley, 2005). The wider retailing sectors have remained specialised, whereas in contrast grocery multiples in the UK have extended and diversified the range of products and services they offer, eroding the wider retailing sectors in the process (Burch and Lawrence, 2007). Thus, when turbulence has impacted traditionally brand-stable sectors such as banking and fashion, the grocery multiple sector has benefited by responding to consumer needs. Additionally, this sector has successfully established its own-label brands (Dawes and Nenycz-Thiel, 2011) further eroding the market presence of branded manufacturers on the shelves (Baltas and Argouslidis, 2007).

Historically, food has always been the largest sector in retailing (Godley, 2003). The current concerns in UK retailing are diversity and concentration (Coe and Wrigley, 2009). The rise of the grocery multiple sector in recent decades (Burt and Sparks, 1994), driven by economies of scale, the standardisation of product lines for mass consumerism (Ford), and access to homogenous formats across national geographies, has contributed to the elite oligopolistic grocery multiple sector's dominance. The lifestyle of modern consumers has eroded the desire for traditional recipes, time-consuming skills and crafts, or labour-intensive processes in favour of instant gratification, shorter life cycles and hi-tech solutions (Khan et al., 2015).

Thus, the frontline of retailing is the exposed battleground of tradition versus modernity and grocery multiple versus other retailing sectors.

Forecasting into the future, Garnett (2007) suggests that by 2050 temperatures will have risen by two degrees and the sea level will rise by twenty centimetres in the UK. Therefore crop production will increase and the south of England will be well-suited to food growing and wine making. Green industry will also mature, with carbon taxes and bio-fuel. Supermarkets will also be extremely energy efficient and the consumer carbon conscious. The digital age will be embedded in shopping habits. However, food and packaging waste will remain a concern due to their high costs.

In this section UK retailing has been reviewed relative to the period under inquiry and beyond. Section 2.9 below proceeds to consider the grocery multiple retail sector in greater detail.

2.9 Grocery multiple retailing

This section critically reviews the evolution of the grocery multiple sector in UK. The historical development of the elite group of grocery multiples and an in-depth understanding of the selective/adaptive factors that have enabled the oligopolistic elite to retain dominance are considered.

In the early twentieth century, the flow of FDI (Lewis, 1938; Lipsey et al., 1999) and the demands of growing labour unions (Tomlins, 1985; Goldberg, 1999) represented an industrialising America. This, combined with Smith's (1776) and Babbage's (1832) ideas on the division of labour, enabled the growth of Fordism and Taylorism (Taylor, 1911; Degan, 2011), which in turn promoted mass production (Womack et al., 1990) and consumerism (Veblen, 1899). In this context, the origins of the modern supermarket can be traced back to the Great Atlantic & Pacific Tea Company (1859), which introduced scale and standardisation to American retailing (Ellickson, 2007). A more radical innovation emerged in Memphis in 1916, when Piggly Wiggly (with its origins in trading posts and general stores) opened and became the first self-service store (Shaw et al., 2004).

During the 1920s America became the wealthiest country in the world (Maddison, 2003) and in August 1930, Michael J. Cullen opened the first supermarket in New York, offering separate product departments, discount pricing, marketing and volume-selling in addition to the concept of self-service (Zimmerman, 1955; Appel, 1972; Goldman, 1975). The Great Depression of the 1930s supported the growth of supermarket chains, as consumers were price-sensitive and increasingly mobile. The creative destruction (Schumpeter, 1934) of supermarkets in America was underway and food shopping became an increasingly out-of-town, supermarket affair (Fulop, 1964). In this regard, the wheel of retailing (McNair, 1931; 1958; Hollander, 1960) and the discount format (Appel, 1972) impacted competitive behaviour against the traditional alternative formats (Hollander, 1966; Goldman, 2001).

Across the pond, co-operatives and independents represented British retailing (Jefferys, 1954) prior to World War II. The gap between rich and poor was high (Lindert, 1998) and the entrepreneurial working class sought collectively to rise out of poverty. As such, the northern based Rochdale Pioneers' formalisation of co-operatives in 1844 had expanded nationally through mergers (Purvis, 1990), and the effects of the two world wars (1914-18; 1939-1945). It was a Britain of de-colonisation (Stern, 2009), smog in cities, rationing and social reconstruction (Zweiniger-Bargielowska, 2000), which included reform of the welfare state (Orloff and Skocpol, 1984; Gladstone, 1995). In this regard, while the concept of self-service is often attributed to the Americanisation of British retailing (Shaw et al., 2004; Alexander et al., 2005), the more recent view (Shaw and Alexander, 2008) argues that self-service (du Gay, 2004) emerged in the UK from within the co-operative movement (Birchall, 1994; Alexander, 2008). Thus, the British Market Research Bureau (1950) attributes self-service to co-operatives rather than Americanisation (Fulop, 1964; Hamlett et al., 2008).

Nevertheless, the self-service retail format grew rapidly in Britain during the late 1940s (McClelland, 1963). Comparatively, supermarket growth was restricted until the end of rationing and the lifting of building restrictions (McClelland, 1963). However, with the opening of Premier Supermarket in London in 1951, the process of selling and the act of shopping were both transformed (Humphrey, 1998; Bowlby, 2001). The removal of the restrictive resale price mechanism (Restrictive Trade Practices Act, 1956) further demonstrated the advantages and profitability of these innovations within the sector. Acknowledging that the terms "self-service" and "supermarket" are differentiated by size and

facilities (Shaw et al., 2004), both innovations responded to the consumer's desire to avoid long queues, and to the rising cost of labour in 1950s Britain (Shaw and Alexander, 2008). However, for co-operatives, the impersonal nature of these innovations made recruiting new members more difficult (Kelly, 1998) and the social enterprise setup resulted in members preferring increased dividend payouts rather than reduced prices. It is also interesting to note the revisions to the original Rochdale Principles of 1844 over time, to the Rochdale Principles of Co-operatives in 1937 and the Co-operative Principles in 1966 adopted by the International Co-operative Alliance (Prakash, 2003).

The alternative ownership structure in British food and grocery retailing was the private sector: independents. Sainsbury's, started by a husband and wife in Holborn, London, in 1869 offered fresh foods, packaged tea, sugar and, later on, meat and groceries. The family business became a limited company and was the largest grocery retailer in the UK by 1922. Meanwhile in Hackney market in 1919, Jack Cohen was selling groceries. He bought shipments of tea from T.E. Stockwell and this partnership led to the formation of Tesco, resulting in the first store opening in Edgware in 1929, closely followed by limited company formation in 1932. Sainsbury's (in 1950) and Tesco (in 1954) were one of the first multiple stores to offer self-service in the south of England. While Sainsbury's grew organically as a family business, Tesco grew through takeovers and had been floated on the stock exchange by 1947.

Meanwhile, the department store Marks and Spencer had also entered food retailing (in 1931) and self-service (in 1948). Waitrose (founded in 1904) which began life in London as a three-partner, small specialist grocery store, was acquired by the John Lewis Partnership in 1937 and opened its first supermarket in 1955. Elsewhere, Fine Fare preferred a convenience format, while Victor Value preferred a low value format.

In the north of England, Morrisons started life in 1899 as an egg and butter merchant based in Bradford. The family business proceeded to open its first self-service store in 1958 and first supermarket in 1961, prior to becoming a public limited company in 1967. A group of farmers in Yorkshire had formed Hindell's Dairies in the 1920s, processing and retailing milk and meat to a growing customer base (Asda, 2016). In 1949, the Leeds-based Associated Dairies and Farm Stores was floated and later merged with the northern Asquith family

supermarkets in 1965 to become Asda. Following successful growth in north England and Scotland, the company ran into trouble in the early 1990s and was taken over by Wal-Mart in 1999 (Burt and Sparks, 2001) as part of the third phase of internationalisation for Wal-Mart (Sparks, 2011).

In 1951, Tesco had thirty-five outlets, compared to Premier, Victor Value and Fine Fare, who had 330 outlets. However, Premier Supermarket lost a bid to take over 212 Irwin Stores to Tesco. Thus, regional dominance was expanding towards national chains. In less than two decades, the number of supermarkets grew from fifty in 1950 to 3,400 in 1969. It was the opening of American Woolworths in Liverpool in 1909 that represented the only significant early FDI in Britain's largest retail sector (Godley, 2003). By 1961, Woolworths had also become a dominant force in retailing (Godley, 2003). It has since declined, and closed in 2009 to become an online store.

Over the years, a handful of independents and co-operatives have survived and evolved within the British grocery multiple sector. However, the independents have dominated British retailing and continue to do so (Burt et al., 2010). The sustained elite group are Tesco, Asda, Sainsbury's and Morrisons, with the Co-operative in fifth. Asda, owned by Wal-Mart, has recently taken over the Danish discounter, Netto (Yorkshire Post, 2011) and is not listed on the UK FTSE100. Sainsbury's floated on the stock exchange in 1973 and has gradually moved away from family control. Morrisons opened its first southern store in 1998 and took over Safeway in 2004 to expand nationally. The Co-operative retains its membership format (six million members) and core food business, while its diversified evolution has made it the largest farming operation and funeral business in UK. Within this elite group, in 1995 Tesco became the leading grocery multiple retailer in the UK, overtaking Sainsbury's (Burt and Sparks, 2003). It has demonstrated world-leading operations (Smith and Sparks, 2009) and continued growth by leading the UK market sector (including the diversification of its product range and markets), along with establishing itself in fourteen countries worldwide. More recently, Tesco's share price fell by fifteen per cent due to poor trading in the UK during Christmas 2011 (Felsted, 2012) and the firm was subject of an accounting scandal¹⁹ shortly after the departure of the then CEO Phillip Clarke (2014).

¹⁹A profit hole of £250million due to internal accounting irregularities discovered in September 2014.

UK grocery multiple retailing is a business worth over 150 billion pounds (IGD, 2010). There are 91,500 stores (hypermarket/supermarket - 107 billion pounds; convenience - 32 billion pounds; traditional - 6 billion pounds; online - 5 billion pounds), but the big four players, run by sixty people (i.e. their boards), control seventy-five per cent of the sector (IGD, 2010). The typical British supermarket contains 30,000 items (Welch, 2011) and the majority of these are supplied by just ten multinational food and beverage corporations controlled by 140 people, or they are their own-label brands (Smith and Sparks, 1993). Year-on-year growth in the sector peaked in 2001 at six and a half per cent and has since fallen to three per cent (IGD, 2010). However, the attributes of this sector have become increasingly blurred, as the elite continue to diversify into wider retailing sectors (fashion, electrical, finance, DIY), and there is increasing concentration of the dominant elite (Hughes et al., 2009) within the geographically small UK. Thus the casualties appear to be the less competitive smaller retailers and their aligned industries. For example, milk is no longer a daily delivery and megadairies are fast emerging instead.

It is therefore no surprise that the innovative UK food retail sector has received increasing attention over the years (Baden-Fuller, 1986; Burt, 1991; Burt and Sparks, 1994). More specifically, while some commentators have argued that the grocery retail sector has been the best managed in Western retail (Burt and Sparks, 1994) and dominates in terms of outlets, sales, employees and capital (Burt et al., 2010), others have raised concerns about the growing power of the oligopolistic elite (Wrigley, 1993; Wrigley, et al., 2009) and lack of diversity within the marketplace (Hallsworth et al., 2010). In recent years, the debate has included a range of factors, from distribution, format development, oligopolistic competition, institutional and competitive controls, to media, ethics and consumerism (Colla, 2004; Freidberg, 2004; Jones et al., 2007; Drummond, 2011).

The management and attributes of the distribution mix have evolved considerably since the 1980s (Cooper, 1988; Smith and Sparks, 1993). The flow of product and information has been transformed, due to investment in information technology (Bourlakis, 2011), better material usage and packaging (Dixon-Hardy and Curran, 2009; Simms and Trott, 2010) and more efficient logistics (McKinnon, 1985; Fernie and Sparks, 2010). These combined innovations have facilitated improved and wider sourcing of products, along with geographic and market expansion (Burt et al., 2010). Flatter management structures, lean techniques and

outsourcing have further contributed to reducing waste and maximising value. In consequence, the distribution systems of grocery multiples have become more centralised and controlled to support regional hubs, while at the same time closer relationships with suppliers (back end) and consumers (front-end) have been formed. In terms of supply, grocery multiples are working with their preferred suppliers and, where possible, local companies, to reduce their carbon footprint and support local businesses. In a data driven market (Castells, 2011), the current consumer growth area is e-tailing (Williams, 2009) where home delivery has its challenges (Ferne and Sparks, 2010).

With geography and convenience critical to this sector (Hallsworth et al., 2010), grocery multiples have developed a variety of formats, i.e. hypermarkets, supermarkets, convenience stores and online shopping. While incremental evolutions of formats has contributed to innovation and growth (self-service, the supermarket), this remains a comparatively under-researched area (Alexander, 2008). The current innovations are experimenting with eco-friendly structures, energy efficiency and hi-tech solutions to the in-store experience. In this regard, the UK consumer has traditionally preferred service and speciality over the more general discounting formats (Burt et al., 2010). However, in the post-GFC economic climate, price has become a more prominent demand from consumers. Yet at the same time, the rise of smaller formats such as Tesco Metro and Tesco Express indicates that UK consumers are willing to pay extra for the convenience factor. A more common theme with regard to formats has been the growing size of out-of-town supermarkets (Haskel and Sadun, 2012), where land is cheaper and facilities include car parking (Wood et al., 2006). This in part has contributed to the decline of the high street (Dawson, 1988). But in contrast, it has enabled the growth of product range and services offered to the consumer. Most recently, the retailer John Lewis predicted a trend that online shopping will be greater than in-store shopping by 2020 (Craven, 2015).

The UK grocery multiple sector is oligopolistic (Akehurst, 1984). As such, it has a small number of dominant players, where firms are interdependent and there are barriers to entry (Rotemberg and Woodford, 1992). Where commentators refer to the dominance of the major players (Dawson, 2004) or increasing concentrations (Baden-Fuller, 1986; Burt and Sparks, 2003), this in essence implies oligopolistic characteristics. In this regard, multiples have sustainably retained market position against co-operatives and smaller independents (Smith

and Sparks, 1993). Meanwhile the co-operative has demonstrated more stable survival performance (Alexander, 2008). However, multiples have the advantage of economies of scale (McClelland, 1990) and less bureaucratic responses to consumer needs. Where previously Co-operative, Sainsbury's, Tesco, Asda and Kwik Save dominated (Akehurst, 1984), the Co-operative lost its leading position and Morrisons has risen to join the elite. As such there have been a number of investigations by the Competition Commission (2000; 2003; 2005; 2006; 2007a; 2007b; 2008) and further academic inquiries into merger and acquisitions (Poole et al., 2003; Burt, 2010) within the sector. Although each firm is heterogeneous and pursues its own competitive strategy, homogenous features across the elite group include own-label brands (Burt, 1992), loyalty schemes, similar formats and diversification of markets. These factors have contributed to a shift in the balance of power from manufacturers to these retailers (Wrigley, 1993; Burt and Sparks, 2003).

Another factor that has influenced development of the grocery multiple sector is institutional regulation and policies (Kervenoael et al., 2006). It is important to remember that these corporations originate from humble beginnings. At the time, regional policies and the north/south divide impacted experiences and development for each of the firms. Furthermore, the development of formats has had to respond to planning regulations (Barker, 2006; Guy, 2007). While previously grocery multiples benefited from planning (Davies and Sparks, 1989), a change in policy in 1996 restricted development of out-of-town larger stores towards smaller in-town stores (Haskel and Sadun, 2012). If this is coupled with cultural preferences and size of country, the appeal to discounting formats has thus far remained limited. As such, although legislation has impacted format development and competition (Colla, 2004; Burt, 2010), the strategies of grocery multiples have also responded (Wood et al., 2010). Tesco engaged split-level formats, i.e. car parking on the ground floor and store on the upper floor; committed to reviving deprived areas in partnership with government (Wrigley Guy and Lowe, 2002; Wrigley, Lowe and Currah, 2002); and employed the long-term unemployed in lieu of planning. The wider lens further suggests that the UK grocery multiples sector is comparatively less productive than other countries (Haskel and Sadun, 2012). This may be due to the higher cost of property and labour (Burt et al., 2010) or more subtle factors such as Sunday trading. However, a major benefit for the sector has been the importance given to the service sector in the UK, and more importantly the finance sector. This has enabled the

liberalisation of finance for firms (Wrigley, 1991) and also extends to allowing consumers credit facilities.

The relationship between grocery multiples and the media in the UK may be simply defined in terms of branding or marketing (Burt, 2000). However, an alternative deeper interpretation indicates a power play between corporations, media and consumers within the public sphere (Habermas, 1962/1989). At a time when the UK media itself was under ethical investigation (Leveson, 2011) the grocery retailers were somewhat critical of the press coverage they received or more importantly was mass produced (Davis, 2002). In response, the practice of public relations (Kitchen, 1993) and CSR (Kakabadse and Kakabadse, 2007) by corporations suggests a formal relationship where the public sphere is degraded. While the media is controlled by a small minority, the different papers and media can portray a report in different ways to different socio-economic groups (Sparks, 1999). In this regard, the role of NGOs²⁰ in promoting awareness of issues (environmental, health) within the public sphere (Freidberg, 2004) may have contributed to the rise in investigations by the Competition Commission in recent years. Thus, the UK public's perception of the dominant grocery multiples is often a love/hate relationship with the consumer.

In understanding the UK public's perception and individual values, the ideals of capitalism, Christianity and consumerism become entangled. In Campbell's (1987) romantic interpretation, the rationality (Weber, 1962), economics (Veblen, 1899) and virtues (Galbraith, 1998; 2007) of production and consumption recognise historical context (Bailey, 2011). However, the modern UK has diverse communities and is technologically advanced. As such, individual consumption, behaviour and shopping patterns vary based on lifestyle choices and personal taste (Smith and Sparks, 1993). In the current financial crisis, consumers are more cautious in their liberal spending habits. Thus, grocery multiples use branding (Burt, 2000), point-of-sale packaging (Sara, 1990) and variety to cater to different socio-economic groups and tastes.

A major influence on grocery multiples has been the understanding and growth of internationalisation (Alexander, 1997; Alexander and Myers, 2000). This has been facilitated

²⁰ Non Government Organisations

by integration of the European Union (Dawson, 2010), increasing concentrations within domestic economies (Davis and Reilly, 2010) and growing academic interest (Dickens, 2003). In the 1990s FDI had established European players (Aldi, Netto) in the UK market (Wrigley, 1993). Additionally, the discount format was performing well post-recession (Burt and Sparks, 1994) and Wal-Mart entered the UK sector in 1999 (Sparks, 2011). Similarly, UK-based Tesco entered Poland in 1992, Hungary in 1994 and the Czech Republic in 1996. The result has been the emergence of a global elite of grocery multiple retailers. Whereas in 1993 there were no retailers in the top one hundred transnational corporations (TNCs), in 1999 four retailers (Royal Ahold, Metro, Carrefour and Wal-Mart) were present, and by 2003 fourteen retailers (including Tesco) had emerged.

A criticism of the corporate internationalisation process currently fuels the debate on well-being and health. While noting the rise in confectionary products in Poland and instant foods (noodles, soft drinks, snacks and fast foods) in China, Hawkes (2005) implies that FDI factors have contributed to an increase in processed foods within developed countries which has resulted in a rise in obesity and diet-related chronic diseases. Furthermore, the Global Strategy on Diet, Physical Activity and Health (World Health Organisation, 2004) identifies the threat of energy-dense, nutrition-poor foods on people's health.

Although a historically recent phenomenon, grocery multiples continue to pursue internationalisation (Suh and Howard, 2009; Cao and Dupuis, 2009). As such, they currently dominate the Global Retail Index (2011). Combining innovation and replication (Aspara et al., 2010), harnessing the value of joint ventures (Tong et al., 2008), building distribution (Wrigley et al., 2005) and managing psychic distance (Evans and Bridson, 2005), the UK market leader and Global Retail Index elite (fourth globally in 2011) is Tesco. In this respect Lowe and Wrigley (2010) commend Tesco for being the only UK retailer to retain the support of financial markets while rolling out an international investment programme and at the same time delivering in markets at home.

Thus, the grocery multiple sector is a leading indicator of change (Smith and Sparks, 2009) and is reflective of firm and environmental conditions. In this context, the Minister for Business and Enterprise has been calling for closer partnership between retailing and government (Department for Innovation and Skills, 2010) and innovative grocery multiple

retailing is being linked to the UK growth agenda (Lowe, 2011). The next phase is for the grocery multiple is for it to become a social force (Burt et al., 2010).

In this section the grocery multiple sector in UK was reviewed pertaining to the period under inquiry. Section 2.10 below proceeds with a summary of the literature review.

2.10 Summary of literature review

In this section a summary of the literature review is shared.

In Sections 2.3 and 2.4 the differing definitions (Ansoff, 1957; Mintzberg, 1978) and approaches (Hannan and Freeman, 1989; Jarzabkowski, 2008) to strategy were explored. Although there is no consensus on terminology (Quinn, 1980) and each contribution to inquiry is unique, like-minded scholars converge within a continuum of qualitative to quantitative (Figure 2.2). Furthermore, the traditional theoretical frameworks (long-range planning, resource-based view, knowledge-based view, dynamic capabilities) vary in terms of underlying assumptions, which restricts the window of inquiry. In this respect, alternative approaches (Cyert and March, 1963; Nelson and Winter, 1982; Volberda and Lewin, 2003) have attempted to integrate the differing strategic perspectives towards a more holistic examination of the survival and strategic behaviour of the firm within its environments.

Section 2.5 explored the historical context and current influential factors within the global environment. Increasing populations, shifting economic centres and emerging technologies are impacting global trade, while the increasing neo-liberalising forces of capitalism (Hall and Soskice, 2001b) have empowered corporations to grow. Asian developing economies are the growth markets. This was complemented by Section 2.6, which reviewed the literature on growth modelling and the adaptive/selective influences on firm growth. The earlier neoclassical frameworks (Solow, 1956; Arrow, 1962), while considering institutional (North, 1990) and industry (Porter, 1980) effects, are suited to assumptions of perfect competition. Alternatively, firm-level frameworks have considered how size and age influence survival and growth of the firm (Evans, 1987). In this respect, the co-evolutionary framework combines exploration/exploitation (firm) and selection (environment) to explain multilevel influences on growth (including the industry effect).

Sections 2.7, 2.8 and 2.9 reviewed the global, UK and grocery multiple retail sectors. The retail industry has historical context (Burt, 1993), is closely aligned to both production (manufacturing) and consumption (consumer) factors and demonstrates innovation and renewal (Schumpeter, 1934) over the longer sustained time frame. The global retail sector remains fragmented, but is fast converging as national chains are growing internationally. In this regard, the UK is the most international retail market. Within the UK, an elite group of oligopolistic grocery multiples (Tesco, Asda, Sainsbury's, Morrisons, Co-operative) have sustainably dominated the UK market, while demonstrating growth into the comparatively recently emerged Global Powers of Retailing (Wal-Mart, Carrefour, Metro, Tesco).

In this section the summary of the literature review has been shared. Section 2.11 below offers a conclusion and gap emerging from within the literature.

2.11 Conclusion and inquiry gap

Following the literature review above, this section shares the conclusion to the literature review and identifies the inquiry gap and question.

It is concluded that a qualitative definition of strategy (Mintzberg et al., 2009) is best suited to inquiry. This offers the widest definition as empathetic strategic planning supports action. More importantly, this definition enables historical inquiry of realised strategy, where outcomes can be explained as examinable patterns (Nelson and Winter, 1982; Becker et al., 2005).

Seeking to maintain a wider lens of inquiry, the co-evolutionary dynamic framework/managed selection journey (Volberda and Lewin, 2003) has been selected to understand strategic behaviour of the firm within its environments. This holistic lens integrates single silo theories, is multilayered, multidirectional and offers an outside-in approach (Lewin and Volberda, 1999). Furthermore, the underlying assumptions align with the qualitative approach to strategy and are suited to dynamic environments (Porter, 2009). The literature review suggests that co-evolutionary modelling is emerging as the next qualitative dominant force in strategic thinking and there are calls for further empirical inquiry and theoretical support (Lewin and Volberda, 1999; Volberda and Lewin, 2003). In this respect, McKelvey (2002) points out that the multi-unit firm under inquiry is incumbent

within a population of heterogeneous firms where dynamics of co-evolution persist. As such, the co-evolutionary approach requires “sets of co-acting firms and their environments to be the object of inquiry” (Lewin and Volberda, 1999, p.527), where the “mutation/reinvention of new organisational forms is under-researched.” (Lewin and Volberda, 1999, p.529).

With this in mind, the retail industry has been selected to understand survival and growth of the firm in markets. The oligopolistic multiple elites in the UK (Tesco, Sainsbury’s, Asda, Morrisons, Co-op) have retained dominance in home markets (survival), while evolving into the global sector (growth). This is demonstrated by Tesco, which has been the UK’s leading multiple since 1995 and was fourth in the Global Powers of Retailing in 2011. In modelling the behaviour of these co-acting firms, consideration will need to be given to the industry effect.

Therefore, the inquiry will be conducted at industry level. The industry level has boundaries with both individual firm level and the institutional level, so heterogeneous firm outcomes and institutional influences can be contrasted with competitive behaviour. As such, the industry effect will be considered. While the growth of UK firms into the global sector will be modelled, the inquiry is practically constrained at the global level, where foreign companies will be considered but cannot be fully analysed. Therefore the focus will be on the growth of firms from within the UK multiples retail sector into the global retail sector. This will lead to the understanding of which firm grew and, more importantly, why.

While separate inquiries have examined the survival (Coeurderoy et al., 2011) and growth (McKelvie and Wiklund, 2010) of the firm; the development of an industry and the link between strategy and performance (Feaser and Willard, 1990); UK retailing (Elms et al., 2010); the grocery multiples sector (Guy, 2007; Burt, 2010) and the internationalisation process (Hutzchenreuter and Volberda, 2007; Zentes et al., 2012), the majority of inquiries has been through traditional approaches with limited windows of inquiry. The holistic understanding of these attributes in explaining the strategic behaviour of the firm within a multilevelled model remains the challenge.

There is a gap in the literature for a longitudinal co-evolutionary inquiry of how UK grocery multiples have grown into the global retail sector. The holistic modelling of heterogeneous

strategic outcomes (firm) within a population of firms (industry) seeks to establish the unique patterns of behaviour and adaptive/selective influences that resulted in survival and growth for the firm. Section 2.12 below presents the main question, and its subset inquiry questions.

2.12 Inquiry question

This thesis seeks to mainly understand and explain:

How did the firm's strategic behaviour co-evolve from British grocery multiple retailing to global retailing during the period 2006-2009?

Two subset questions emerge as:

- *Which factors, endogenous and exogenous to the firm, enhanced firm growth?*
- *Are adaptive factors more likely to influence survival and growth of the firm than selective factors?*

Section 2.12 above presented the thesis inquiry question. Section 2.13 below summarises Chapter two.

2.13 Chapter two summary

To summarise, in Chapter two the literature streams pertaining to strategy and strategic behaviour; global change and firm growth; and the global, UK and grocery multiple sectors have been critically reviewed and the links between them shared. This defines the gap for a longitudinal (2006-2009) co-evolutionary inquiry and the emergent inquiry question (Section 2.12), focusing on the growth of UK grocery multiples into the global retail sector. There is the opportunity for holistic modelling of the adaptive firm within its selective environments as patterns of strategic behaviour.

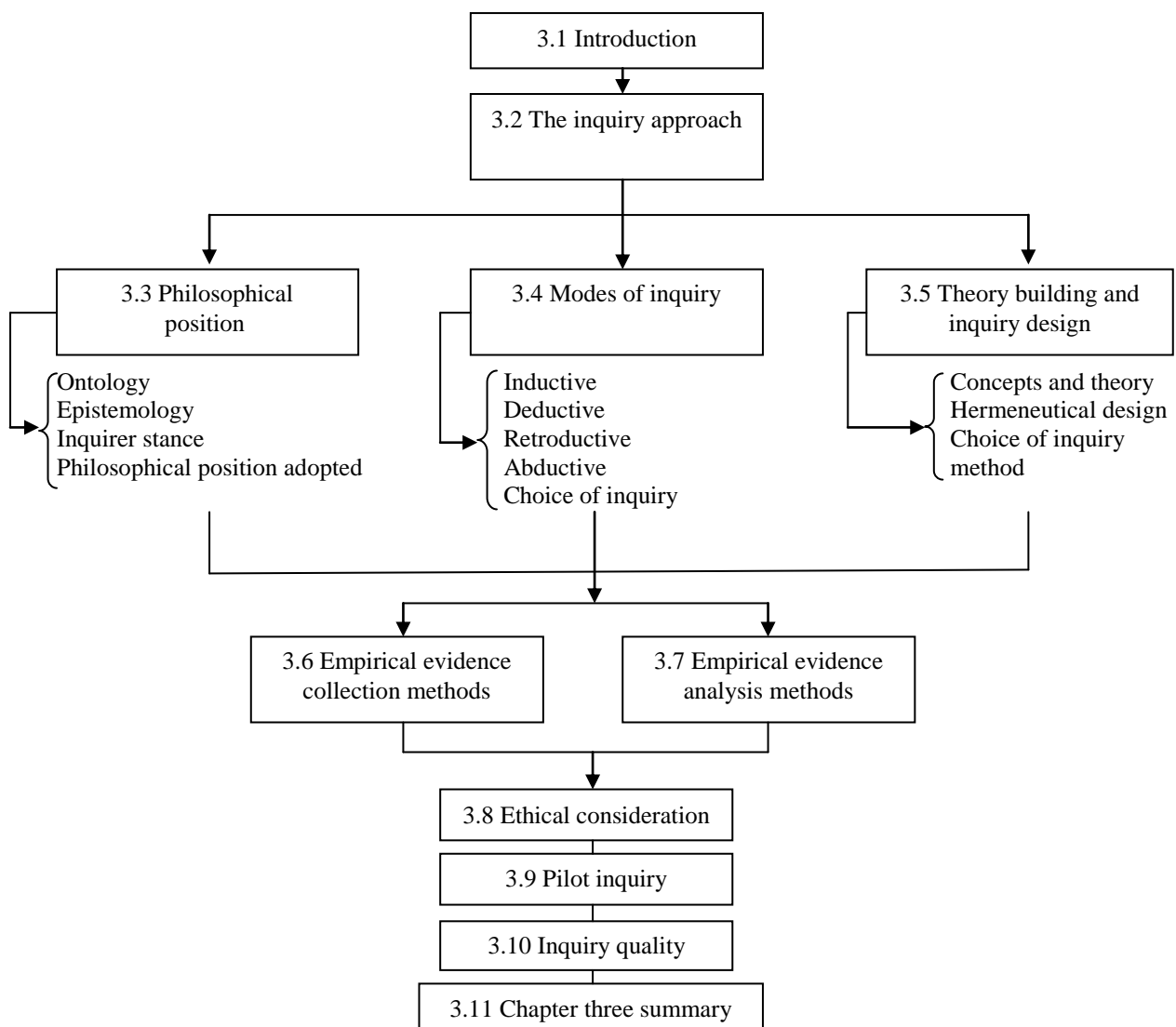
Chapter three below proceeds to focus on the methodology and method to inquiry.

Chapter Three: Methodology

3.1 Introduction

This chapter critically reviews the alternative assumptions and approaches to methodology, design and methods. The balanced subjective/interpretive position adopted and choice of hermeneutical design are identified and justified to legitimise the social examination of the inquiry question in Chapter two. At a deeper level, the reader is introduced to the inquirer's window of understanding in explaining what inquiry means, how to inquire, what to inquire and why inquire. Included in this chapter are the methods of collection of the empirical evidence and analysis, along with the findings of the initial pilot inquiry. Figure 3.1 below outlines the structure that Chapter three follows:

Figure 3.1 Structure of Chapter three



This inquiry is located within the field of social science (Hammersley, 1993; 2011). The combination of social and science in itself leads to complexity, in giving meaning to society and human interactions within it. Furthermore, the inquiry question itself identifies the historical longitudinal nature of the inquiry (2006-2009). As such, this inquiry draws on Greek metaphysical perspectives (Socrates, Plato, Aristotle) and Islamic ontology (600A.D.) in establishing the unique methodology that links meaning, understanding and interpretation (Kakabadse and Steane, 2010) to explain behavioural outcomes (survival/growth). The moral act of inquiry is guided by a responsibility towards social good (Clough and Nutbrown, 2007) where “having decided upon the inquiry question, there is a need to decide how to go about finding the answers” (Kumar, 2005, p. 16).

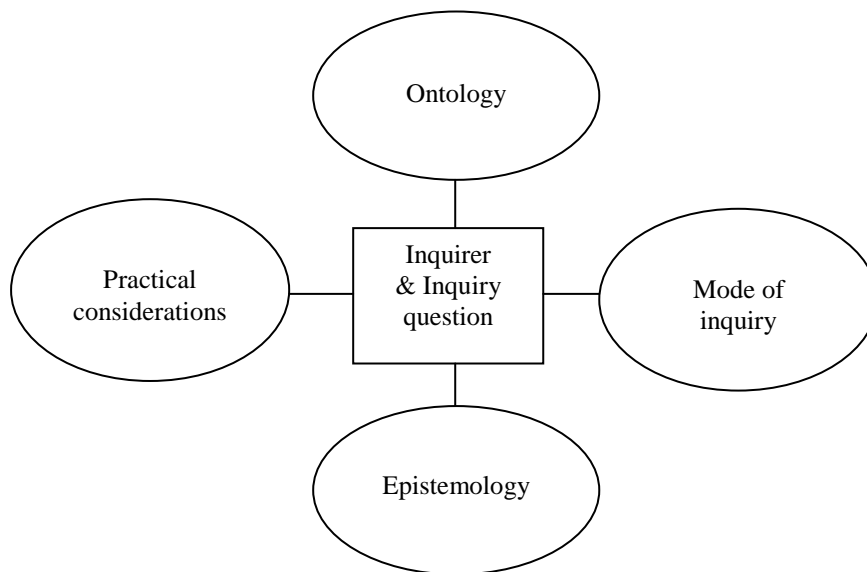
This section has introduced the methodology chapter, Chapter three. The next section (3.2) proceeds with the inquiry approach.

3.2 The inquiry approach

Conceptual clarity is critical to good inquiry. Where there is often confusion in the difference between methodology and methods, as the terms are used interchangeably (Bryman, 1984; Henwood and Pidgeon, 1992), scholars reaffirm the distinction (Blaikie, 2010). Methodology refers to the higher-order principles that govern the use of methods in explaining how the inquiry should proceed, whereas methods are the actual techniques used to gather and analyse empirical evidence (Jackson and Bailey, 2003; Blaikie, 2010). Thus methodology includes theoretical assumptions about reality along with how new knowledge is generated and justified.

In this respect, the philosophical and methodological choices adopted by the inquirer in social examination influence the inquiry approach (May, 2001). Holden and Lynch (2004) further assert that inquiry is not methodologically led, but rather that methodological choice is a consequence of the inquirer’s philosophical position and the phenomenon being examined. Irrespective of consequence, this inquiry aligns itself with the notion that the inquiry approach needs to be balanced between ontology (reality); epistemology (knowledge); mode of inquiry (inquiry strategy) and practical considerations (inquiry constraints), where the inquirer and inquiry question are central to examination (Blaikie, 2010). Figure 3.2 below exemplifies the balanced approach that leads to synergy in inquiry output.

Figure 3.2 Achieving balance in inquiry



Source: Adapted from Kakabadse (2011) and Huberman and Miles (2002, p.354)

In order to achieve the balance in inquiry approach outlined in Figure 3.2 above, the philosophical position is shared next.

3.3 Philosophical position

Firstly, this section critically reviews the alternative ontological and epistemological assumptions to inquiry. Secondly, the differing inquirer stances that may be adopted in examination are discussed. The section concludes by identifying and justifying the unique combinations of these methodological factors that underpin the philosophical position adopted in this inquiry.

3.3.1 Ontological positions

Ontology, a central branch of metaphysics, is the philosophical inquiry of the nature of being, existence or reality (Cheng, 1970; Blaikie, 2010). Where metaphysics seeks to explain the notion of being in the world (What is there? What is it like?), ontology inquires about the categories of being and how they relate to each other. Paramount to this debate is how the reality relationship between inquirer, social actor and phenomenon is defined (Denzin and Lincoln, 1994) or alternatively how theory informs practice (Tranfield and Starkey, 1998). The three main ontological positions that are commonly adopted are objectivism (Rand, 1965); critical realism (Bhaskar, 1975); and subjectivism (Hegel, 1807). The historical

evolution of concepts within metaphysics (Plato 428B.C.-348B.C.) has included debates on morality (Aristotle, 384B.C.-322B.C.) and reasoning (Descartes, 1637a, 1637b, 1641).

*“to be conscious that we are perceiving or thinking
is to be conscious that we exist”*

Nicomachean Ethics, 1170a25 ff
by Aristotle (2004)

“Cogito ergo sum” (I think therefore I am)

Descartes (1641)

Where each approach has its unique assumptions about the nature of reality (Easterby-Smith et al., 1991), the position taken influences the knowledge gained during inquiry (Blaikie, 2010).

The objectivist ontological position assumes that reality exists independently of the social actor and inquirer. As such, regularities and patterns of absolute social reality are discovered through the sensory experience of events that can be quantified (Blaikie, 2010). Also referred to as positivism (Easterby-Smith et al., 1991) or external reality (Burrell and Morgan, 1979), in this perspective the process of discovery can be based on positive scientific verification (Comte, 1865). Post-positivists prefer falsification of conjecture (Popper, 1967; 1968). Thus, the objectivist position assumes reality exists as external to human consciousness, and behaviour is explained by cause and effect (May, 2001). Scholarly criticisms of the objectivist position include the loss of other variables in the quantification of context; lack of consideration for valued judgment (Blaikie, 2010); a lack of appreciation for the diversity of individual human behaviour; incompatibility with creative or divergent thinking; and the insignificance of morality (Lincoln and Guba, 2000). This position appeals to scientific inquiry.

The critical realist position combines science and social science, where the human world (consciousness) interacts with the physical natural world (objects). Reality continues to exist independently of the social actor and inquirer, but the process of discovery (Glaser and Strauss, 1967) informs explanation through reasoning (Fleetwood and Ackroyd, 2004). The critical realist assumes that by changing the process of generating outcomes, nature's

universal structures can be scientifically explained (Archer et al., 1998). Commonly associated with Bhaskar (1975), this perspective rejects the notion of predictability and quantification in favour of discursive discovery. In terms of social interaction, this can involve comparison of knowledge or deconstruction of the structures that lead to the understanding of phenomena (Fleetwood, 2005). While adopting a duality of realities (transcendental realism, critical naturalism) critical realism is ontologically more objective than subjective (Fleetwood, 2005). Although it may be desirable to adopt a critical position for social inquiry (Hammersley, 1992), valued conclusions from factual evidence (Marx, 1975) and the justification of error rather than bias do not suit teleological understanding of social behaviour, as the deeper meanings need to integrate socio-political or ethical factors (Hammersley, 2009). While Descartes (1637a; 1637b;1641) distinguishes between mind and matter (Cartesian dualism) in proposing deduction to question the objective position (Plato, 428B.C.-348B.C.), Kant (1781) advances this with the notion of time and space, proposing that *priori* (cognitive) knowledge is independent of the experience. Alternatively, Aquinas (1225-1274) adopts a rational approach to linking philosophy (reason) and theology (faith). As such, for the critical realist, the notions of deduction and inference imply rational explanation of a structured reality.

The subjectivist position assumes that reality exists in the mind (consciousness) of each individual social actor and inquirer (Hegel, 1975). Thus reality is what each human perceives it to be and there is no underlying independent reality in the natural world. Also referred to as constructivism (Blaikie, 2010), radical change (Burrell and Morgan, 1979) or phenomenology (Easterby-Smith et al., 1991), in this perspective there is no process of discovery. Instead, individuals construct their own internal reality in their mind based on their experiences. In its extreme form, solipsism, reality is all in the imagination, where the mind still exists (Morgan and Smircich, 1980). Within social inquiry, the inquirer is focused on understanding and giving meaning to what is happening within the wider holistic situation or context. The inquirer also has inherent biases, values and beliefs that influence their understanding of the phenomenon (Hunt, 1993). For the subjectivist, social reality is constructed through personal experiences rather than independent structures. Criticism of the subjectivist position is that beliefs and values are not justified reality (Plato, 428B.C.-348B.C.) and whether subjectivity is explained at the conscious level (Socrates, 470B.C.-

399B.C.; Descartes, 1637a, 1637b, 1641) or the existence/being level (Aristotle, 384B.C.-322B.C., Damasio, 1994).

Thus the continuum of positions ranges from objectivity (universal external reality) to subjectivity (multiple internal realities). In the objectivist ontology, the inquirer is a receiver of knowledge of an outside reality (Polkinghorne, 1998a; 1998b). In the subjectivist ontology every conscious being has their own unique internalised reality which is constructed and altered based on personal experiences (Denzin and Lincoln, 2000). Within these parameters, the classical representations (Marx, 1894, Durkheim, 1962, Weber, 1962) have evolved into postmodern paradigms (Habermas, 1972; Giddens, 1979), with varying degrees of influence between the physical independent reality and the conscious internal reality. This is demonstrated by the progression of terminology and paradigms by Blaikie (1993; 2010). The most recent edition (Blaikie, 2010) expresses six ideal types, including shallow realist (positivism) and idealist (subjectivist).

This section has considered ontological positions. Section 3.3.2 below outlines epistemological positions.

3.3.2 Epistemological positions

Epistemology (Ferrier, 1854) is the branch of philosophy concerned with the nature and scope of knowledge. While the primary concern of a PhD is to make a contribution to knowledge, the inquirer needs to know what knowledge is and how can this be acquired about the social world (Hughes and Sharrock, 1997). A response introduces the nature and limits of inquiry (Rosenau, 1992). In this regard, the scholarly debates on justified true belief (Gettier, 1963; Chisholm, 1982) seek to give reason (Nozick, 1981) or justification as to how belief and truth are linked by knowledge. The epistemological positions discussed below include positivism, critical rationalism, hermeneutics, phenomenology and interpretivism.

In the positivist paradigm, the inquirer studies social phenomena in a similar way to that of a scientist testing and experimenting. Knowledge is acquired through control and measurement of the phenomenon (Durkheim, 1962). The inquirer is a disinterested scientist and is able to ascertain results, i.e. discover, without any bias of personal beliefs interfering (Blaikie, 2010). This espouses that knowledge of the world is fixed and can be obtained by engaging science

(observation) to explain events of nature (verification). In this regard, the knowledge gap is between the principles that govern society and observations by individuals. For the positivist, new knowledge is obtained from events, where authority or expertise is critical to validation (Blaikie, 2010). The relationship between inquirer, social actor and phenomenon is objectively characterised. In this regard, knowledge is certain, regardless of the actor.

In critical rationalism new knowledge is derived by trial and error. The inquirer imposes theories on the social world and uses empirical evidence to reject false theories (Blaikie, 2010). Within this perspective there are further debates on how prior knowledge is gained. Is it intuition/ deduction, part of our nature, or are there innate concepts that facilitate reasoning and belief (Kant, 1781; Kamil et al., 2011)? Thus a spectrum of paradigms either side of critical rationalism has emerged. The spectrum includes rationalism (Weber, 1964), critical theory (Habermas, 1967) and feminism (Fricker, 2009). The emergence of these paradigms represents evolution in the understanding of actual knowledge along with the progression of inquiry across the cluster of positions. In the objectivist and critical realist perspectives, the inquirer discovers knowledge which is ontologically justified, but epistemologically different. Rather than just describing social reality (objective), in critical realism new knowledge emerges from the explanation of social reality through science (Bhaskar, 1979). The relationship between phenomenon, social actor and inquirer, while subjectively sensitive, remains objectively characterised. The feminist position (Fricker, 2009) proposes that power and gender (Haslanger, 2000) inherently influence inquiry, and thus this is more subjectively dominant.

Another position is that of hermeneutics (Heidegger, 1927; Palmer, 1969), which has theological roots and is classically affiliated to the seventeenth century interpretation of religious texts in Germany (Blaikie, 2010). In hermeneutics, the inquirer seeks to understand the social world by interpreting the social actor's own accounts of their activities (Schütz 1971; Schütz and Luckmann, 1973; Prasad, 2002). The inquirer is immersed in sources of empirical evidence, which are usually the written word, with a view to interpreting meaningful outcomes (Dilthey et al., 1991; Kakabadse and Steane, 2010). Therefore new knowledge is acquired through second-order conceptualisation. Through self-reference, the inquirer evolves concepts as an engaged reflective learner (Blaikie, 2010). This position assumes an interpretive approach to life through a sense of belonging to society. This refutes

the objectivist notion of disengagement (Schleiermacher, 1985; May, 2001). The process of giving an account is in itself an internalisation of personal experience of the social world, which the inquirer re-conceptualises (Prasad, 2002). In contrast to phenomenology (Husserl, 1952), this perspective advocates pre-understanding or historicity to the phenomenon or social actor as conditional to understanding and interpretation (Heidegger, 1927). This further assumes that consciousness cannot be separated from the individual's values and beliefs in understanding the social world. Epistemologically this perspective is focused on giving meaning and understanding to both phenomenon and the social actor's experience by interpreting the social actor's account (Kakabadse and Steane, 2010). As such, the inquirer seeks a deeper understanding of the phenomenon from the perspective of the social actor. In doing so, the inquirer is centrally involved in the inquiry experience. In consideration, Dilthey (Dilthey and Jameson, 1972; Dilthey 1986; 1996; Dilthey et al., 1991) grounds hermeneutics through symbolic practices in a theory of human life. The relationship between phenomenon, social actor and inquirer is subjectively characterised.

The phenomenological epistemology (Husserl, 1952) has emerged from the field of psychology into social science (Blaikie, 2010). It is interesting to note that Husserl (1913) has a mathematical (quantitative) background and his inquiry of philosophy resulted in a shift towards subjectivity (Lavery, 2003). Husserl (1913; 1980) was concerned that living beings cannot be treated objectively, as their internal perceptions give meaning to external stimuli. Phenomenology focuses on the current living experience by the social actor (Polkinghorne, 1983). The source of knowledge is a conscious awareness of constructing reality. The inquirer engages bracketing (Klein and Westcott, 1994) and intentional analysis to arrive at the essence of the phenomenon. This perspective differs from hermeneutical phenomenology (Madison, 1988) in that it does not consider historical context and further confines knowledge to the consciousness of the individual (bracketing) rather than the individual as a being. Epistemologically this perspective focuses on the present acts of attending, perceiving, recalling and thinking about the social world (acts of experience, or behaviour) where humans have knowledge (Hegel, 1807; Pinkard, 2010). This is in contrast to hermeneutics, where the focus is on social actors as concerned creatures (with individual lived experiences) in a social world (Lavery, 2003). As such, the phenomenological position is focused on structures of consciousness within the social actor's experience. The relationship between phenomenon, social actor and inquirer is subjectively characterised.

Hermeneutics and phenomenology are variants of interpretivism (Holroyd, 2007). Key contributors to interpretivism include Weber (1949), Schütz (1899-1959) and Winch (1926-1997). Weber (1964) suggests that human and social science are concerned with understanding (*Verstehen*) the meaning of an action from the social actor's perspective, rather than the inquirer's perspective. Thus inquiry is an empathetic and participatory process. *Verstehen* has further been introduced into philosophy and human sciences (*Geisteswissenschaften*), as distinct from natural sciences, by Dilthey (1986; 1996). This has developed into the theory and practice of interpretation (hermeneutics) where agents (inquirers) are participants in the inquiry process and linked to social actor and phenomenon. As such, interpretivism has multiple realities which are socially constructed and subjective. Constructivism assumes an interplay between subject and object (Prasad, 2002; Cunliffe, 2011). Therefore, engaging the wider embodied interpretation of hermeneutics (Owens, 2011; Dilthey, 1986; 1996), the link between inquirer, social actor and social phenomenon is established in the interpretive position. The variant of phenomenology enables the acts of experience, as historical behaviour, to be considered within exegesis of the written word (Lamond, 2006) of social actors (with individual lived experiences). The interpretive position, being the opposite of the positivist approach (Crotty, 1998) seeks to reveal meaning and understanding of the experience from the social actor's perspective.

The source of new knowledge within the interpretive position offers a wider window of personal accounts (written, verbal, visual, interactive) from which the interpretive process seeks deeper understanding and meaning of social events. Further within the interpretive paradigm, the social actor's personal experience, historical context, personal beliefs and values enable deeper interpretation of the conscious (mind), human (experience) and actions (behaviour) in context of the phenomenon (event). The interpretative approach looks for culturally derived and historically situated interpretations of phenomena (Ast, 1816).

The range of epistemological positions has further evolved into six types (Blaikie, 2010, p.94), including empiricism (an independent certain knowledge) and constructionism (knowledge through making sense).

In this section, the epistemological positions were considered. Section 3.3.3 below proceeds to share the inquirer's stance positions.

3.3.3 Inquirer stance positions

An important consideration is the inquirer's stance towards the inquiry process and social actors or phenomenon (Blaikie, 2007). In this respect the positions of outside expert and inside learner (Blaikie, 2010) have been elaborated into six stances that may be adopted by the inquirer (Blaikie, 2010). The detached observer is an uninvolved observer; the empathetic observer remains objective but places themselves in the social actor's position (Weber, 1964); the faithful reporter presents the social actor's viewpoint by immersing themselves in the natural setting of the actor, while remaining faithful to the phenomenon (Denzin, 1971); the mediator of languages is involved in a process of interpreting the accounts of social actors and as such, has an influence as they are part of the experience (Heidegger, 1927; Gadamer, 1989); the reflective partner obtains meaning from a shared framework with social actors (dialogic/monologic); and the dialogic facilitator minimises authorial influence of the inquiry by maximising dialogue with the inquired.

The deeper understanding of inquirer stance (Blaikie, 2010) also appreciates the personal background and preferred learning style of the inquirer, along with concept building of the phenomenon under examination. Whereas within interpretive epistemology there is a relationship between knower and known, Mason (2002; 2007) suggests reflexivity offers a more meaningful reading of the sources of empirical evidence. Indeed the notions of reflexivity (Habermas, 1990a; 1990b; Bishop, 2007) and prejudice (Gadamer, 1985; 1990) can lead to critical inquirer stances (Prasad, 2002) differing. However, in this inquiry, the inquirer is central to the inquiry and has inherent values and biases, but further recognises the biases of social actors and the sources of empirical evidence (Heidegger, 1927; Denzin and Lincoln, 2000). As such, the inquirer stance seeks to understand the authorial intentions of the social actor (Dilthey, 1986; 1996; Prasad, 2002).

The philosophical underpinnings of inquirer stance may be attributable to the conceptualisation of human nature and free will (Schopenhauer, 1969; Steiner, 1998). In this regard, the positions range from hard determinism (Smart, 1961) to metaphysical libertarianism (Kane, 1998), where the ability to make choices free from constraints or historical influence is debated. At a deeper level, this is a debate of nature versus nurture (Dennett, 2003); agency versus structure (Bourdieu, 1979; 1990); how memory links the conscious mind (Merleau-Ponty, 1942; Freud, 1999; 1899) to physical experience

(hylomorphism/metempsychosis); the natural cognitive abilities of humans (Csikszentmihalyi, 1990; Damasio, 1994; Pinker, 2004); and monistic (Judaism, Islam, Christianity) or dualistic existence (Cartesian/epiphenomenalism) based on faith or reason (Aquinas, 1225-1274).






This section considered the inquirer positions. Section 3.3.4 below shares the philosophical position adopted for this inquiry.

3.3.4 Philosophical position adopted for this inquiry

The philosophical position adopted for this inquiry is outlined in Table 3.1 below. The inquirer assumes a subjective reality and interpretive epistemological position. Over the years, methodological terminology and paradigms have evolved (Blaikie, 1993; 2007; 2010) where the holistic position may be better expressed within a continuum. As such, the balance in this inquiry rejects positivist and critical paradigms in favour of a non-extreme subjective position.

At the same time, Table 3.1 infers meaning to words in the use of language from the subjective position. Thus the use of terminology is aligned in responding to the *how?* inquiry question. In this regard, change is understood as a transformational phenomenon of open work systems (corporation/institution) that legitimises describing the firm and its culture in metaphors (Morgan, 1997; Mintzberg et al., 2009). Variation in “openness of being” is thus ontologically understood as corporate ethics (virtues), where truth is embodied in the primordial abode of humans – being (Heil, 2011, p.92).

Table 3.1: Methodological factors of philosophical position

Methodological factors	Spectrum of continuums	Position adopted for this inquiry	Characteristics of adopted position.
Ontology	Objectivism---Subjectivism		Subjectivism: Individuals construct their own reality.
Epistemology	Positivism---Interpretivism		Interpretivism: Personal accounts of individuals are the source of knowledge.
Inquirer stance	Detached observer ----- Reflective partner		Mediator of languages: Interpreting accounts of the social actor.
Nature of inquiry question	What? Why? How? Less---complexity---Greater		How? To understand patterns of change.
Philosophical position for this inquiry	O/P-----S/I		Subjectivist/Interpretivism: Inquirer observes from social actor's experience perspective.

This inquiry is concerned with understanding and giving meaning to strategic behaviour as actions in a historical context. The subjective ontology (Table 3.1 above) appreciates values and beliefs in a personalised construction of reality. The interpretive epistemology enables the inquirer to gain knowledge from the social actor's (being, not consciousness) perspective which enables the explanation of actions as events or strategic outcomes. The inquirer stance establishes the link to social actor and phenomenon through secondary sources, i.e. written accounts, while appreciating personal bias. In this regard, the focus of this inquiry is to reinterpret the personal accounts, i.e. historical secondary sources of empirical evidence, of social actors from their perspective. In doing so, new knowledge is created through a deeper and more holistic understanding of the social actor (firm) and phenomena (environment).

The inquirer aligns himself with this philosophical position. The inquirer argues that the subjective and interpretive positions are the link between truth and belief. Thus even the inquiry process is a personal and involved process of understanding and giving meaning. The inquirer further acknowledges his personal background as an influence on the inquiry. The inquirer is a British-born Sunni Muslim of Pakistani origin and as such, ascribes the

philosophical debate to Islamic religiosity (monism) rather than secular science (Kakabadse and Steane, 2010).

The inquirer has also given consideration to the inquiry question central to the inquiry (Flick, 2006). The question is a historically situated *how?* question. It seeks to explain change by understanding the phenomena (Mason, 2007). The major and subset inquiry questions have emerged from a rigorous critical process, where the focus is on “understanding what happened” (Blaikie, 2010, p.77).

The philosophical position for this inquiry has been outlined in this section. Section 3.3.5 proceeds with practical methodological considerations.

3.3.5 Practical considerations

The methodological process has considered that a PhD is a three-year intellectual challenge (Phillips and Pugh, 2010). The practical constraints of finance, time, access to firm and resources have been considered in the framing of the inquiry question (Huberman and Miles, 2002). Thus the conceptualisation of this inquiry and its methodology have evolved through the rigorous development of both inquirer and inquiry. The inquirer has further benefited from internal (UoN, 2011-2012, UoR 2013-2015) and external training courses.

A pilot inquiry has been undertaken prior to and in support of the extended full analysis. Kezar (2000) outlines the importance of practically experiencing the domain of inquiry in shaping and refining the approach and understanding the phenomena of the full inquiry. Reflection following the pilot inquiry helps to shape the advanced full inquiry (Kezar, 2000). In this regard, particular consideration has been given to sources of empirical evidence (Blaikie, 2010), along with how the methodological process has been adopted by other scholarly inquirers. In support, Appendix 3 exemplifies some of the practical earlier applications of interpretive and hermeneutic inquiries.

Section 3.4 below proceeds by reviewing the mode of inquiry for generating new knowledge.

3.4 Modes of inquiry

This section critically reviews the alternative modes of inquiry that may be engaged in answering the inquiry question. Also referred to as inquiry strategies (Blaikie, 2010), each mode has its unique logic of inquiry which influences the generation of new knowledge. The section concludes by identifying and justifying the mode chosen for this inquiry.

The mode of inquiry sets out how to go about answering the inquiry question. Where the aim of inquiry is to augment knowledge, resolve doubt or solve a problem (Kardong-Edgren et al., 2011), the logic of inquiry sets out the procedures used to achieve this aim. The procedures applied to inquiry (phenomena/actor) are critical to the direction taken in answering the question (Creswell, 2012). The four distinct modes of inquiry are identified by Blaikie (2010) as inductive, deductive, retroductive and abductive. Each mode of inquiry offers a different framework, starting point and ending point for inquiry (Blaikie, 2010). Where the philosophical position has established reality and knowledge, the mode of inquiry is concerned with how to collect empirical evidence to generate new knowledge.

The inductive mode begins with specific observations, empirical evidence or descriptions of the social phenomena. From these observations, the inquirer constructs concepts through interpretation of the observed or described. In doing so, the inquirer seeks patterns to explain the phenomena from which generalised theories are developed (Crotty, 1998; 1996; Blaikie, 2010). Thus the inquiry process progresses from the specific to the generalised as bottom-up. Contrastingly, the deductive mode adopts a different starting point. This begins with a generalised theory from which a hypothesis is deduced to explain an association between two concepts. The hypothesis is then tested by collecting data. The findings lead to conclusions that either corroborate or disprove the hypothesis (Blaikie, 2010; Creswell, 2012) and thus inform the theory. In this regard, the inquiry process progresses from a generalised theory to specific testing, i.e. top-down. Criticism of induction is that it is descriptive, while criticism of deduction is that the truth of a theory is never conclusively established.

The retroductive mode begins with observing phenomena and the regularities between them. The inquirer then attempts to discover the mechanisms and contexts in which these operate. The logical process in this case builds a hypothetical model of the structures and mechanisms which is derived from known structures and new ideas. As such, the model represents an

explanation that will establish a cause, if testing is successful. The inquirer then proceeds to test the model and its assumed outcomes. The use of hypothetical modelling has been contributed to by the notions of social structures (Bhaskar, 1979) and cognition (Harre, 1974). The process of discovery is a combination of observed regularities and creative imagination, where evidence confirms the existence of mechanisms (Blaikie, 2010). In contrast, the abductive mode begins with the meanings, interpretations, motives and intensions of social actors, which directs their behaviour in daily life. The inquirer discovers and describes the social world by uncovering symbolic meanings and tacit knowledge from an insider perspective. The layman accounts of social actors are re-described in technical social scientific discourse (Giddens, 1979), which involves a reflexive process of constructing theory. Criticism of retrodution is how to discover the mechanisms that are proposed to explain regularities, while criticism of abduction is that it adopts only the social actor's point of view and not the inquirer's perspective.

In this section the modes of inquiry have been outlined. Section 3.4.1 below shares the choice of mode of inquiry.

3.4.1 Choice of mode of inquiry

The choice of mode of inquiry is inductive (Locke, 2007). The inquiry will use a grounded approach to explore empirical evidence sources, i.e. mainly secondary written sources, to construct a model of strategic behaviour. The focus is to understand change that has taken place, i.e. strategic transformation. As such, the inquiry question offers a before and after position of change when referring to time (2006-2009) and industry (British grocery multiple sector – global sector). The subset questions further refer to survival and growth in adaptive and selective environments (multilevels). Thus reference points are established to contextualise change. The inquirer will construct concepts by describing and interpreting the sources of empirical evidence and seeking themes and patterns to explain the phenomenon (Goodwin and O'Connor, 2009). Blaikie (2010, p.105) asserts that in answering a *how?* question the term “description” refers to getting from an existing position to a desired position, i.e. change (see Section 3.3.4 above).

The alternative characteristics of modes of inquiry are summarised in Table 3.2 below.

Table 3.2 Modes of inquiry

Inquiry characteristic	Inductive	Abductive	Deductive	Retroductive
Approach to inquiry	Collect evidence from specific observations and describe generalised patterns based on accumulated evidence.	Understand social actor’s perspective as symbolic meanings and motives.	Using theories for hypothesis testing (falsification testing).	Discover underlying causal mechanisms by modelling
Event	Change. Probable conclusions enable theorising based on cogent argument.	Most likely explanation based on information available.	Truth/falsity of premise leads to inferred conclusion which is valid or invalid.	Infer from facts of one kind to facts of another.
Knowledge	Ampliative/synthetic (can propose from new descriptions).	Intuitive or revolutionary ideas.	Non-ampliative (cannot predict about unobserved).	Ampliative/ synthetic.
Empirical evidence source	Observations and understanding from social actor or phenomena perspectives lead to theorising.	Incomplete set of observations.	Conclusions are tautology statements requiring factual refutation.	Empirical hypothesising based on observation.

In consideration, this inquiry aligns itself with the notion that context (Bishop, 2007) and distance (Goodwin and O’Connor, 2009) are qualities of historical studies that offer rich empirical sets of evidence for understanding (Hammersley, 2009) which are relevant to the present (Bishop, 2012). As such, empirical evidence is not fixed in history but is situational, and the purpose is to make sense of it through articulation rather than description (Irwin and Winterton, 2011). In this regard, the methodological construction of reusable sets of evidence leads to new inferences where the inductive approach seeks to privilege explanation rather than description.

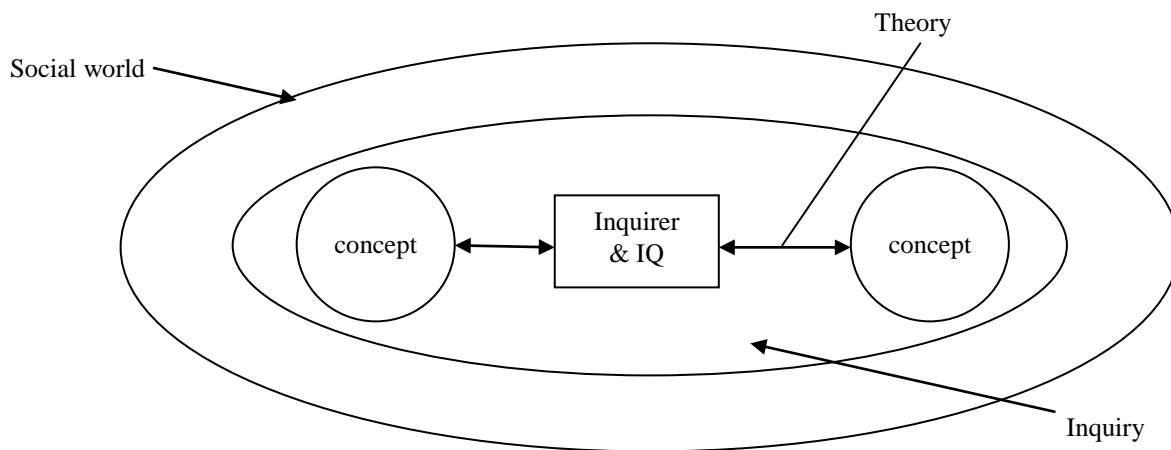
In this section the choice of inductive inquiry mode has been shared. Section 3.5 below identifies theory building and the inquiry design for findings.

3.5 Theory building and inquiry design

This section identifies the medium through which findings will be interpreted in this inquiry. In this respect theory building provides the ability to explain and understand findings within a conceptualised framework which makes sense of sources of empirical evidence. The choice of framework is further supported in design by the selection of an appropriate method for the production of evidence.

So far the inquiry question and inquirer have been framed within a philosophical position of the social world, where the mode of inquiry determines the logical approach to collecting empirical evidence for establishing new knowledge. In consideration of the inquiry question, the design of inquiry also needs to make a connection between the inquired and the inquirer. In this respect, concepts, theories, models and hypotheses can be used in different ways to build the relationship (May, 2001; Blaikie, 2010). Figure 3.3 below locates the inquiry within the social world, where theory establishes the relationship between inquirer and inquired.

Figure 3.3 Theory building for inquiry



Methodological scholars (Locke, 2007; Blaikie, 2010) commonly refer to concepts (Figure 3.3 above) as the building blocks of social theory, where theory specifies the relationship between concepts (Selltiz et al., 1976). Although there is scholarly debate as to the extent that concepts are abstract (Kant, 1929; Schopenhauer, 1969) or inferred (Frege, 1972), there appears to be consensus that a concept is an idea which is expressed in words or symbols (Blaikie, 2010). Locke (2007) further reaffirms that concepts should have philosophical axioms. As such, the origins of a concept may come from theoretical sources, inquiry paradigms, the lay language of social actors or even the inquirer’s own interpretation of a phenomenon (Blaikie, 2010). Importantly, the act of understanding and establishing concepts involves comparison, reflection and abstraction, where a new language may emerge (Kakabadse and Steane, 2010), or novel ways of understanding (Grattan, 2008) may describe, reinforce or redirect behaviour.

At the same time, the concept of theory itself has alternative interpretations which include “a heuristic device for organising what we know or think we know” (Inkeles, 1964, p.28); “a story about why events occur” (Turner, 1991, p.1) or “logically interconnected sets of propositions” (Merton, 1967, p.59). Specifically, by relating the subject of interest to some other phenomena, theories attempt to answer *how?* questions (Bailey, 1994, p.41) and this explains what would otherwise seem unclear (Gilbert, 2008). As such, social theories are explanations of recurrent patterns or regularities in social life that explain “why people behave in the way that they do or social context is organised” as it is (Blaikie, 2010, p.124).

Conceptually, social phenomenon is an interplay between people and objects, but the understanding of phenomenon connects people to people. In this regard, this inquiry engages inter-subjectivity to define social within social phenomena. Where embodied experience (Merleau-Ponty, 1945; Damasio, 1994) connects the world to an individual’s understanding of it and rationality is a cognitive form (Kakabadse et al., 2001), the notion of inter-subjectivity establishes social being. Whether referred to as agreement (Scheff, 2006), common sense (Buber, 1923) or partial shared divergences (Stolorow and Atwood, 1992; Stolorow et al., 2002), inter-subjectivity emphasises shared cognition and consensus in the shaping of ideas and relations (Stolorow, 1997). In this regard, language is viewed as communal rather than private, where relations are established and shared divergence of experience leads to the understanding of social phenomena.

In the inductive mode, inquiry begins from the empirical evidence and is concluded with an abstract description of patterns as qualitative generalisation (Ritchie and Lewis, 2003). If further inquiries support the generalisation, its status becomes enhanced. In the inquiry itself, a singular regularity that explains the outcome suffices in establishing a pattern. As such, where the inductive mode is engaged, the use of models is for abstract descriptions of low-level generalisations and possible networks of generalisations. The modelling may include mathematical data-modelling to establish patterns of relationships, but the end outcome remains abstract (Blaikie, 2010).

This section outlined theory building and inquiry design. Section 3.5.1 proceeds to identify the choice of inquiry paradigm as hermeneutics.

3.5.1 Choice of inquiry paradigm

Over many centuries, social inquiry has engaged combinations of theoretical and methodological approaches that are referred to as inquiry paradigms (May, 2001). Each paradigm establishes its unique relationships and interpretations between inquirer and the inquired. Thus philosophical position and mode of inquiry should be balanced with the inquiry paradigm. The range of classical options including positivism, critical rationalism, hermeneutics and interpretivism has been added to by contemporary paradigms such as critical theory (Habermas, 1970; 1972), ethnomethodology (Garfinkel, 1967), contemporary hermeneutics (Gadamer, 1989), structuration (Giddens, 1976) and feminism. In consideration of the choices thus far, the hermeneutical paradigm has been chosen for this inquiry.

The origins of hermeneutics (*hermeneutikos* – Greek; making the unclear clear) is commonly traced back to the mythical role of Hermes as the messenger of the gods (Plato, 428B.C.-348B.C.), where Socrates notes that words have the power to reveal and conceal the truth (Socrates, 470B.C.-399B.C.). As such, hermeneutics was introduced into philosophy as *hermeneuo* (interpretation) by Aristotle (384B.C.-322B.C.). Emerging from theological roots, its affiliation in antiquity is to the translation of Hebrew and Biblical texts in order to establish authentication and understand or explain their true meaning (Bauman, 2010). It is, simplistically, the inquiry of the interpretation of text, symbols and speech through dialogue (Kakabadse and Steane, 2010). As a scholarly paradigm, hermeneutics was at its height in European humanities in the sixteenth century, during the Catholic-Protestant debate between Luther (1483-1546) and Calvin (1509-1564). This attracted historians and philosophers within the realms of historiography and philology (the inquiry of language in historical sources), such as Fredrick August Wolf (1759-1824) and Ludwig Preller (1809-1861). Philological critique remains an integral part of hermeneutics in the interpretation of meaning within social science.

In the eighteenth century, hermeneutics gained prominence within the arts. Scholarly debates on the whether the artist's intentions and representation influenced the outcome of his craft (Wackenroder and Tieck, 1797) or not (Winckelmann, 1717-1768) led to understanding the artist as a person within the painting. This translated into the notion of Romanticism, where the artist's unique human experience became more prominent than the artwork. Thus the observer employs imagination to give personal meaning to the piece of art. In this regard,

within social sciences, classical hermeneutics evolved into two branches: one concerned with how members of one culture or group interpret another culture or group, and the other concerned with giving meaning by interpreting the text itself (Blaikie, 2010).

Over the last two centuries, the dominance of natural sciences has fuelled the exuberant demand for discovery (Locke, 2007) in the pursuit of truth (Duesing, 2012). At the same time, the allure of reflective, subtle and deep understanding has enlightened the social sciences in establishing a link between the subject and object of social life (Dilthey, 1986; 1996). The major criticism of natural science by hermeneutical scholars (Aristotle, 384B.C.-322B.C.; Heidegger, 1927) refers to the lack of reference to will, purpose or (divine) intention, where in consequence the understanding of phenomena collapses to being only the explaining or describing of phenomena. Furthermore, natural science's proposition of a universal truth as being accepted forever based on its validation is not without its doubts, and neither is the notion of consensus of opinion for validation over the longer time frame (Duesing, 2012). In this respect, hermeneutics reaffirms "purpose" as being central to human affairs and design (Aristotle, 384B.C.-322B.C.). Therefore to understand human action requires a sympathetic grasp of meaning/interpretation in order to arrive at a personal ontological truth. With this in mind, it is argued that substantive rationalism, which included ethics and values (Aristotle, 384B.C.-322B.C.; Aquinas, 1225-1274), has been eroded to an instrumental form in the modern context (Kakabadse and Steane, 2010).

The periodical journey of hermeneutics demonstrates rigour in design, longevity in purpose, and historical context in giving purposeful meaning to the understanding of modern-day social science (Boland et al., 2010). Within social science, hermeneutics is associated with the Germanic intellectual traditions (Dilthey, 1986) in its subjective form, and with French social science (Comte, 1856; Durkheim, 1962) in its positivist form. Recognising this inquiry's philosophical position, it is the subjective Germanic form of hermeneutics that balances this inquiry. In this respect, the underlying reasoning proposes that the interpretation of social reality can be revealed as conversations between historical eras, where human life forms can be understood by species of direct acquaintance (i.e. other humans). Philosophically, Hegel (1807; 1825; 1953; 2010) explains reason as a historical shift from the unconscious to the conscious throughout time, where the hermeneutic circle creates history (reason), and its understanding becomes meaningful. However, instead of understanding the intention of the

original author, Gadamer (1989) asserts that shared meanings between text and inquirer are of interest. Ricoeur (1988; 1989) extends this to distinguishing between language and discourse for objective inquiry (autonomisation and distanciation) of understanding text, arguing that a text has a life of its own. These contemporary evolutions, while appearing to lose the essence of classical hermeneutics, also explain time linearly and ethics through self-esteem. Therefore this indicates teleological differences between the French and Germanic intellectual approaches.

As such, the internal scholarly dialogue of hermeneutics culminates in understanding the connection between subject and object in bodily experience (Merleau-Ponty, 1945). Both Heidegger (1996) and Gadamer (2004) distinguish humanity from animals in their ability to establish freedom from the environment as beings (*Dasein*) within the world, where linguistics exposes an ontological distinction. While Gadamer (2004) proposes question and answer in present dialogue, Heidegger (1927) offers a more holistic referential totality of being (Owens, 2011) to express freedom from the environment. Heidegger (1927) posits that understanding entails the ability to manage entities through competence and know-how, where words express the intelligibility of the world. Contrastingly, for Husserl (1901; 1913) the resolve of understanding is attributable to the acts of being rather than the beings themselves (Heidegger, 1927). Furthermore, Weber (1949) proposes the fulfilment of understanding through rational knowledge, whereas Mannheim (1936) concludes that partiality, distortion and contention will remain universal features between groups in society. Mannheim (1936) argues that it is not rational truth being established, but rather intellectual truth being established by groups within society (scholars). At the core of this posturing, is the application of the hermeneutic circle (Ast, 1816) as an ending or endless process (Bauman, 2010), or as an ontological or epistemological principle (Højbjerg, 2009). Within the interpretive position the inquirer's bias is not bracketed and neither is the inquirer distant from the inquiry, therefore in this inquiry the hermeneutical circle is ontologically principled.

Within these dialogues, this inquiry adopts the position of Islamic religiosity (610A.D.); Heideggerian interpretivism hermeneutics (Heidegger, 1927; Dilthey 1986; 1996) and Mannheim's (1936) distortion and partiality, where the hermeneutic circle is endless (Bauman, 2010) and ontologically principled (Højbjerg, 2009), in arriving at its hermeneutical stance for inquiry. This enables the broader understanding of hermeneutics

(Dilthey, 1986; 1996) to interpret wider sources of secondary empirical evidence (text, verbal, non-verbal, multimedia) where both inquirer and originator perspectives are considered within the lived experience (Smythe et al., 2008). At the same time, the German teleological posture aligns and is balanced with the original understanding of this inquiry paradigm.

The process of hermeneutical inquiry for Dilthey (1986; 1996) is captured by the spirit (simultaneous understanding of subject and object) within the irreducible notion of *Leben*,²¹ where lived experiences (*Erlebnis*) are captured within events. In this regard, Merleau-Ponty (1945) engages embodied understanding through perception, to uncover or reveal truth (*alethea*). The argument is that where God can understand the world (God-made), man can understand history (man-made). Within history, human actions translate into concepts and judgments on the one hand, and observable/understandable human behaviour (conduct) on the other (Smythe et al., 2008). In this respect, there is a continuous exchange between inner experience and human action which can be observed and understood historically. The inquirer's role is to systematically capture human actions and the inner experience becomes redundant (Bauman, 2010).

The inquirer uses concepts to describe and understand the social phenomenon. The concepts are derived from the accounts of social actors of their activities. As such, a second-order construct is derived from the social actor's own account of the social world (Schütz, 1970). The inquirer is immersed in the source empirical evidence with a view to interpreting meaningful outcomes (Blaikie, 2010). The inquirer produces a typology (set of categories), which may come from the literature source or can be invented. These categories capture the concepts and are generalised (Blaikie, 2010). The inquirer adopts a position of learner and the concepts are revealed through a reflective process. Importantly, concepts are common characteristics and as such need an independent source of comparison. Within this inquiry, the independent source is an ontologically grounded religious text - namely the Quran (610A.D.). Ultimately, the inquirer seeks to generate and refine concepts that provide a meaningful solution to the inquiry question (May, 2001; Smythe et al., 2008).

²¹ Dilthey (1833-1911) replaces Hegel's spirit of mind (*Geist*) with a spirit of life (*Leben*) in hermeneutics.

The three methodological approaches for the inquirer engaging in hermeneutics are putting oneself in the social actor's place (*Sich hineinversetzen*); copying (*Nachbilden*); and re-living (*Nacherleben*). Out of these, copying and re-living require higher-order skills and sympathy, which relate to a sublime form of richer understanding as an intellectual process. Furthermore, fallibility of understanding is due to intellectual limitations which are bound by partial understanding (Mannheim, 1936). As such, the interpretive process has three layers, literal translation, the social actor's perspective, and a deeper interpretation in order to arrive at a high-order generalisation in this inquiry.

In arriving at a justified true belief (JTB) for this inquiry, the differences between the Greek philosophers (Socrates, Plato and Aristotle) can be contrasted. Where Socrates posits that the mind exists in heaven before joining the body, Plato proposes the soul experiences life through the empty vessel of a body, and Aristotle suggests that body and soul have to be combined to establish form and gain experience. Thus for Aristotle the notion of *tabula rasa* (blank slate) posits that individuals need experience (nurture). Appendix 4 represents the position adopted for this inquiry is linking *episteme* (knowledge) to *doxa* (belief) and establishing justifiable (meaning) true (understanding) belief (interpretation). It is noted that Islamic scholars such as Al-Kindi (801-873), Al-Farabi (870-950), Ibn-Sina (980-1037) and Ibn Tufail (1105-1185) have offered Islamic philosophical interpretations of *tabula rasa* in the delicate debate with theologians (Imam Abu Hanifa (699-767), Hanbal (780-855), Shafi (767-820), Malik (711-795)) on interpretation of aspects such as free will, eternity, universality, God, body and soul. Thus in this inquiry, ontological truth is arrived at from Aristotelian methods (experience through the senses) where rationality is conceptualised by Islamic ontology (Appendix 4).

In this section the choice of inquiry paradigm as hermeneutics has been shared. Section 3.5.2 below proceeds with the choice of inquiry method.

3.5.2 Choice of inquiry method

Following the choice of inquiry paradigm, there is a need to select the types of empirical evidence that will be collected for this inquiry. The two broad types of inquiry methods that are used in social examinations are often referred to as quantitative and qualitative (Creswell, 1994), where studies may also engage a combination of the two as mixed methods in the

production of outcomes (Bryman, 2008). This choice is often inappropriately raised to paradigm level, whereas it should be a lower-level design choice (Blaikie, 2010).

The quantitative inquiry method is more generally concerned with measuring and counting aspects of social phenomena, whereas the qualitative method adopts descriptive language in the reporting of relationships, processes and behaviour (Blaikie, 2010). The quantitative inquirer adopts a detached position to inquiry, whereas the qualitative inquirer is more involved in the process (Creswell, 1994). The quantitative choice is suited to natural science, hypothesis testing and discovery (Denzin and Lincoln, 1994), in contrast to the qualitative choice that aligns more with social inquiry, patterns and construction of theories (Blaikie, 2010).

Where the mixed methods approach is used in social inquiry, it is more suited to a critical philosophical position (Blaikie, 2010). In this regard, the combination of methods requires empirical evidence to be triangulated (Denzin, 1970), where differing ontological and epistemological assumptions are adopted within a parallel or sequential process (Blaikie, 2010). While this offers wider practical possibilities (Creswell and Clark, 2007), caution is recommended as triangulation requires converging results from different methods, which is questionable (Rossman and Wilson, 1985). Furthermore, using different methods can be time-consuming and expensive, and it requires a more mature inquirer to engage wider skill sets and more complex methodologies (Blaikie, 2010).

Some of the major criticisms of quantitative methods include a lack of holistic understanding of context or multilevel complex issues (Cicourel, 1974); the static nature of results (Lincoln and Guba, 1985); and disregard for values and bias in human society (Blaikie, 2010). In balance with the assumptions and choices taken thus far, the qualitative inquiry method is the appropriate choice for this inquiry (Bryman, 2008). In a metaphor, Denzin and Lincoln (1998) relate qualitative inquiry design to dance as an art form (Dewey, 1958) of the lived experience and events. The interpretive process requires context rich dialogue which the quantitative method cannot provide, whereas the qualitative method is able to address the inquiry question in a deeper and more meaningful way.

The qualitative choice is the starting point of social inquiry (Blaikie, 2010) from which specific inquiry enables cogent/strong qualitative generalisations to be established. The goal is not to produce standardised findings but to illuminate, coherently describe and explain a phenomenon or situation (Ward-Schofield, 1993). In arriving at the generalisation the inquirer needs skills, in both the inquiry area (Ritchie and Lewis, 2003) and in arriving at a conceptual comparison with which to refer (Blaikie, 2010). The inquirer stance has considered these factors and reaffirms the qualitative choice of inquiry method.

This section has outlined the qualitative approach to inquiry. Section 3.6 below considers the empirical evidence sources and collection methods.

3.6 Empirical evidence sources and collection methods

In this section the different types of empirical evidence sources are critically reviewed in context of the methodological choices taken so far. The dimensions of time and choice of population are identified. The choice of collection method, which involves analysis of secondary documents, is introduced as the hermeneutic approach. Following identification of the main empirical evidence sources selected for this inquiry, the understanding of the hermeneutic circle is critically reviewed in establishing the appropriate choice of and entry point to the circle for this inquiry.

The main types of empirical evidence used in social inquiry are primary, secondary and tertiary (Blaikie, 2010). Primary evidence is generated by the inquirer specifically for the inquiry question. Secondary evidence is empirical material that has been collected by others for the purposes of information, such as reporting or a census. Tertiary evidence is that which has already been analysed by the inquirer or user of secondary evidence. As this inquiry is a historical inquiry (see inquiry question) the focus is on secondary and tertiary sources (2006-2009).

Following the “varieties” scholarship approach (Alvesson and Kärreman, 2000), Rowlinson et al., (2014) explain engagement with secondary sources based on the epistemological dualisms (corporate, analytical, serial, ethnographic) of historiography. In doing so they acknowledge that, contrastingly, for organisational theorists the focus is on agency and meaning (Lawrence and Suddaby, 2006; Hardy and Maguire, 2010) as an ontological

concern. In other words, past human actions are ontologically significant for path dependency (e.g. Sydow et al., 2009). Where this inquiry is more concerned with giving meaning to organisation in context, Blaikie (2010) identifies the major weaknesses of secondary sources as including their collection from original phenomena with a specific aim in mind, along with the likely influence of bias and prejudice by the collector. Similarly, tertiary evidence has already been manipulated and coded, and access to the original phenomena is not available.

The application of hermeneutics (Heidegger, 1927, Dilthey, 1986) to secondary and tertiary sources overcomes Blaikie's (2010) concerns by engaging a philosophical text in the conceptualisation of “being”, and bias is included in hermeneutic studies throughout the process of deconstructing and reconstructing evidence to arrive at a deeper understanding of the social phenomenon from the social actor’s perspective (Denzin, 2001).

Furthermore, this inquiry is focused on strategic outcomes as longitudinal patterns emerging from events rather than the decision-making process leading to behaviour. As such, where the case inquiry (Yin, 2009) or ethnographic approach (Whitehead, 2005) may be suited to primary or cultural inquiry, this inquiry is focused on giving meaning to and understanding the observed outcomes of historical actions (Savage, 2005). The rationale for the period of inquiry 2006-2009 is supported by this being a UK-based study of a time during which the inquirer was also in the UK. The period included both stable and volatile periods, where the last financial crisis was in 2007/8. At the same time, the large volume and complexity of data was limited to having to be completed within the scope of a PhD, thus a four-year period of inquiry.

The selection of multiple publically published and scrutinised sources (annual accounts; industry reports) across multilayered empirical evidence sets (global, national, industry, firm) is designed to minimise possible distortion (Blaikie, 2010). The rationale for the selection of sources is supported by the reports being independently verified and publically published and there is continuity of development from one year to the next within each level for consistency. Where the focus is on “strategic outcomes” these are more accessible within high-level review reports. Having a broad range of reports (i.e. global retailing, industry reports, firm annual reports) facilitates gaining a better understanding of the broader scale,

i.e. the ability to compare different levels simultaneously. Together the reports are focused on issues affecting retail, within which is the grocery multiple sector.

Advantages of secondary sources enable new questions to be asked reflexively and, with better understanding of context, reduce the time and cost. Inquiring from a distance to the social phenomena may reveal new understandings (Bishop, 2007) or allow the filling of gaps (Fielding and Fielding, 2000). This collection method supports understanding of the firm within its environments. Thus, the wider understanding of hermeneutics (Dilthey, 1996) has been deliberately adopted for holistic understanding and revealing of the truth.

The secondary and tertiary sources used in this inquiry may be regarded as social artefacts (Blaikie, 2010), where the dimensions of time and space become critical. While other inquiry paradigms may offer retrospective examination in reverse (Huberman and Miles, 2002), in hermeneutics (Dilthey, 1986) the inquiry base starts in 2005/6 and time moves forward to 2008/9. The rationale for this is that it aligns with how the social actor actually experienced the events, as they occurred one after the other. In this inquiry, the four-year period of inquiry is considered as short-term (i.e. one-year), and long-term (i.e. three-year) intervals within the continuum. This allows focus on framing the observed behavioural outcomes as understood from the social actor's perspective within events as themes and patterns. Moore (2007) argues that reused empirical evidence sets involve reconstruction of pre-existing evidence and therefore this has the same epistemic status as primary analysis, but the inquirer benefits from deeper reflexivity. This also supports the framework of the hermeneutical circle, which is articulated later.

The selected population cluster for the in-depth inquiry are the four leading firms²² within the UK grocery multiple sector (Tesco, Sainsbury's, Morrisons, Co-op). This leading group of firms dominates the share of the UK market (IDG, 2010), further enabling the understanding of oligopolistic behaviour (Akehurst, 1984). This meets the criteria for co-evolutionary (Volberda and Lewin, 2003) and hermeneutic (Dilthey, 1986) inquiry, where individual firm behaviour can be understood as part of the whole group of firms (McKelvey, 1997). It is appreciated that with the passage of time (2006-2009) a firm may fall outside this group;

²² Asda no longer reports in the UK since becoming part of Wal-Mart. A lack of available empirical evidence prevented this firm's inclusion in this inquiry.

however it will be replaced by a new in-coming firm. Adopting this criterion for population ensures a focus on the behaviour of leading firms of the UK sector. Further to the rationale for selecting the UK as a globally international retail marketplace with savvy consumers and innovative retail practices, dominated by the leading grocery multiple sector firms (Section 1.2.3), the attention was on the four leading firms that were British in origin and for which empirical evidence was available. Thus firms such as Asda, Iceland and Budgens were not included.

Importantly, with the transition of firms into the global sector (Deloitte Global Powers of Retailing, 2012) a consistent focus on UK firms is designed for longitudinal patterns and themes to emerge where consistency in secondary sources favours the same governance and legal framework (UK) as their starting point (2005/6). More widely, while the impact of foreign firms within the UK grocery multiple sector (e.g. Aldi/ Lidl) and the wider global multiple players (Carrefour/Wal-Mart) will be considered, the focus remains on the development of each of the four UK firms within the global retail sector. Accordingly, this inquiry adopts a unique combination of historical (2006-2009), cross-sectional (four firm; multilayered) and longitudinal (one- and three-year) time dimensions for holistic inquiry (four years).

Within the qualitative inquiry method the range of empirical evidence collection techniques available includes participant observation, focus groups, interviews, oral histories and the textual analysis of documents (Blaikie, 2010). In balance with the choice of inquiry paradigm (hermeneutics) the main focus of this inquiry will be on the content analysis of documents. Within hermeneutics, this is referred to as exegesis of the written word (Lamond, 2006) and in Islam this translates as *tafseer* (interpretation). Interestingly, in both cases deeper layers of understanding can be revealed through the interpretive process. As a point of note, while exegesis is focused specifically on written text, the understanding of hermeneutics in this inquiry has provision for wider sources (multimedia, interviews, personal accounts) to be interpreted at the discretion of the inquirer (Dilthey, 1996). More recently, exegesis techniques have been applied to the process of information systems development (Boland et al., 2010) and ERP systems (Newman, 2010), where six techniques are used within the two realms (textual/social) of the hermeneutic circle. In this regard, Newman (2010) concludes that hermeneutics enables the recovery of original meaning, uncovering hidden meaning,

shaping true meaning or discovering new meanings beyond the author or context. In this inquiry the uncovering of hidden meaning or shaping of true meaning seems most relevant to this inquiry.

Recognising that qualitative inquiry and indeed hermeneutics are time-consuming processes (Blaikie, 2010) the main sources of empirical evidence collection for this inquiry have been identified in Appendix 5. As the hermeneutic process reveals layers of understanding, this choice of sources is a starting point for the inquiry. As outlined in Appendix 5, a multilayered co-evolutionary structure (Volberda and Lewin, 2003) is adopted that captures adaptive and selective factors (March, 1991) in the historical development of phenomena from the social actor's perspective (Heidegger, 1927).

Central to empirical evidence collection is the understanding of the hermeneutic circle (Heidegger, 1927). At method level, the hermeneutic circle is an interplay between understanding the whole and its parts (Heidegger, 1927). This could be the relationship between reader and author (*Erlebnis* – self-understanding/ *Verstehen* - understanding others) (Dilthey, 1986; 1996); the artist and observer (Heidegger, 1927); the reader and text (Gadamer, 1989); the past and present (Ast, 1816; Fry, 2009); or further communication between two cultural social groups (Fry, 2009). As such, the back and forth reference between the whole and part establishes the gaze (Heidegger, 1927) or horizon (Gadamer, 1989) in understanding (Højbjerg, 2009) and giving meaning (Hirsch, 1976) to phenomena. The notion of *Geist* (spirit) is focused on reproducing (Ast, 1816) or experiencing (Schleiermacher, 1985) from the social actor's perspective (Palmer, 1969).

The hermeneutic circle itself can be entered into in different ways (Fry, 2009). The distinction is whether one acknowledges historicism (Wachterhauser, 1986) as prejudice (Gadamer, 1989), or whether one asserts that the process begins with an interpretation which can be deconstructed and reconstructed in order to arrive at a revealed truth (Fry, 2009). In this inquiry, the hermeneutic circle (Ast, 1816) is entered by the inquirer with interpretation, where the gaze (Heidegger, 1927) is deconstructed and reconstructed to give meaning (Hirsch, 1976). As such, Ast (1816) recognises that the social actor exists within a wider cultural setting, which in this inquiry is represented by the adaptive /selective environment (March, 1991). Thus the inquirer seeks to understand from the social actor's perspective (Heidegger,

1927) and is concerned with what is unknown (the whole truth) within the known (part-detailed experience) in arriving at an ontological meaningful truth of the historic social phenomena. Dilthey (1986) posits that self-understanding (*Erlebnis*) is in relation to understanding others (*Verstehen*) in a symbolic mediated way that is articulated and conceptualised. As such, *Erlebnis* remains the source of experience.

Section 3.7 below proceeds to consider the method of empirical evidence analysis pertaining to the notion of hermeneutic circle applied in the inquiry.

3.7 Empirical evidence analysis methods

This section identifies and critically reviews the qualitative hermeneutic method adopted in this inquiry for manipulation/codification of the empirical evidence collected (Blaikie, 2010). The analytical process can become complex and may involve large amounts of evidence handling and generation (Huberman and Miles, 2002). With this in mind, within the inductive mode of inquiry the inquirer and inquired are central to the understanding of phenomena as the process moves towards generalisation (Denzin and Lincoln, 1994). A grounded approach is adopted to give meaning (Hirsch, 1976) to the firm within its environments. The section concludes by identifying that analysis will lead to the development of a conceptualised model of strategic behaviour.

The qualitative empirical evidence analysis method has grown in popularity in recent decades (Glaser and Strauss, 1967; Turner, 1981; Miles and Huberman, 1994), supported by processual aids such as NVivo (Version 10). In consideration of the choices taken thus far, Blaikie (2010) posits that empirical evidence collection and analysis are interlinked parts of a whole method. As such, remaining in balance with the wider choices of the inductive mode of inquiry, hermeneutic paradigm (Dilthey, 1996) and content analysis of documents (Lamond, 2006) selected for this inquiry, the hermeneutic circle (Heidegger, 1927) remains to be articulated for the analysis. In this inquiry, Gadamer's (1989) reader and text relationship is rejected in favour of Heidegger's (1962) understanding of the hermeneutic circle, focusing on inquirer and social actor.

In Heideggerian (1962) understanding, the interpretive process begins with a known (secondary reports and inquirer interpretation) which is then deconstructed and reconstructed

(unknown). At the analytical level the gaze is established within the overlap of the social actor's description of phenomena and the inquirer's interpretation. The social actor communicates the experience within the text and the inquirer interprets where the two hermeneutic circles overlap (Heidegger, 1927). While the two circles do not fully overlap, the partial overlap enables the inquirer to live in the experience of the social actor. The repeated process of moving between part (detailed experience) and whole (wider understanding) demands that the inquirer self-reference understanding in establishing the true meaning of the revealed reality of the phenomenon. This is in contrast to Gadamer (1989), who seeks a new understanding of reality within the conversation of phenomena (text and inquirer). For Gadamer (1989) being is in language whereas for Heidegger (1927) being is from the social actor's perspective. For Gadamer (1989) history can also only be interpreted in the present, whereas for Heidegger (1927) history can be interpreted through understanding one's self and understanding the world, e.g. experiencing the social actor's experience through literature.

An important distinction is made for analytical purpose between grounded theory (Glaser and Strauss, 1967) and grounded approach (Thomas, 2003). In this inquiry a grounded approach (Thomas, 2003) is adopted which does not emphasise open or axial coding (Douglas, 2003), but may produce similar results as grounded theory. The primary concern of induced grounded approach (Thomas, 2003) is that themes and patterns emerge from the original sources of empirical evidence, e.g. documents or personal accounts, without the restraints of imposed methodologies. The inquirer is immersed in these sources of evidence and repeatedly reviews and codifies to discover where themes and patterns have meaning. New themes can emerge and be added to, but by the end, it is likely that no new themes will emerge, as the major themes will have been identified (Marshall, 1999).

In this inquiry three layers of interpretation will be undertaken. The first layer will reveal the literal interpretation of the document, the second layer will reveal the social actor's perspective, and the third layer will reveal or seek a deeper understanding of meaning (Aristotle, 384B.C.-322B.C.; Hirsch, 1976). In each case the starting point will be the inquirer's interpretation (known). For the inquirer the procedural skills in deconstruction/reconstruction are not seeking to isolate historicism, i.e. prejudice, but instead articulate a better known of the social actor's experience (Heidegger, 1927). Thus in arriving

at outcomes, the reconstruction process is focused on revealing a deeper reality, closer to the core truth, at each level (Smythe et al., 2008).

At method level the analytical process aligns with Hirsch's (1976) understanding of meaning as opposed to Gadamer's (1989). As such, the author of the text has purpose in engaging with the text. For Gadamer (1989) meaning develops in relation to the parts of text and the whole document, in relation to the inquirer. For Hirsch (1976) meaning is attributed to the notion that the author has free will and many options before writing. Thus the experience of writing is an intentional act by the author. For Hirsch (1976) the text cannot exist without an author, or meaning (text) cannot exist without an intentional being (author). For Hirsch (1976), intention does not refer to the sub-conscious level but to the notion of free will.

Another consideration for analysis is the level of inquiry which can be at firm; industry; national; or global level. Recognising co-evolutionary assumptions of co-acting firms (McKelvey, 1997), the level of analysis for this inquiry is the industry level and, as the inquiry question is concerned with firm behaviour, the unit of analysis is the firm. The inquirer is an outside expert (Blaikie, 1993) not requiring internal access to the firm, but having to adopt strong analytical skills. However, in terms of hermeneutic method (Heidegger, 1927) the inquirer is also an internal reflective learner (Blaikie, 2010), being immersed in sources of empirical evidence and understanding from the social actor's perspective, along with developing concepts for deeper comparison.

Where the methodological assumptions and choices have been established, the capturing of inquiry outcomes from the analytical method is warranted (Denzin and Lincoln, 1994). The multilevel (global, national, industry, firm) layered analytical process will establish parallel and series outcomes for the short (one year) and long term (three years) across the holistic four-year inquiry. In terms of the hermeneutic circle the themes and patterns will be parts of the whole model. Each layer of outcome will reduce the volume of evidence, in turn producing new understandings. Thus the third layer, which establishes deeper meaning as revealed truth, should capture the essence of the social phenomena within a limited number of, but more concise, outcomes.

In this inquiry, these outcomes will be explained within a conceptualised model of strategic behaviour. Inkeles (1964) refers to models as a way of fitting things into a larger scheme of explanation, outlining complex phenomena or establishing relations between units, to explain patterns and connections between patterns (Blaikie, 2010). At the same time, Krausz and Miller (1974) associate conceptualised models with representing the social world in terms of related concepts or schemes. Importantly, in this inquiry, the model will be ontologically grounded through concepts, where immersion in the lived experience of the social actor (Aristotle, 384B.C.-322B.C.) will reveal a deeper truth.

In Section 3.8 below, the ethical considerations of the methodology and method are shared.

3.8 Ethical considerations

In this section the ethics of the methodological approach to inquiry are considered. It is proposed that ethics assert moral obligations on individuals (inquirer, social actors) at the ontological (philosophical) level, and objective shared obligations on procedures/processes at the method level. These are further interlinked in this inquiry, as the deeper-layer model is conceptualised by engaging Islamic theology. The section concludes that ethics are central to the inquiry, where this inquiry is seeking to understand strategic behaviour.

Throughout the ages, ethics has received wide attention by inquirers (Denzin and Lincoln, 2000), politicians (Cox and Levine, 2010), business leaders (Carroll and Buchholtz, 2011) economists (Anderson, 1993; Grassl and Habisch, 2011), in diverse religious (Dalai Lama, 1999; Sia, 2008) business (Dahlsrud, 2008) and cultural (Follesdal, 2000) contexts. Whether ethics has moral (MacIntyre, 1985; Williams, 2012), hedonistic (Morris, 2011), cognitive (Johnson, 1997) or value-free attributes, it is the building block of the cohesive society of which business is a part (Carroll and Buchholtz, 2011), and remains at the forefront of current business dialogues (Institute of Business Ethics, 2012).

Ethics is often referred to as legitimised principles (Freeman et al., 2005) or norms for conduct that determine acceptable and unacceptable behaviour (Guttman, 2006). While this may be related to rationality and shared common sense (Morgan and Thiagarajan, 2009), it is also characterised ontologically by an individual's interpretive judgment on moral rights and wrongs (Hartman, 2008). In this inquiry, Heidegger's (1927) ontological notion of

understanding as a characteristic of human being (*Dasein*) proposes that ethics is an intuitive tacit quality intelligible through the interpretation of experiences (Aristotle, 384B.C.-322B.C.). As such, philosophically, ethics acknowledges pre-reflective suppositions (know-how/wisdom) which become exposed or questioned through reflective interpretation in intersubjective encounters. More so, truth is where judgment²³ and the world meet. As proposed earlier, in this inquiry ethics has substantive rational qualities rather than instrumental (Kakabadse and Steane, 2010). This gives coherence to facts as judged interpreted outcomes (Hartman, 2008) with a philosophical purpose, which is a condition of the hermeneutic approach.

More specifically, ethical understanding in this inquiry is revealed through an awakening of alertness of the world in an existential sense (Heidegger, 1927), where individual, firm and world co-exist (McKelvey, 1997). The historical nature of inquiry provides the interpretive domain (Heidegger, 1927) in which the ethics of individuals or firm/institution can be reflectively understood. Therefore in this inquiry ethics has value-bearing properties (virtues) which give responsible meaning to actioned outcomes. Where corporatisation is having an increasing impact on human interaction (Heil, 2011) the term ethics (Greek: *ethos*) is concerned with the inquiry of concepts involving duty, reasoning, rationality, virtues and choice for the firm, which define characteristics that underpin empathetic purposeful strategic behaviour.

At the method level, ethics are concerned with objectivity in the inquiry techniques. Appreciating the qualitative interpretive nature of the inquiry process (Bishop, 2012), objectivity is maintained by engaging a systematic three-layered design method (literal, social actor, deeper understanding) which translates historical strategic events²⁴ into second-order conceptualised virtues (Aristotle, 384B.C.-322B.C.) in order to arrive at deeper meaningful interpretations of the truth (Heidegger, 1927). This will be explained further in Section 3.9, with regard to the pilot inquiry. The iterative and reflective interpretive process itself appreciates that inquirer bias (Koch, 1995) and authorial bias of the secondary sources (Bornat et al., 2012) as ethical considerations are embedded (Merleau-Ponty, 2002) within hermeneutics (Dilthey, 1986; 1996). The method will also seek to be traceable, in allowing

²³ Can be individual as moral, or ethical as shared.

²⁴ A strategic event occurs as a change.

other inquirers or third parties to follow this interpretation and/or follow the procedures in their own interpretations.

In consideration, the emphasis has deliberately been on secondary publically published sources whereby concerns of consent and access are de-sensitised (Goodwin and O'Connor, 2009). This further supports the transparency and quality of empirical evidence, as in this case, the sources are independently verified and follow standardised formats supportive of longitudinal inquiry. The deeper political inferences of knowledge within the social context (Mannheim, 1936) have also been recognised as being relativistic. At the third layer interpretation (deeper meaning), the conceptualisation of model building establishes generalisation of concepts objectively by referring to independent Islamic sources. In terms of ethics, Islam offers conceptualised methodological (Arif, 1998; Choudhury, 2012; Reda, 2012), philosophical (Hassan et al., 2010) and theological (Ismail et al., 2011) (*aqidah*) foundations to the substantive hermeneutic process (Heath, 1989; Harrison, 2010) in this ontological inquiry.

At an overview level, this inquiry was approved by Board of Ethics at the University of Northampton (2012) and following the transfer of the PhD with my supervisor, was accepted for advanced stage transfer by the University of Reading (2013). These processes have addressed the broad aspects of responsibility, confidentiality, anonymity, covert methods and informed consent. More specifically, the inquirer has gained experience as a student representative on the University of Northampton's ethics committee and has attended ethics workshops, which enhanced self-awareness of the broader issues in ethical qualitative inquiry and inquirer conduct.

In conclusion to this section, ethics permeates the sponge of inquiry. It is central to this ontological inquiry in the conceptualisation of the model, where hermeneutics recognises inquirer, social actor and empirical evidence strengths, weaknesses and biases as human qualities. Furthermore, this imposes moral obligations on the inquirer to engage with ethical awareness in objective methods while seeking new knowledge from historically situated social phenomena. The interpretive approach to inquiry acknowledges inherent biases, in contrast to the positivist approach. While this may make the inquiry more complex and

frustrating, the outcome leads to a richer and more meaningful understanding (Lee, 1994) of strategic behaviour, which is what the inquiry question requires.

Section 3.9 proceeds to outline the pilot inquiry in support of the full-scale longitudinal inquiry (2006-2009).

3.9 Pilot inquiry

This section outlines the design, implementation and findings of the exploratory pilot inquiry (2006) that was undertaken to inform the methodological process. The practical steps of doing a small-scale pilot inquiry are to inform feasibility (Polit et al., 2001) and, more importantly, to test the method (Baker, 1994). The section concludes with the learning outcomes and justification for a longitudinal inquiry.

3.9.1 Pilot inquiry design

This is a qualitative secondary sources pilot inquiry which features the re-use of pre-existing sources of empirical evidence to glean new social scientific or methodological understanding (Irwin and Winterton, 2011). The qualitative design is suited to provide rich description and explanation from a historical perspective (Bornat, 2005). It seeks to generate new insight and findings through better and more holistic use of the existing sources of empirical evidence (Holland and Thomson, 2009), while at the same time raising new questions in comparative analysis (Bishop, 2012). In this inquiry the empirical evidence is not fixed in history, but is situational (Goodwin and O'Connor, 2009). Engaging the co-evolutionary theoretical framework (Volberda and Lewin, 2003) links the firm to society. and the interpretivism (Heidegger, 1927) approach in turn links the inquirer to the social phenomena. In support of these design advantages, Bishop (2012) posits that distance from phenomena reveals new understandings of history. This is embraced within the hermeneutic (Dilthey, 1996) design adopted, enabling the contribution of new knowledge.

Qualitative inquiry methods can be complex and often include large volumes of evidence (Bishop, 2012). These can be categorised into evidence sets or waves within overall model building. In this inquiry, the empirical evidence sets may be at each level (global, regional, national, industry, firm) and based on time series (years). Where more than one evidence set is combined, i.e. more than one level or year, this becomes a wave that reveals a pattern.

This pilot inquiry is restricted to a single-year multilevel examination. The 2005/6 period has been chosen, i.e. 2006²⁵ reports. This empirical evidence set is located at the starting point of the longitudinal period under inquiry, 2006-2009. Where in this inquiry time moves forward, this is the right point to start the pilot inquiry. Seven secondary sources, i.e. the publically published 2006 reports, have been identified in Table 3.3 below. The empirical evidence for Asda (16% market share) was not available, as it has been taken over by Wal-Mart and reports as a US-based subsidiary. Therefore this firm is not included in the inquiry population. Furthermore, no suitable regional-level empirical evidence sets were readily available. This level will be considered from the other level perspectives.

Table 3.3 Pilot inquiry empirical evidence set (2006)

Level	Secondary empirical sources for pilot inquiry	Code
Global	Global Powers of Retailing (2006) annual report Deloitte and Touche	GPR07
National	Office of National Statistics report: http://www.statistics.gov.uk/hub/index.html	ONS06
Industry	Competition Commission/DEFRA Report (2006)	DEF06
Firm	Annual reports of the UK grocery multiple sector leading firms (2006) <div style="display: inline-block; vertical-align: top; margin-left: 20px;"> Tesco (31%) Sainsbury's (16%) Morrisons (11%) Co-operative (5%) </div>	TAR06 SAR06 MAR06 CAR06

Whereas all other reports are large documents, the Office of National Statistics report is specified as the website. This is because the website has many small reports (balance of payments, national debt) which combined together offer a more holistic understanding of the national level. Furthermore, longitudinally the national reports have been and are modified or replaced over the years. Thus it is deemed the website is a better source for this level. Importantly, this confirms the benefits of engaging the wider understanding of hermeneutics (Dilthey, 1996), allowing multimedia sources to be engaged.

The selection of Table 3.3's publically published reports for this empirical evidence set (2006) is based on a relational fit to the grocery multiple retail sector (inquiry question) and the reports have been placed within their most appropriate theoretical level of co-evolution (Volberda and Lewin, 2003). As a point of note, differences in time are acknowledged, where

²⁵ 2006 published reports are for the historical reported year gone by, i.e. the period 2005/6.

some reports start and finish earlier or later in the year due to a different end of financial year, e.g. Morrisons report from January to December; Tesco from June to May.

Section 3.9.2 below proceeds to explain the practical implementation of the methods for analysis of the secondary sources in Table 3.3 above.

3.9.2 Implementation of pilot inquiry

The pilot inquiry adopts an inductive grounded approach (Section 3.4.1) and data collection begins bottom-up, with evidence from each report being placed into an Excel spreadsheet. Each spreadsheet is structured as a year (2005/6), within which each page is divided to capture a report (global, industry; Tesco, Morrisons). Each report is given a specific derived code, e.g. Mor 06 (Morrisons 2005/6 report).

The first layer asks *What change took place?* The second layer is focused on *What were the actions taken?* and the third layer establishes *What was the behaviour?* These questions are systematically applied to the content, i.e. texts, of each report, which is analysed and interpreted as a hermeneutic process.

Layer one

The first layer is structured as in Figure 3.4 below and is divided into global, regional, national, industry, and firm levels (see column 3 below, derived from the co-evolutionary framework). Then, in this case, the Morrisons annual report is read and “events” from within the report are identified, with the direct quote being placed in the “event” box, along with the page number as a reference.

At this first layer of interpretation, the inquirer when reading the report, is focused on *What change took place?* This first question captures the “events” within each report. The inquirer has to consider whether this is a global, national or firm-level event when capturing it. Through this process the inquirer derives a series of events from within the report that have impacted at different levels.

As each event is captured, it is interpreted into themes. In the example below, Figure 3.4 shows that the first layer of interpretation identifies that on page 13, Morrisons reports its acquisition of Safeway stores, which were being integrated into Morrisons during 2005/6.

Figure 3.4 First layer interpretation of Morrisons (2006)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
1																						
2		Period		Jan 2005-Jan 2006	FIRM LEVEL REPORT: MORRISONS ANNUAL REPORT 2006																	
3																						
4		Document	Ref	Level	Action/Event	Processual Changes						Output Focus				Theme						
5																						
6		Mar-06	pg 13	Global	Morrisons grew to become a UK national pl	Integration of Safeway Stores into Morrisons						Operational integration southern/northern stores				Become a national player						
7					Company went from £1.7bn to £6.6bn assets following Safeway acquisition	(Purchased in 2004 for £3.3bn)- paid £600m cash+shares						Share Price fell from £2.03 to £1.89 Jan 05/Jan 06				Integrate Safeways into Morrisons						
8																						
9																						

Source: Snapshot of Appendix 6:

This method is applied to each of the reports e.g. Global Powers of Retailing report (see Appendix 6).

Layer two

Once layer one themes have been captured, the second question *What were the actions taken?* is applied to the themes. The inquirer will have a better appreciation of the broader context at different levels and a greater familiarity with the source documents when proceeding to layer two. This iterative process of going back and forth recognises the part and whole of the hermeneutic circle. At the second layer it seeks to establish the interpretation from the social actor's (firm) perspective. The inquirer is able to consider the adaptive and selective influences on each other which are emerging from the layer one theme interpretations.

A new blank page with the same multilevel structure is added to the spreadsheet. The themes from all the reports in layer one are inserted at the appropriate level at layer two. The themes at each level are analysed together by applying the second question to them. The inquirer is also able to trace back to the original source document if seeking clarification of a theme. In this way, the inquirer interprets spheres of action at each level derived from the themes. This is an iterative exhaustive process, with focus on capturing the main or dominant actions within the themes, until all the themes have been captured within the derived interpreted spheres of action.

Importantly each sphere of action engages language and terms specific to that level²⁶, where it is a novel contribution to new knowledge. For example, in Figure 3.5 below, leadership and governance are specific to Morrisons. At the same time, when considered collectively, the spheres of action have varied implications as impacting patterns of model building at the other levels (global, national, industry).

The spheres of action emerge as a process of representing and reducing the themes to fewer spheres of action at each level (less than ten) as generated outcomes.

Figure 3.5 below exemplifies the four spheres of action that emerged from this iterative process of the pilot inquiry for the Morrisons firm level at layer two (2006).

Figure 3.5 Layer two pilot Morrisons firm-level spheres of action (2006)

Spheres of Action Morrisons
Organisational leadership restructure integrating Safeways and extending to National chain (Diluted family led business acquires for marketshare)
Strengthening of financial leadership and focus for profit (Corporatising economics of governance)
Infrastructure and brand renewal investment for National Chain of a supply chain and labour intensive retail model (Investing in Morrisons model)
Human resource integration of two different business models from U.S. to U.K. alignment (Transitional mindsets)

Source: Snapshot of Appendix 6 Excel spreadsheet.

At this level, the inquirer becomes more familiar with the empirical evidence sets and the holistic understanding of strategic outcomes as actions. At this level, the focus is on the lived experience of the firm within the social world, i.e. its context.

Layer three

The third layer of inquiry seeks to establish deeper understanding of the social phenomena. The central question applied to the spheres of action is *What was the behaviour?*

Pre-defined virtues

In preparation for the third layer interpretation, 120 virtues have been identified and independently pre-defined. The list of virtues was initially developed through internet

²⁶For example, diversification at the global level is distinct from diversification at the firm level.

searches and using dictionary definitions of the different virtues/vices. Terms such as fortitude and greed can have different meanings to different people, but the Aristotelian understanding of virtues requires ideal excellent behaviour (virtue) to be defined relative to extreme excessive or deficient vices. Furthermore, the hermeneutic approach requires the understanding of modelled terms to be defined within a complete philosophical text that explains their meaning as “being in the world”. The modelled virtue/vices are then understood within the philosophical text to conceptualise their meaning. For these reasons, the virtues were pre-defined prior to commencing the third layer interpretation from the spheres of action to strategic behaviour as virtues. With this list of 120 virtues in place, the spheres of action can be interpreted into virtues and vices. In modelling, new virtues can be added as needed if a satisfactory definition is not available in the list. The list provides a relevant base for interpreting spheres of action into virtues. Each virtue can then be understood between two vices, and within the philosophical text.

The spheres of action from layer two are placed on a new co-evolutionary level page. The actions within each level are interpreted into virtues or vices by applying the question *what was the behaviour?* at each level. Thus at third layer, the behavioural virtues or vices that were demonstrated are interpreted. To exemplify, in the 2006 pilot inquiry, Sainsbury's spheres of action were interpreted as demonstrating fortitude, which was understood as a virtue, i.e. golden-mean behaviour, in that context. This is exemplified in Figure 3.6 below.

The virtue/vices in the model are further conceptualised within an ontological source (the Quran) to justify and verify the definition independently.

Figure 3.6 Third layer behavioural virtue conceptualisation

Virtue	English definition	Islamic source
Fortitude	Strength of mind that enables one to endure adversity	(2:153)

Virtue/Vice	Deficient	Golden mean	Excessive
Behaviour	Cowardice	Fortitude	Boldness


Source: Extracted from the pilot inquiry for 2006 third layer Excel spreadsheet

In Figure 3.6 above, fortitude as a golden-mean behaviour (fear tempered by reason) is relative to the vices of cowardice (deficient) and boldness (excessive), which can destroy reason as tempered human behaviour. Importantly, the hermeneutic circle and process of going back and forth to secondary source, themes, spheres of action and virtues is a complex iterative process that is designed to enable model building. As such, each layer can be systematically added to, as new reports or sources are explored. Whereas in the first layer, many hundreds of themes are the outcome, in the second layer the number of spheres in the outcome are in double figures, and in the final third layer the range of outcomes is less than fifteen per year.

Reflection

Table 3.4 below presents the three layers of interpretation holistically. Importantly, in-between each layer there is reflection. Reflection in this inquiry has philosophical (Palmer, 1975) and physical properties (Karim and Carroll, 2012). Philosophically, reflection is a state of being where the part and whole of hermeneutics can be reflected upon. This may include self-reflection or reflection of the iterative development of each layer. In a physical sense, reflection also indicates the transfer between mediums (such as light or water) or across the boundaries of a level (firm/industry). Thus in this inquiry's context, reflection between each layer indicates an interface or transition stage.

Table 3.4 Implementation of interpretive layers

Interpretive layer	Question	Building blocks	Revealed typology	No.	Formal patterns  Informal modelling	Transition stages
(1) Literal	What were the changes that took place?	events	Themes (inductive)	100s		Historical change (factual)
	FIRST REFLECTION					
(2) Social actor	What were the actions taken?	actions	Spheres of action	31		Lived experience (social world)
	SECOND REFLECTION					
(3) Deeper understanding	What was the behaviour?	virtues	Behavioural concepts	9	Re-conceptualisation (abstract)	

Where analysis and interpretation of each report is complex and time-consuming, the inquirer should reflect after each report and layer. It can take a week to analyse a report, so the inquirer allowed intervals of few days before starting the next report, and reflected at the end of each layer.-This enabled absorption of understanding and holistic understanding.




In this section the pilot inquiry design for the year 2006 has been shared. Section 3.9.3 below reviews the findings of the pilot inquiry.

3.9.3 Findings of the pilot inquiry

The implementation of the pilot inquiry for the year 2006 produced seven tentative third layer findings. At the global level the critical factor was whether to internationalise or focus on the home country. This is exemplified where Tesco (the market leader) was internationalising, whereas Morrisons was focused on integrating the acquisition of Safeway into the business and thus remained focused on the home country. At the national level, while there were signs of stress in the economy, government policies, regulations and professional networks supported protecting the elites at a time when the UK grocery multiples sector had low profitability. At the industry level the regulators preferred rational performance measures and were limited to consumer concerns. The grocery multiples had benefited from a liberalised capital market and there was a trend of re-financing. Firms in the industry had the option to pursue large store formats or convenience formats. Interestingly, at the firm level, each firm demonstrated different virtues. Table 3.5 below summarises the tentative findings of the pilot inquiry for 2006.

Table 3.5 Tentative findings of pilot inquiry for 2006

Level	Behaviour for growth	Virtue / vice	Conceptualised
Global	Internationalise vs. home country	Greed	s92: v8
National	Artificial protectionism of elites	Hubris	s2: v170
Industry	Rationalised consumer dependency	Cowardice	s3: v122
Firm (Sainsbury's) (Tesco) (Morrisons) (Co-op)	Reactive re-alignment to competition Political relations for performance Agency-focused acquisition Consolidation	Fortitude Cleverness Egoism Insensibility	s2:v153 s63:v1-3 s12:v53 s2:v74

Key: Deficient vice  Excessive vice  Golden mean 

The virtues in Table 3.5 above were conceptualised from an independent Islamic source (the Quran) within which the reference is to chapter (*surah*): verse. This is a one-year snapshot for 2006.

Key learning from the pilot study includes that the complexity of the process and the time involved are high. Whilst it would be good to have a longer longitudinal time period under inquiry, this would be difficult to complete within a PhD time frame. It is important that the inquirer engages in reflexive reviews at stages throughout the process, as this will improve the quality of outcomes. Changes made as a result of the pilot included improved structure and handling of the data in a more organised way. The organising of reports by year into folders and the development of the Excel spreadsheet was refined. The inquirer was able to experience the hermeneutic approach, which was in itself new to the inquirer. The development of the virtue list and conceptualisation was a learning curve, particularly as it requires a deeper reading of Aristotle's writings and Heidegger's hermeneutics, whilst at the same time few studies have applied their knowledge in this way.

Going through the three stages helped build a more holistic understanding, whereby at the end of the pilot, the inquirer had a good understanding of the strategic developments within the reports. By experiencing the analysis process, the inquirer appreciated the hermeneutics approach.

The pilot inquiry has demonstrated that the qualitative analytical method works. More importantly, this snapshot indicates that a longitudinal inquiry will produce a model of virtues for a firm over the four-year inquiry period (2006-2009). In this way, a longitudinal inquiry will support model building and explain the differences between firms, the different adaptive and selective influences on the firm and how each firm strategically behaved over the years. Thus a longitudinal inquiry is justified in order to develop a behavioural model.

It has been mentioned that qualitative inquiry is complex and time-consuming. The pilot inquiry involved the analysis of large reports and the method included the need to reflect at each layer of analysis. In consideration, it is estimated that the analysis will take twelve months.

Section 3.10 proceeds to consider the inquiry quality.

3.10 Inquiry quality

This section establishes the qualitative understanding of quality that will govern the methodology of inquiry and the outcomes of model building (new knowledge). Critical to success is having consistency across longitudinal and multilevel inquiry, and further re-application of the method and testing of model outcomes, as relevant to other social phenomena.

Where the terms validity and reliability are often associated with quantitative inquiry quality, (Campbell and Stanley, 1966), qualitative criteriologists such as Le Comte and Goetz (1982) or Altheide and Johnson (1994) have progressively moved these terms towards the craft and skills of judgment in social inquiry. In consideration, Sparkes and Smith (2009) favour relativistic judgment of quality rather than criteria-based judgment. In support, Smith (2009) recognises that criteria are individual and situational dependent. In this inquiry, the relativistic understanding of quality is more appropriate (Sparkes and Smith, 2009), whereby the regulations and constraints of inquiry quality (validity/reliability) are guided by concepts and philosophical underpinnings (Seale, 1999). In turn, this supports the qualitative inquiry experience which is more exploratory, reflexive and creative, leading to more sophisticated understanding (Heil, 2011) or a deeper richer meaning of social phenomena (Hartman, 2008; Lee 1994) through existing sources of secondary empirical evidence.

Importantly, where judgment is derived in multiple-constructed realities, the authenticity of truth (Duesing, 2012) requires an appropriate ontological foundation in gaining valued justified outcomes. In consideration, this academic inquiry is an ontological inquiry that begins by referring to the corporation/firm as a political work entity (Heil, 2011). In support, the inquiry question's meaningfulness is enhanced by the two sub-questions which qualify usefulness of behaviour in enhancing growth and expressing adaptive/selective influences. Thus, at the heart of this inquiry is (1) the nature/purpose of the corporation, (2) the actions that occurred and (3) the appropriate behaviour that enhances sustainable growth.

In considering inquiry quality, no methodology is without its limitations or risks. In relation to this inquiry, Powell (2003) rejects strategic corporate ontological inquiries in favour of empirical and pragmatic studies, arguing that these offer simpler scientific outcomes. However, Powell (2003, p.291) returns to "language games" as shared verbal and cultural

perceptions to define human actions. This inquiry posits that scientific inquiry provides limited outcomes and problematic consequences as it assumes an ontological claim without explicitly addressing it (Heil, 2011). Furthermore, science only provides evidence of the empirical experience, which does not lead to the hidden truth being revealed (Polt, 1999). Smith (1992) further posits that for the interpretivist, inquiry is a practical and moral activity. Thus in this inquiry, the purpose of quality is to uncover or reveal deeper ethical understanding rather than objective statements of truth (Stiles, 1993).

The subject of inquiry is the corporation/firm. In highly competitive global environments (IMD, 2012) performance indicators such as key performance indicators (KPIs), rankings (league tables) or profit/loss (share value) offer a quantitative static measurement of outcomes. In contrast, this inquiry seeks a deeper meaning behind these numerical outputs, where cultural, political and relational issues define the form of corporation as a learning entity (Knowles, 1973) consisting of humans (Heil, 2011). Thus, in this inquiry the performance factors in modelling behaviour are derived from the longitudinal inquiry of secondary empirical sources (mainly literature) to establish the patterns of virtues/vices that determine growth characteristics.

Ultimately the quality of this thesis is dependent on the generation of new knowledge. In this regard, Maddison (1988) argues a difference between arbitrary principles (objective) and purposeful reasoning (subjective), whereby attributes such as coherence, comprehensiveness, thoroughness, conceptuality and agreement offer a persuasive reason for judgment (Whittaker, 2001) and lead to more sustainable outcomes. In contribution to knowledge, this inquiry seeks to develop a more accurate and effective model for inquiring growth strategies (which have hitherto defied all systemisation or have not been done by previous inquiry). In terms of quality, the usefulness of the model in so far as it enriches the current state of knowledge, depends on:

- 1) theoretical fundamentals of model building
- 2) the model's interpretive capacity
- 3) the model's predictive capacity (whether or not its predictions can be verified (tested) within a given time period)

Thus in the spirit of wider qualitative appeal, the term quality may be interpreted as methodological transparency, replicability and transferability in the testing of the developed model in other social contexts.

In this section the inquiry quality has been outlined. Section 3.11 proceeds below with a summary of this chapter.

3.11 Chapter three summary

In summary, the firm as corporation (Drucker, 1972) is understood as an entity consisting of human beings (Heil, 2011). As such, the corporation has characteristics, relationships and virtues which attribute the responsibility of firm behaviour to self-sustainability (adaptation), in balance with wider societal influences (selection). Heidegger (1927) posits that being (*Dasein*) requires the understanding of an entity. In other words, humans can understand humans (not animals) in terms of existence, and humans cannot be separate from their environment but are “in the world”. As such, gaining knowledge for Heidegger requires interpretation of being in the world (history). At the same time for Heideggerian interpretivism, language exists and articulates the way of being for entities (Heil, 2011). Therefore, this inquiry seeks to express the nature (*Wesen*) of the firm within an ethical model of behaviour. Engaging Heideggerian interpretivism (1927) and hermeneutics (Dilthey, 1986) ethics uses primordial ontological understanding (Islamic theology/Greek philosophy) in the development of rich, meaningful outcomes (Lee, 1994).

The methodology supports the literature review’s co-evolutionary framework (Volberda and Lewin, 2003) with Mintzberg et al.’s (2009) explanation of strategy and strategic behaviour. This aligns with Aristotle (384B.C.-322B.C.), who recognises that ethics is “continuous with the inquiry of biology and psychology” (Hartman, 2008, p.314). This inquiry adopts a sociological stance to the inquiry of social phenomena (Blaikie, 2010). The pilot inquiry (Teijlingen et al., 2001) has demonstrated the method and paves the way for a longitudinal inquiry. In this qualitative inquiry of strategic behaviour, the level of analysis is the industry and the unit of analysis is the firm. This inquiry is concerned with revealing a deeper truth, where truth is the unconcealment and articulation of entities. In this regard, truth is understood as being in harmony with rather than in the correspondence of facts, and humans form (*weltbildend*) the world through openness (Heil, 2011).

In conclusion the methodological approach to the inquiry maybe related to the Greek term *apocalypse* (revelation) and the Islamic term *tafseer* (revelation) in terms of modelling the strategic behaviour of the firm (corporation). In the chaotic dynamic environment of the twenty-first century, this thesis uniquely combines the historical origins of human knowledge, i.e. Greek philosophy and Islamic theology, in articulating the world and conceptualising our understanding of it, where characteristics (*ethos*) reveal how humans *ek-sist* (Heil, 2011).

“Ethos athropos daimon – A man’s character is his fate”

(Heraclitus, 535B.C –475 B.C.; fragment 119 in Heil, 2011, p.10)

Chapter four: Ethics for hermeneutics

4.1 Introduction

Chapter four outlines the different perspectives of ethics (Greek: *ethikos*) or moral philosophy, out of which the most appropriate understanding of ethics to this interpretive hermeneutic inquiry is shared.

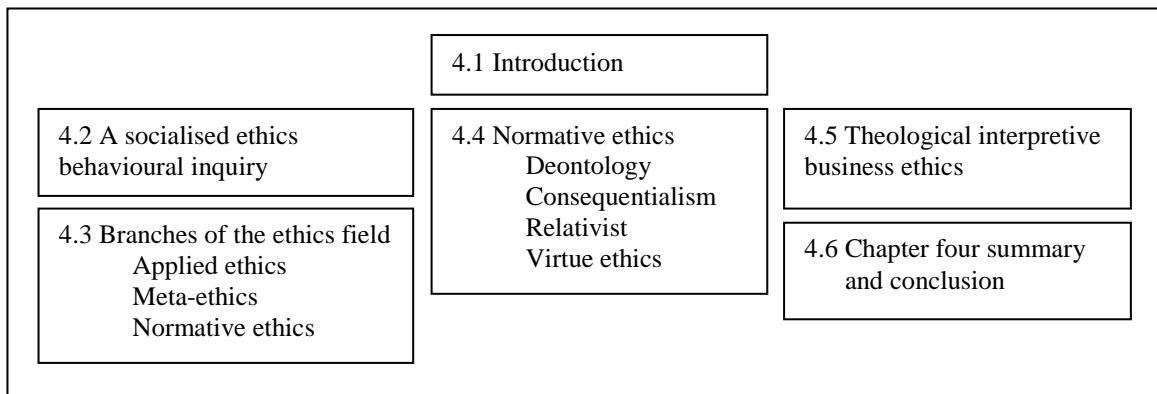
Chapter four proceeds as follows. First, the compatibility of ethics to hermeneutics asserts a preference for a socialised structure in which complex ethical behaviour can be broadly interpreted. Second, the different approaches of the branches within the field of ethics in establishing standards to conduct are shared. Ethics can be understood as applied, meta or normative²⁷ in governing the principles for defining what is the best “way we ought to live” (Plato, 380B.C., Republic Book 1, p. 28, line352d, in Plato, 1997). Values or strategic actions may be determined as being right or wrong and good or bad, representative of the main behavioural characteristics (Greek: *ethos*) of a corporation within its context (Drucker, 1972; Heil, 2011). Normative ethics emerges as the most fitting to the interpretation of strategic actions as behaviour. Third, of the different approaches to normative ethics, virtue ethics²⁸ suitability to the historical modelling of behaviour is shared. It is Aristotelian virtue ethics that defines the characteristics of the moral agent (i.e. firm/institution)²⁹ within a historical situation as interpreted behaviour. Aristotle (384B.C.-322B.C.) asserts virtue, i.e. moral excellence, as a golden-mean moderation between two vice extremes. The fourth part of this chapter articulates theological contributions to interpretive philosophical business ethics, as Islamic theology conceptualises the virtues in this hermeneutic inquiry. A summary and conclusion of this chapter is presented in the final section. Figure 4.1 below presents the structure of Chapter four.

²⁷Branches of the field of ethics.

²⁸In contrast to deontology, consequentialism and relativist approaches.

²⁹The case is made for the understanding of firm, organisation and institution as consisting of people later in this chapter.

Figure 4.1 Structure of Chapter four



The context from which the sample of firms originates and has been selected is the Anglo-American neo-liberal economy and shareholder-focused corporate governance system. In Section 4.2 below, this context is contrasted with the alternative European capitalistic governance and firm structure, which is socially focused and offers an alternative lens to ethics. Section 4.2 asserts that the socially focused lens offers a broader understanding of ethics and is the most compatible for complex behavioural modelling within this interpretive hermeneutic inquiry.

4.2 A socialised ethics behavioural inquiry

The co-evolutionary theoretical framework (Volberda and Lewin, 2003) has as its underpinning that the unit of analysis, i.e. the firm, exists in a multilevel environment. The firm's own strategic behaviour emerges in its interactions with other firms and from the impacts of various institutional governance structures, all of which consist of people and need to be understood together (McKelvey, 1997) for multilevel hermeneutic interpretation (Heidegger, 1927; Dilthey, 1996). In this inquiry, the outcomes of modelling behaviour are very dependent on adopting an appropriate and broad definition of ethics, which is central to³⁰ a methodological, multilayered interpretive construct (Naqvi, 1981; Bennett, 2015).

In simple terms, ethics is the branch of philosophy concerned with morality (Smith, 1759; Van Hooft, 2014), which is evident in decision-making processes (Rest, 1986, Sparks and Hunt, 1998) that emerge as contextual behavioural outcomes (Treviño et al., 2006). Here, the

³⁰As opposed to separate from, specialist, extraordinary.

more rational minded scholars such as Moore (1903), Anscombe (1958) and Foucault³¹(1990) are concerned with making stronger distinctions between the terms ethics and morality. Contrastingly, some subjectivist scholars may prefer to use these terms interchangeably (Williams, 2012). However, there is a subtle but important difference between ethics (Hodge, 2001; Van Hooft, 2014) and morality (Harman, 1977; Tod and Hodge, 2001; Zigon, 2007).

Table 4.1 below outlines that morals define the personality traits of the individual which are normally genetically inherited. Ethics stresses the social system in which these morals are applied. Thus, ethics points to the standards or codes of behaviour expected by the group to which the individual belongs, which should be defined within a wider philosophical understanding (MacKinnon and Fiala, 2015). The distinction is that ethics can be learned through association with others, unlike morality. This subtle difference, presented in Table 4.1 below, is critical to this inquiry, as it establishes that a social phenomenon can be ethically understood by different groups* and their philosophical lenses. That is, the Continental understanding of social phenomena within the Anglo-American governed system can be independently conceptualised within Islamic theology. Thereby, where there is a divergence of ethical understanding between groups, it more often leads to a breakdown of relations or confrontation, which at a deeper level is interrelated and resolvable.

Table 4.1 Differences between ethics and morality

Term	Moral agent	Attribute	Structure and level of lens
Ethics	Group*	Learned through association	Social system character qualities
Morality	Individual	Inherited	Personality traits

As such, ethics is often defined as the formal rules for conduct which establish acceptable and unacceptable behaviour (Resnik, 2011), exemplified by Roman law; the Hippocratic oath or school rules. In reality, these are more likely to be explicit man-made mechanisms and judgments designed by a few people for governing the majority's informal behaviour. But essentially formal mechanisms such as laws enacted by government sought to secure trustworthy conduct (Weber, 1905; Eisenhardt, 1989) that shifted focus from the individual to

31 Foucault's concept of problematisation.

the social mechanism (Aristotle, 384B.C.-322B.C.; Coleman, 1984). Where formal ethics may have narrow design, its attributes move more towards control, e.g. empire building, closed networks or dictatorship. This in turn requires good ethical inquiry to bring into focus broader attention, inclusive of the informal norms and practices that in reality pervade all actions (Granovetter, 1985). Thereby an action can be judged to be legal but unethical, or illegal but ethical. Thus this inquiry seeks to consider both formal and informal patterns in multilevel hermeneutic interpretation as impacts on different groups, for which a broad understanding of ethics is important. Bennett (2015) asserts that whilst animals act on instinct, being human (Dilthey, 1996) is to “think ethically all the time” (p. xi) where ethics “justifies and explains” (p. xvi) human actions as accountable.

In this understanding of ethics the moral agent needs to have empathy. The question of whether the firm or institution can be a moral agent arises. Emerging from US managerial and legal debates about the principal-agent or ownership-control relationship (Berle and Means, 1932) of the corporation (Drucker, 1972), the positivist scholars prefer to conceptualise the firm (Coase, 1937) as a nexus of contracts (Jensen and Meckling, 1976; Williamson et al. 1990; Eisenberg, 1998). In contrast, the subjective scholars have argued for wider behavioural understanding, even within the narrow US debates (Hall and Hitch, 1939; Cyert and March, 1963). It is of note that, within Anglo-American scholarship, the revival of virtue ethics (MacIntyre, 1998) is in the form of an ethics of responsibility (Levinas, 1969; 1998) that cites leadership’s (Arjoon, 2000) “ethical failures arising from contemporary concerns with material and symbolic success, that reside in an ultimate pre-occupation with the self” over others (Knight and O’Leary, 2006 pg. 135). In this inquiry, the firm is understood as consisting of people (Aristotle, 384B.C.-322B.C.), where the focus is not on self/leadership success, but on actions of sustained empathetic social excellence that impact others (Aristotle, 384B.C.- 322B.C.). The existence of the firm, organisation or institution is bound by the shared interests, commitments and strategic actions of the people within, who empathise with one another towards a shared outcome, or in the shared impacts of external influences. As such, the firm or institution's strategising is an empathetic and therefore ethical process understandable in strategic outcomes. Knight and O’Leary (2006, p. 132) assert that human behaviour is not acting in self-interest as isolation, but rather is a “reflection of what it means to be a member of society”. Thus, Anglo-American society has become amoral in the

pursuit of more personal glory over the moral obligation of the individual to live and work for the Aristotelian good life.

Being located in the UK, the inquirer decided it was practical to select grocery multiple firms that were British in origin³² as the sample, for which rich empirical materials were readily available, enabling longitudinal analysis and in-depth interpretation. At the same time, the inquirer was prompted by concerns in the literature about the liberalising characteristics and competitive nature of the Anglo-American governance system (Lane, 2003; Clarke, 2009; Schularick and Taylor, 2009), along with increasing regularity of corporate collapses stemming from within, including Enron, Parmalat, WorldCom, Tyco, Adelphia, Global Crossing, Maxwell, Polly Peck, Lehman's, RBS, BP, and News of the World (Kakabadse and Kakabadse, 2003; Cherry and Sneirson, 2011; Betta et al., 2014). The combined intensity of governance failures and corporate collapses was evident in the impacts of the financial crisis of 2008 (Knyght et al., 2011) which is a period under analysis in this inquiry. All this indicates deeper philosophical ethical deficiencies and the moral hazards (Kulp and Hall, 1928, p.12) of the Anglo-American shareholder model (Dsouli et al., 2013).

At the same time, the conceptual understanding and acceptance of political³³national governance (Kettl, 2000; Ling, 2002) in advanced Western countries (including the UK) has traditionally offered very limited and predominantly narrow policy options during the last century (Jennings et al., 2010). The UK is a democracy but has an unelected head of state (Ridyard, 2014). The typical political choice has been either for fiscal (i.e. socialist, left) or entrepreneurship (i.e. conservatism, right) movements as options for political governance. It is therefore no surprise that political apathy and alienation persist in society as a long-term concern (Dean, 1960; Sloam, 2007). More than thirty percent of eligible voters consistently have not voted in UK general elections for the last fifty years (UK Political Info, 2015). Furthermore, it seems that both the dominant political parties are increasingly focused on protecting their interests in re-election (Rawnsley, 2001; Detterbeck, 2005; Chadwick, 2011). This is largely supported by the shaping of an agenda mindful of corporate values: for example, the use of taxpayer funds to nationalise RBS; corporate tax avoidance; reduction in

³² Tesco, Sainsbury's, Morrisons, Co-operative.

³³ For Aristotle ethics and politics are separate but related fields. Ethics is focused on the good of the individual, politics is concerned with the good of the city state (*polis*).

public council budgets; and a rising UK Gini index between north and south. This has eroded many complex wider societal ethical issues, such as immigration, health care, environmental depletion, and wars, into economic transactions, such as quotas, patient budgets, carbon and car emission taxes, charging for landfill waste, non-egalitarian justice systems and high war reparations, all of which are often initially ill-conceived (Kakabadse and Kakabadse, 2012).

An extended historical lens asserts that the current Western institutional and corporate governance systems evolved from the Roman Empire (27B.C.-476A.D.) and Christian crusades³⁴. It was the religiously informed “social” model of institutional governance that dominated in Europe for approximately 250 years. At a time of the English royalty's desperate need for funds, Henry VIII adopted the Protestant Reformation (1529-1537) for monarchist gains (Kakabadse et al., 2015). Meanwhile in Germany, the practice of Roman law remained in place longer, under the Holy Roman Empire (963–1806). The combination of business and ethics can also be traced back to the Islamic Golden Age of merchant capitalism between the eighth and thirteenth centuries (Banaji, 2003).

The earlier understanding of ethics as being theologically guided within a “social model³⁵” (Kakabadse et al., 2013) has not been explicitly practised in UK governance and corporate circles for many centuries. Instead, monarchist colonial ties (Chaudhuri, 1978) and the rise of America as a global power during the twentieth century (Agnew, 2005) have supported an increasingly neo-liberal shareholder model (Kakabadse et al., 2010) and the preference for more secular business practices promoting innovation. Over the years this has received the support of leading business schools and their leadership programmes and academic practices, e.g. Harvard, Stanford, and the London Business School (The Economist, 2015). Thus what should be philosophical business ethics has transited through more epistemological conceptual cycles, in forms of social responsibility (Bowen, 1953) and behavioural (Cyert and March, 1963), transactional (Friedman, 1962; Williamson, 1973), stakeholder (Freeman et al., 2007; Freeman, 2010), CSR (Carroll, 1979; 1999; Garriga and Melé, 2004) and corporate responsibility (Zadek, 2007) manifestations. The empirical and positivist interpretations have been the most promoted to direct performance.

³⁴The First Crusade (1096-1099) included the Rhineland massacres of the Jews, and the Siege of Jerusalem in which Muslims and Jews fought together to defend the city against crusaders. There were many crusades over a 500-year period.

³⁵Continental/communitarian models of governance.

Noting the long-term concerns and crises affecting the neo-liberal capitalistic shareholder model, Friedman (1962) suggests that its ethical attributes are weak and in need of deeper philosophical structures (Dickerson et al., 2006; Kakabadse and Steane, 2010). It seems to be functioning more as a moral than an ethical social structure (Table 4.1 above). In this inquiry, the social model better supports the broad understanding of the term ethics, in which a firm or institution consists of people who empathise. This is more aligned to the Continental philosophies and methodologies, and is broadly inclusive of the constructs of Germanic idealism (Hegel, 1825; Heidegger, 1927; Husserl, 1901; 1939; Habermas, 1991). These constructs can trace their roots as historic pathways to more abstract rules beyond human design, such as the Ten Commandments or the interpretations of Abrahamic religious text, philosophically embedded in the contemplations of body and soul, and the existential meanings and purpose of humanity. Whilst the social model has not been much practised or promoted in the UK, it may offer an important and unique contribution (Dickerson et al., 2006; Kakabadse and Steane, 2010), as it offers a broader understanding of ethics in mankind's dealings with complex societal issues.

In this section the justification supporting the social understanding of ethics for interpretive modelling has been shared. Section 4.3 below considers the different academic branches of the ethics field.

4.3 Branches of the ethics field

This section outlines the three main branches within the academic field of ethics. These are applied ethics, meta-ethics and normative ethics.

Ethics is the branch of philosophy that in essence inquires *What actions are right or wrong in a particular situation?* It involves systemising, defending and recommending concepts of right or wrong in order to understand *What is the best way to live?* Over the years, three main branches, each contributing in a different way to the field of ethics, have developed to respond to these questions.

The most recent branch of ethics that has emerged is applied ethics (Singer, 1975; 1979). It developed during the 1960s and 1970s and features in US university research such as at the

Bioethics Centre³⁶ at the University of Pennsylvania (Cavalier, 2002). Applied ethics is concerned with the inquiry of a moral problem from a particular standpoint, e.g. *Under what conditions is an abortion morally acceptable? Or What obligations do you have to the poorest of the world?* In this branch of ethics, the question being asked is how to take moral knowledge and put it into practice. Morality is assumed to exist, where the role of principles is to establish the underlying features of right and wrong. Its method involves practical³⁷ reasoning and application in moral decision-making (Ryberg et al., 2007): in other words, the application of normative theories and standards to moral problems.

The foundationalists³⁸, initiated by Descartes (1637), argue that moral principles are the starting point of ethical decision-making, whereas coherentists³⁹ (Joachim, 1906) assert that there is no fixed starting point and that focus is more on the situation, with a view to bringing together the different justifications in order to determine what action to take. Thus this branch of ethics is more suited to solving the practical problems of moral ethical dilemmas about current or future states, and does not address historical focus, needed in this inquiry.

Additional criticism of this branch of ethics infers a lack of theoretical underpinning, where an unsupported mixed-method approach of “choose whatever fits” from existing theories is acceptable (Cohen and Wellman, 2014; Vance et al., 2015). However, this discounts that there are fundamental philosophical and theoretical differences between the divergent ethical theories (Molewijk et al., 2004). In turn, this suggests weak conceptual foundations. The basis of assuming moral existence (Beauchamp, 2003) is not clearly supported. Thus, applied ethics claims to be philosophical, but in reality is a flawed epistemological or methodological understanding of moral ethics (Nordenstam, 2013). Furthermore, being the most recent branch of ethics, it currently lacks wider support from academics and practitioners.

However, being a practice-orientated branch of ethics (Shaw, 2012) has enabled its application to some of the more controversial moral ethical concerns facing professional advancement, such as animal rights in clinical trials, medical advances, bioethics, euthanasia

³⁶ See <http://medicalethics.med.upenn.edu/>

³⁷ Practical here refers to in practice, reality, doing - but this is lacking theoretical underpinning. It is distinct from Aristotle's practical reasoning, which is philosophical.

³⁸ Hold that there are basic beliefs that hold justification of the regress argument.

³⁹ Seek consistency in truth.

and military interventions, but it has controversial justifications (Dittmer, 2014). This branch of ethics is more suited to the relativist situational approach, but remains theoretically underdeveloped. For these reasons, it is not suitable for a philosophical interpretive hermeneutic inquiry.

An older, more mature and more widely contributed to branch of ethics is meta-ethics. Meta-ethics is concerned with the nature of ethical properties, i.e. the foundation and scope of moral values as properties and words (Bradley 1893; Moore, 1903; Ayer, 1936; Hare, 1952; 1963). Meta-ethics is focused on the existence and status of what morality itself is. Because of its highly abstract nature, this branch of ethics is sometimes referred to as second-order⁴⁰ moral theorising (Pavlakos, 2015). Meta-ethical inquiries give attention to the ontological properties of morality, the semantics of discourse⁴¹, how morality affects humans as agents, where ethical principles come from, and how we come to know about morality. As such, meta-ethics addresses the questions *What is goodness? How can we tell what is good from what is bad?*

Meta-ethics emerged as a branch of ethics around the turn of the twentieth century. At that time, Moore (1903; 1912) critiqued the utilitarian views of Sidgwick (1874) moving the ethics dialogue from considering “what ought to be good” to a more objective position, in which “good is good”. Thus meta-ethics is itself divided as either being objectively descriptive of a moral truth, i.e. cognitive (Bradley, 1893; Moore, 1903; Prichard, 1912; Ross, 1930), or as being a belief or feeling, i.e. non-cognitive (Ayer, 1936; Stevenson, 1937; 1944; Hare, 1952). Bradley (1893) argues that meta-ethical statements can be scientifically tested as propositions of fact or truth and are underpinned by a philosophy that asserts everything arises from natural qualities, i.e. naturalism. Moore (1903) argues that moral terms are in their simplest form⁴². Goodness cannot be proven where facts are descriptive and one cannot infer “ought to be” or known beliefs from naturalistic statements, i.e. the naturalistic fallacy. For Moore (1903) the resolution is the introduction of the sub-branch moral intuition, which is different to senses (Hume, 1751). From Stevenson's (1937; 1944) more subjective perspective the sub-branch is emotivism: how people use moral statements to stimulate action. Meanwhile Hare's

⁴⁰ First order is the substantive moral claim, which is perceived as different to the discourse here.

⁴¹ Do sentences such as “Abortion is morally wrong” have truth-value? (Is the sentence capable of being true? - Description vs. belief. Cognitivism vs. non-cognitivism - as the Frege-Geach problem.)

⁴² Horse is a complex form as it can be broken down further, i.e. animal, quadruped, etc.

(1952; 1963) contribution promotes “ought to be” as a universal prescription, e.g. giving charity is good. Morality is a universal.

Meta-ethics has been primarily promoted and influenced by Anglo-American analytical philosophical scholars and British empiricist views which are more positivist or pragmatic in their understanding of ethics. Furthermore, much of the reasoning underpinning scholarship contributions to this branch of ethics draws from naturalistic (Darwin, 1859) or less subjective philosophical roots than hermeneutics (Heidegger, 1927). Therefore it is likely to appeal to more secular-orientated inquirers or ones that prefer logical foundations. Because the focus of meta-ethics is on language terms and concepts of morality (Wittgenstein, 1933-1935), less attention is given to the inquiry of actions as behaviour.

Whilst meta-ethics claims a historical link to the scholarly writings of classical Greek philosophy (Moore, 1903), this seems to be more in the interpretation of their works (Plato, 428/424B.C.-348B.C.; Socrates 470B.C.-399B.C.; Aristotle, 384B.C.-322B.C.). Regardless of the progression of intuitive, emotive, and prescriptive streams of knowledge, this understanding of ethics does not align itself with the subjective philosophical position and hermeneutic interpretive approach needed for organisational behavioural inquiry.

Contrastingly, the oldest and most mature branch of philosophical ethics⁴³ is normative ethics, which can be explicitly traced back to the classical Greek philosophers (MacIntyre, 1985; Crisp, 2013). This central branch has a wide range of scholarly contributions (Aristotle, 384B.C.-322B.C.; Avicenna, 980-1037; Averoes, 1126-1198; Aquinas, 1265-1274; Locke 1632-1704; Bentham 1748-1832; Kant, 1785; Mills 1806-1873; Anscombe, 1958; Foot 1978; 1993; MacIntyre, 1985) across different cultures, philosophical perspectives and time periods that have proven to be foundational in shaping the epistemological and methodological contributions that have progressed the field. It is essentially normative ethics from which the other branches of ethics have sprouted. At the same time, this branch has retained theoretical rigour and wide practical application in its engagement, which is relevant to the current circumstances (Manners, 2008; Hursthouse, 2007; 2013).

⁴³In the modern Western academic lens, where its association is more likely to be traceable further back.

Normative ethics considers how one ought to act, morally speaking, i.e. how basic moral standards are arrived at and justified. Normative ethics focuses on the rightness or wrongness of action, as opposed to the meaning of moral language and facts (meta-ethics - what it means to say something is “good”). Where meta-ethics attempts to discover the nature behind “honesty”, normative ethics seeks to give identity to the strategic action as a behaviour. Schroeder (2015: p.14) puts forward that meta-ethics and normative ethics “are distinct in their primary questions...but are not fully independent of each other.” In this inquiry, such a criticism of normative ethics is addressed in the third layer outcomes, where the virtues are conceptualised using Islamic ontological source (the Quran). Thereby, where spheres of action will be interpreted as a virtue, that virtue is further defined from within an ontological source. This also addresses the hermeneutic condition (Heidegger, 1927; Heil, 2011) that interpretations should be ontologically supported in defining behaviour. Importantly, the behaviours being judged in this branch of ethics are strategic actions that have already occurred, i.e. they are historical, and are being interpreted by the inquirer. Therefore the normative branch of ethics is the most suitable for modelling behaviour in this subjective hermeneutic inquiry.

Table 4.2 below outlines the main focus, strength and weakness of each of the three branches of ethics.

Table 4.2 Branches of ethics

Branch of ethics	Focus	Strength	Weakness	Age (yrs)
Applied	Current or future problem	Practical	Assumes morality exists - weak theory	60
Meta	Definition or origin	Principled	People as naturalistic and less subjective	115
Normative	Rightness or wrongness of action	Dynamic appeal to historic inquiry	Needs philosophical underpinning	2315+

To summarise, in this section the main branches within Western ethical philosophy have been outlined as applied ethics, meta-ethics and normative ethics (Table 4.2 above). Each of these focuses on “right and wrong” or “good and bad” in different ways. In the applied ethics branch, attention is on forward-looking scenarios. In meta-ethics it is on the origins or causes. Meanwhile normative ethics is concerned with finding right and wrong or good and bad

within actions/historical actions as behaviour. Thus, normative ethics is the most applicable to this interpretive hermeneutic inquiry.

Section 4.4 below proceeds to share the four different approaches to normative ethics: deontology, consequentialism, relativism and virtue ethics.

4.4 Normative ethics

In Section 4.3 above, the branch of normative ethics was selected for this interpretive hermeneutic inquiry. This section proceeds by presenting and critically considering the four main divergent approaches to normative ethics: deontology, consequentialism, relativism and virtue ethics.

The focus of this inquiry is on interpreting historical strategic action. Within normative ethics, ethical interest can be understood through four different aspects or approaches. Firstly, the action itself; secondly the consequences of the action; thirdly the right or wrong of an action depending on the norm or culture within which it is practised; and fourthly the moral agent performing the action. These represent the four distinct approaches to normative ethics, which are deontology, consequentialism, relativism and virtue ethics.

Deontology as a normative ethical term derives from the Greek words *deon* and *logos*,⁴⁴ and is sometimes described as “duty”- or “obligation”-based ethics. This approach judges the morality of action based on its adherence to rules (Schlenker and Forsyth, 1977). The focus is on following universal norms that guide the choices in what we ought to do⁴⁵, how to behave, and what is right or wrong (Seidl, 1998). As such, morality is based on principles (Kant, 1998) with a disregard for the consequences (Anscombe, 1958) of action. Rational reasoning in this approach evolves the rules, and the source of morality is based on human will. In the strict sense, rule setting⁴⁶ is to “Act only according to that maxim by which you can at the same time will that it should become a universal law” (Kant, 1785, p. 422). This is underpinned by the condition that all humans are considered equal and should be mutually

⁴⁴Deontology is derived from the Greek words, τοδεον (that which is proper) and λογια, (knowledge- meaning knowledge of what is right)—and was used by Bentham (1826, see Bentham and Bowring, 1843).

⁴⁵*Bonum faciendum et malum vitandum* - how we ought live and act according to reason. (See Seidl, 1998, p.165).

⁴⁶Kant's theory of categorical imperative, consistent with moral absolutism.

respected, thus enabling the universality of principles (Frankena, 1973). As such, in deontological ethics the moral focus is to find the right rule rationally, where humans themselves are the means to an end (Van Staveren, 2007). Whether a situation is good or bad depends upon whether the action was right or wrong. Conforming to the rule as norm makes the choice right.

As a term, deontology was first used by Broad (1930) who, being a moral realist, rejected Moore's (1903) naturalism claim and developed seven irreducible *prima facie* duties towards a less stricter, intuitive and pluralistic deontology. Contemporary deontological contributions (Nagel, 1986; Scanlon, 2003; Kamm, 1996; 2007) have further added to the theoretical applications of this branch, as well as to its relationship with the other normative approaches. Regardless, confusion remains pertaining to the definition of duties and obligations (Gaus, 2001a; 2001b). Additional criticisms of this approach include that human life and its choices are too complex to be reduced to a set of prescriptive rules (Anscombe, 1958); and that if morality is based on human will, what about factors outside this will, such as nature (Walsh, 2003)? Furthermore, values can be expressed in other ways than just rules (Putnam, 2003). There is also the matter of how to deal with conflicting rules, two wrong choices, rules for morally wrong purposes, and the ranking of rules (Crisp and Slote, 1997) that become paradoxical (Nozick, 1974); and how to deal with informal behaviour, especially as rules may actually constrain freedoms (Van Staveren, 2007). In consideration, the free market environment prefers voluntary governance mechanisms. Furthermore, it remains unclear how to engage this approach where differently governed markets are interacting with each other, which is typical for multinational corporate inquiries. Timmermann (2015) argues deontology is an ill-defined word that should be banned.

The deontological normative approach is not suited to this interpretive hermeneutic inquiry (Heidegger, 1927; Dilthey, 1996) because the rules approach is too narrow for understanding complex ethical behaviour. In this inquiry, the definition of moral agent (firm) is underpinned as consisting of people, whereas deontological attention is on rules as moral norms. Furthermore, in this inquiry interpretation has to be open to the possibility of informal behaviour potentially shaping formal strategic actions as outcomes. Behavioural modelling will need the support of a wider understanding of normative ethics that is more philosophical,

and this is where the ontological underpinnings of deontology are questionable (Timmermann, 2015).

An alternative normative approach to understanding ethics is consequentialism. In this approach, the morality of an action is contingent on the action's outcome or consequence. It is the consequences of conduct that form the basis for reasoned judgment about right or wrong. For the consequentialist, the morally right act will produce a good outcome as a consequence, i.e. the end justifies the means (Mizoni, 2010 p. 104)⁴⁷. The earliest formulations of this approach trace back to Chinese philosophical (Mozi (470B.C.-391B.C.)) and social movement during the fifth century B.C. by Mohists (Fraser, 2009) or Mengzis as anti-Confucianists (Van Norden, 2007). Based on a consequentialist and religious framework, the ethical theory at that time promoted that the welfare of all is morally right, whilst those that interfered with that welfare were wrong, i.e. it was a form of modern-day state welfare.

A number of modern Western consequentialist theories have emerged over the years. The majority of contributions were during the rise of positivist sciences, logical libertarianism and empiricist thinking (Bacon, 1561-1626; Hobbes, 1588-1679; Locke, 1632-1704; Berkeley 1685-1753; Hume, 1711-1776; Russell, 1872-1970). Utilitarianism (Bentham, 1789) holds that an action is right if it leads to the most happiness for the greatest number of people, i.e. it is maximising utility based on an ethical reasoning for desiring pleasure and avoiding pain. Whereas Bentham (1789) treats all forms of happiness as equal, his student Mills⁴⁸ (1863) argues that intellectual and moral pleasures are higher than the physical lower pleasures. For example, people that experience both happiness and contentment will prefer happiness. For Mills (1863) pleasure⁴⁹ is the most important good (Aristipus, 435B.C.-356 B.C.; Epicurus, 341B.C.-270B.C.). In arguing against Mills' logic to scientific inference, Whewell (1837) puts forward the "hypothetico-deductive" method of inferring truth.

Another offshoot is egoism (Sidgwick, 1874; Rand, 1965), which asserts that an action is right if it maximises good for the self as a moral agent. The term egoism derives from *ego*, the

⁴⁷An English term also associated with Machiavelli, 1532; Trotsky, 1938; Spencer 1886.

⁴⁸Influenced by Aristotle's (384B.C.-322 B.C.) moral and intellectual virtues. Whereas Mills asserts utility based on human nature; Aristotle asserts that virtues are a means to an end of happiness. For Mills happiness is concrete, for Aristotle it is abstract.

⁴⁹Supporting hedonism views on consequentialism.

Latin for I. Whilst the term is commonly associated with Freud⁵⁰ (1999), its essence is also represented in Hobbes' (1651) contributions to British political philosophy and political science, which account for human nature's self-interested co-operation as the basis for social contracts. This was shortly after the English civil war (1642) and at the time of the theological Reformation between Catholicism and the Protestant Church of England. The notion of self-interest has been contemporarily promoted within neo-liberal economic theories, emphasising that Smith (1776) was not concerned with the benevolence of the butcher, brewer or baker in our expectations of dinner, but rather that each was concerned for their own interests. However, this conveniently disregards Smith's (1759) earlier contribution to moral philosophy, which actually emphasised benevolence. This was closely followed by an opposing French philosophical contribution that countered the focus on self-interest, altruism (Comte, 1798-1857), which posited that individuals take actions that have the best consequences for others, with a disregard for themselves.

Criticism of the consequentialism approach to normative ethics include that there is a disregard for the development of moral character (Foot, 2001); there is weakness in calling for the best consequences but ranking a state of affairs from an impersonal standpoint (Scheffler, 1994); and there is a lack of guidance about "what ought to be done" as right and wrong (Anscombe, 1958). There is also a need to weigh justice and fairness (Rawls, 1971) and have a non-egalitarian consideration of the "utility monster" (Nozick, 1974), where the killing of one person to save many people becomes a must and correct (Nagel, 1986; Kamm, 1992) and can be raised as an objection to the demands for impartiality (Singer, 1972).

For this inquiry, the consequentiality approach is not suitable because its focus is on consequences as possibilities being influential to the decision-making process, which is different to historically realised actions. The intended or planned strategy (Ansoff, 1965) can differ from the actual outcome (Inkpen and Chaudhury, 1995; Mintzberg et al., 2009). Furthermore, this interpretative inquiry does not judge the different possible scenarios being considered at the time of decision. In this inquiry the attention is on historical actions as realised outcomes that have already occurred (Mintzberg et al., 2009). Critically, if the consequential approach was effective towards achieving moral goodness, then why do the

⁵⁰Developed psychoanalysis.

concerns and crises that are evident in Western corporate cases persist? It seems that the rise of this approach is supported by the more logical and empirical understanding of ethics that does not fit with subjective interpretations, e.g. Max Weber's (1918) sociological understanding of “the end justifies the means” differs from that of Herbert Spencer (1820-1903).

Another approach to normative ethics is ethical relativism (Brandt, 1967; LaFollette, 1991; Adewole, 2014) in which the right or wrong of an action is relative to an individual and/or the norms and culture of the society within which the action is practised. As such, there are no universal or permanent criteria for determining ethical acts and there is no absolute truth - God granted no divine guidance and humanity has no common law (Lawson, 1998). Thereby, ethical outcomes deemed good in one social realm can be explained as unacceptable or bad in another social setting (Lewis and Uneman, 1999). In this approach, consequences have no bearing, as each individual and society interpret their own rightness (Forsyth, 1980; West, 2014), i.e. what is (culturally) right for you may not be (culturally) right for me. Ethical relativism asserts that both morals and ethics evolve over time and can be changed to fit circumstances. In this approach morality and ethics do not always align, e.g. it may be morally wrong to eat meat, but ethically governments should not force others to be vegetarian. This approach does not account for politically dominant groups imposing on others. Furthermore, ethics becomes dependent on prevailing norms, such as an acceptability of slavery or apartheid (Koehn, 2013). Where truth is relative to the individual, this asserts a disregard for the relational aspects of ethics. Some scholars have tried to reconcile the agent-centred and consequence-centred differences (Scheffler, 1988; 1994). Regardless, this approach is problematic as it does not appeal to divergent social models as lenses of inquiry on each other; it does not allow for the conceptualisation of a model; and it appeals to a more morally guided rather than an ethical understanding, which are all in contrast to the approach to ethics adopted in this inquiry.

A teleological normative ethics approach that is distinct from consequentialism and deontology (Anscombe, 1958) yet shares a long history and wide contributions (Ferrero and Sison, 2014) is that of virtue ethics. Where virtue ethics runs parallel to the other two approaches, Shaw (1995) and later Van Hooft (2014, p. 5) concede its “superiority to the ethics of duty”. It is of interest to note that many of the scholars across the other approaches

consistently attribute to their works the influence of Aristotle (384 B.C.-322 B.C.). To exemplify, where Mills (1863) distinguishes higher and lower pleasures from Bentham (1789), this may be inspired by Aristotle's (383B.C.-322 B.C.) moral and intellectual virtues that rationalised Plato's (428B.C.-348B.C.) more abstract concepts.

The term virtue ethics in Western philosophy has its roots in Ancient Greece. The Encyclopaedia Britannica (2008) gives Aristotle the accolade of being “the first genuine scientist in history” and Cicero (106B.C.-43B.C.) describes Aristotle's writing style as “a river of gold”(Ac. Pr. 38.119, cf. Top. 1.3, De or. 1.2.49). Over many centuries, virtue ethics has been contributed to by a range of commentators (MacIntyre, 1998; Dobson, 2008), and enlightened (Arjoon, 2000; Melé, 2009) and eclectic (Whetstone, 2001; Gotsis and Kortes, 2008) authors. Yet, by far Aristotle's traditional approach is the basis of and is most influential (45%) in the field (Ferrero and Sison, 2014). Aristotelianism was also an influence on Jewish (Abraham Ibn Daud, 1110-1180A.D.; Saadia Gaon, 882-942A.D.; David ibn Merwan al-Mukammas, d.937A.D.), Islamic (Al-Kindi, 801-873A.D.; Al-Farabi, 870-950A.D.; Ibn-Sina or Avicenna, 980-1037A.D.) and Christian (Thomas Aquinas, 1225-1274A.D.) philosophical and theological thoughts. Thus, virtue ethics has the broadest appeal across the range of philosophical scholarships and it has retained a social robustness against the later challenges of the Enlightenment and neo-liberal science.

Virtue ethics focuses attention on the role of the moral agent. Ferrero and Sison's (2014, p. 389) analysis of virtue ethics scholarship asserts that the most popular means of this method is in relation to people and organisational character (27%). The understanding of ethics in this inquiry directs the inquirer to an organisation consisting of people (see Table 4.1 above) rather than an individual, thus the need for empathy is established. In support, the major authors of virtue ethics in recent decades (Solomon, 1992a; 1992b; Hartman, 1994; Moore, 1999) collectively reject the individualistic understanding of “I” as the self, arguing that in traditional virtue ethics, “I” represents human beings as relational social constructs belonging to organisations, markets and societies, where the “virtues” are their embodied dispositions or characteristics, or their qualities as a moral agent (Ferrero and Sison, 2014).

Virtue (Greek: *arete*) meaning “excellence” (Van Hooft, 2014) refers to a moral pattern⁵¹ or disposition as a characteristic (Aristotle, 384B.C.-322 B.C.). In this approach, the virtue ethicist is concerned with a deeper understanding of a moral agent's character. In other words, *What did the historical action that was taken demonstrate about the agent's character and moral behaviour?* Or more reflectively, *What sort of person ought I to be? And How should I live my life?*⁵² The ultimate goal in virtue ethics is eudemonia (human flourishing). As such, by engaging this approach, the inquirer in subjective interpretation (Heidegger, 1927; Dilthey, 1996) is defining behavioural characteristics, where each virtue is an admirable quality e.g. courage, generosity, honesty, and a moderated mean between two vices, e.g. greed, mistrust, over-confidence.

This approach can be traced back to similar representations within the virtue dispositional or Ren teachings of Confucius or Kongzi (551B.C.-479B.C.) that contrasted with the duty-based teachings of Mencius or Mengzi (Van Norden, 2002). It was Aristotle (384B.C.-322B.C.), the student of Plato (428B.C.-348B.C.), who evolved the concept and engaged the term “ethics” within classical Western Greek philosophy. Aristotle (384B.C.-322B.C.) introduced the distinction between moral virtues (which are habits) such as prudence and courage, and intellectual virtues (which are quickly learned), such as *sophia* and *phronesis* (wisdom). Body and soul have to be united in the rationalisation of action. Importantly, this asserted that ethics included the capacity for learning from experience and required a unique human reasoning capacity, distinct from animals, to modify behaviour:

“We are not inquiring in order to know what virtue is, but to become good, for otherwise there would be no profit in it.”

(Aristotle 384B.C.-322B.C., NE II.2: See Aristotle, 2004)

The variety of contributions to virtue ethics (Aquinas, 1225-1274; Anscombe, 1958; Foot, 1978; MacIntyre, 1985; Slote, 1992;, 2001; Hursthouse, 1999, 2013) offer some varied rational interpretations of the stem of moral, practical, reasoned knowledge. However, these all share a common understanding that the starting point is “that one must begin with what is familiar to us” (NEI.1095b2-13. See Aristotle, 2004), i.e. practical everyday knowledge. Noting the increasing frequency of capitalistic crises and corporate failures in the Western

⁵¹ Can be a one-off, but it is stronger as a repeated behaviour.

⁵² Utilitarianism - *How should I act?* Where “I” is interpreted as more individualistic.

world, it is no surprise that there has been a revival of virtue ethics in recent decades (Solomon, 1992a, 1992b; Yu, 2007; Van Hooft, 2014).

This Aristotelian virtue ethics approach closely aligns with this inquiry's agent-centred historical ethical behavioural modelling, to which the ethical character of moral agent is the focus of understanding historical actions in their context. This approach is also the most flexible towards complex multilevelled and multilayered theoretical frameworks (Volberda and Lewin, 2003) and appeals to the broad and deeper understandings of ethics. Importantly, this is a philosophical inquiry that is ontologically and theologically supported (Heil, 2011) to which Aristotle (384B.C.-322B.C.) has uniquely contributed, and which is widely acknowledged by highly regarded scholars in both realms of contemplation. Thus in this social science inquiry, Aristotelian ethics is the ideal bridge in time and place for the subjective interpretive methodology being engaged (Heidegger, 1927; Dilthey, 1996), in which human ethics is philosophically socialised and the method uses a science of justified judgments that can be followed by others

In this section, the four approaches to normative ethics were critically presented. The Aristotelian virtue ethics approach has been identified as most aligned to the subjective inquiry of interpretive complex modelling of historical behaviour, as this offers the most flexible, broad and in-depth understanding of ethics for the purpose of this inquiry.

Section 4.5 proceeds below by sharing an overview of theological interpretive contributions within business virtue ethics.

4.5. Theological interpretive business ethics

Section 4.4 identified the Aristotelian virtue ethics approach as most appropriate to the interpretive hermeneutic modelling of a moral agent's ethical behaviour in this inquiry. Section 4.5 proceeds with an overview of theological hermeneutic developments and contributions to business virtue ethics.

Within the majority of Anglo-American scholarship, the more rational scientific minds and their contributions to our understanding of the world (Galileo, 1564-1642; Newton 1643-1727; Curie, 1867-1934; Einstein, 1879-1955) are highly celebrated. Their philosophical and

methodological concerns, preoccupations and justifications assert a need for strong evidence (Haack, 2011). The irony is that longer historical evidence asserts that this rational mortal life is only temporary and short, and death is the only certainty (Demske, 1970).

Furthermore, there are many scientific claims of fact that have evolved and that, in their time, forced a fundamental renewed understanding of life as it was known: for example, that the Earth is the centre of universe (Copernicus, 1543), that the Earth is flat (Lanctantius, 250A.D.-325A.D.); that smoking was approved by physicians in the 1920s and 1930s (see Heilio, 2009); that only a small percentage of the human brain is used (James, 1908); and that the atom as the smallest particle in physics (Hadron Collider, 2012). The reality is that such knowledge has been gained and lost through generations of humanity. It is the emphasis on generational civilization that has shifted from a spiritual consciousness of the soul (Abrahamic religions, Greek philosophy) towards the brain having a more physical sense, i.e. rational observation and empiricism, that has become the basis of justified evidence. This is most noticeable in the current curricula and promoted scholarly rhetoric of leading institutions that influence the way the up-coming generation will think. In consideration, Valori (2015) asserts that for Heidegger (1927) thinking itself can be a way to set boundaries and limits.

The more naturalistic scholars argue that it is more the circumstances that we are born in, our parenting and life experiences that shape our understanding (Darwin, 1809-1882). In contrast, this inquiry holds that the subjective mind is able to transcend narrow limits to thinking, and that there remains a need to give conscious attention to abstract and existential philosophising as a basis for our understanding of this world (Socrates 470B.C.-399B.C.; Plato 428B.C.-348B.C.; Aristotle 384B.C.-322 B.C.). The cornerstone of such philosophers' questioning was underpinned by the inclusion of the ontological theological frameworks of their times, which asserted a more permanent reality beyond this life that was based upon deeply held beliefs. It is this line of evidence that makes these primary thinkers a basis for long-standing streams of knowledge. Where natural science has evolved, in human social science two fundamentals remain consistent: 1) human behaviour as virtues and 2) human belief in a being beyond this world. Even today, eighty-four per cent of global humanity affiliates with a religious group (Pew Research Center, 2012). Thus this section proceeds with a focus on the theological developments and contributions to business ethics.

Modern-day business ethics (Goodpaster, 1991; Solomon, 1992a, 1992b) has emerged as a sub-field from societal ethical behavioural concerns about managerial monitoring (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983), the effects of globalisation, and the growth of the corporation (Khan and Kakabadse, 2013) in the advanced Western nations during the latter half of the twentieth century (Enderle, 1997). These countries, which include the UK, have dominated world institutions and their agendas (NATO, IMF, UN, World Bank, WHO) whilst enjoying relative peace and stability at home since World War II (1939-1945). Their businesses in turn have afforded rapid growth and extended their reach into new markets as internationalisation (Kakabadse et al., 2015).

At the same time, the relevance of theological contributions to business ethics (Ali and Gibbs, 1998) is diverse. The contributions of monotheistic and polytheistic belief systems include Confucianism (Whitcomb et al., 1998; Ip, 2009), Judaism (Green, 1997; Tamari, 1997; Kletz et al., 2012), Christianity (Kim et al., 2009; Cornuel et al., 2010), Islam (Rice, 1999; Dsouli et al., 2012), the Bahá'í Faith (DeMerville, 1998), Hinduism (Rai, 2005) and Hellenistic religion (323B.C.-300A.D.). Of these the Abrahamic religions (Dsouli et al., 2012) have received particular attention (Quddus et al., 2009), as these religions share a monotheistic belief in a single God.

This inquiry adopts an Islamic ontological framework in the interpretive conceptualisation of virtues (Heidegger, 1927; Dilthey, 1996; Heil 2011). This is because the inquirer is Muslim, and Islamic theology can support the conceptualising of the virtues in this inquiry. There have been a few ethical virtue inquiries from an Islamic perspective (Graafland et al., 2006; Rizk, 2008; Abuznaid, 2009; Beekun, 2012), some from an interpretive perspective (Ladkin, 2006; Swanton, 2010; Reedy and Learmonth, 2011; Fontrodona et al., 2013; Betta et al., 2014) and some that contribute modelling (Crossan et al., 2013) of UK organisations (Moore, 2012; Fernando and Moore, 2014). But this is the first inquiry to adopt the interpretive hermeneutic approach, in which Aristotelian virtues have been Islamically conceptualised to understand the historical strategic firm behaviour of the grocery multiple firm.

In Section 4.5 the theological contributions to business virtue ethics have been considered. This section affirms that the Islamic conceptualisation of virtue ethics best meets the

interpretive hermeneutic condition of inquiry and closest fits the inquirer's own philosophical position.

Section 4.6 below summarises and concludes Chapter four.

4.6 Chapter four summary and conclusion

In summary, Chapter four outlined the different perspectives of ethics for this interpretive hermeneutic inquiry (Heidegger, 1927, Dilthey, 1996). It pinpointed the subtle but important distinction between ethics as focusing on a social system and morality as focusing on an individual.

Whilst the context of inquiry is the Anglo-American neo-liberal economy and shareholder-focused corporate governance system, the Continental social model is a more appropriate structure for this inquiry because it allows a broader understanding of ethics and better handling of complex behavioural interpretation as virtues. The social model may offer insight into the deficiencies of the shareholder model and also fits the Continental hermeneutic lens adopted in this inquiry.

The chapter proceeded to identify the branches of the ethics field as applied, meta and normative ethics, from which normative ethics was selected as the most suited to understanding actions as behaviour. This was followed by a review of the four approaches to normative ethics: deontology, consequentialism, relativism and virtue ethics. Of these it is Aristotelian (384B.C.-322B.C.) virtue ethics that best supports the understanding of historical action in this inquiry. The latter part of the chapter shared the justification for and contributions of theological interpretive business virtue ethics as this inquiry engages Islamic theology to conceptualise the virtues.

In conclusion, Chapter four shared that it is Aristotelian virtues understood within a Continental socialised lens that best supports the broad understanding of ethics in this interpretive hermeneutic inquiry of historical strategic action as behaviour. The virtues are best conceptualised closest to the inquirer's own interpretation of reality, which is Islam.

Chapter five below presents the analysis of the first and second layer constituents of conceptualised model building that are the pre-requisite of the third layer interpretation of virtue.

Chapter five: Analysis

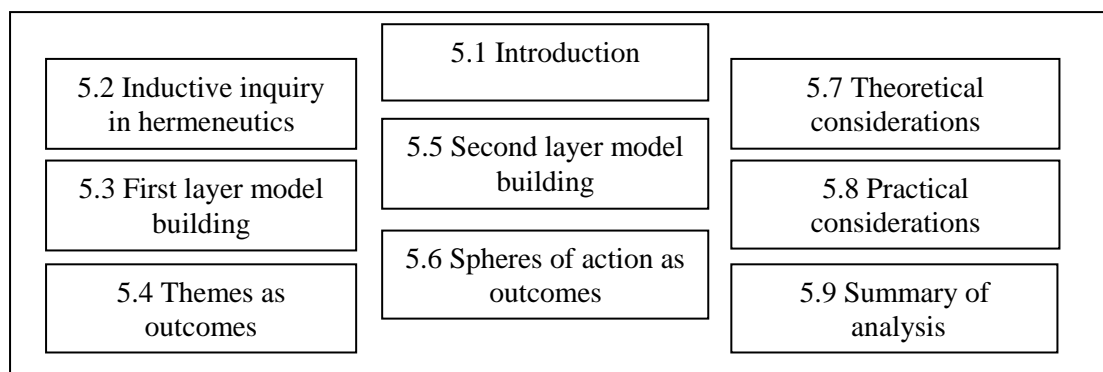
5.1 Introduction

Chapter five presents an analysis of the first and second layer constituents of conceptualised model building, which precede and are pre-requisites to the third layer interpretation of virtues in Chapter six. The focus is on outlining step-by-step the process of interpreting the selected secondary empirical materials, i.e. historical publically published reports, as original sources for the premise. Appropriate to inductive inquiry logic (Creswell, 2012) and pertinent to hermeneutics (Heidegger, 1927; Dilthey, 1996), a grounded iterative interpretive practice engaged a series of steps for the construction of themes. The emergent themes as outcomes from the analysis of empirical materials within the first layer of the conceptualised model provided the foundation for the second layer interpretation, in which spheres of action were the outcomes.

The purpose of Chapter five is three-fold. First it is to enhance our understanding of the heuristic device, particularly as the outcomes from each level of analysis are different to what is being modelled, with new and different knowledge created at each layer. Second, it is to ensure transparency of analysis within and transiting between each layer, so that the inquiry quality achieves credibility (Chapter three). Third, it is to support the authenticity of the new knowledge that gives meaning to the third layer findings, i.e. the virtues.

Towards the end of this chapter, theoretical and practical considerations emerging from the development of layers one and two of the conceptualised model are shared reflectively. The remainder of this chapter is structured as outlined in Figure 5.1 below:

Figure 5.1 Structure of Chapter five



Section 5.2 proceeds to share an understanding of inductive inquiry logic⁵³, which is better suited to complex multilayered hermeneutic inquiry.

5.2 Inductive inquiry in hermeneutics

Section 5.2 outlines the logic of inductive inquiry briefly introduced in Chapter three as pertinent to hermeneutics, which established the framework for collecting and analysing empirical materials in order to generate new knowledge. Each step of the framework was an evidence-led interpretation in order to best augment the outcomes, which provided degrees of support, as premises and conclusions to the advanced layers of conceptualised model building.

Simple inductive inquiry is reasoning in which premises support and supply evidence towards a subjective truth (Aristotle's *Metaphysics*, 1011b25⁵⁴: Aristotle, 2016). The outcome is likely to be more intersubjectively truthful, based on the quality of interpretation and the strength of evidence from the empirical materials. Thus, rather than just being valid or invalid (i.e. for certain yes or no, true or false, one or the other), inductive arguments are more accurately and practically perceived as being supportively strong or weak. – In other words, they pursue a truth, but do not ensure it (Polkinghorne, 1983). A typical basic argument structure is that of two premises for a single conclusion (Johansson, 2004). However realistically, more complex arguments can engage a series of rules, processes or steps as a framework to connect several premises to a single conclusion or derive a number of conclusions from original premises, which then can be the premises for additional interpretations.

In Chapter three, the simple inductive approach was introduced. It begins with specific individual events or observations of the social phenomena, followed by pattern seeking from which generalisations can be developed: a bottom-up approach. In this thesis, the simpler approach to conceptualising the model in hermeneutic inquiry (Heidegger, 1927; Dilthey, 1996) was extended to handle the greater inductive complexity of the inquiry appropriately. The inquirer's interpretative experience grew through a three-layer framework, with different outcomes at each layer. To augment the outcomes, the first discipline of having an “evidence-

⁵³ Instrument or system by which we come to know anything (Aristotle - *Organon*: collection of six works).

⁵⁴ Aristotle's definition of truth in *Metaphysics*: “To say of what is that it is not, or of what is not that it is, is false, while to say of what is that it is, and of what is not that it is not, is true.” (Aristotle, 2016.)

led philosophy” (Kakabadse, 2015, p. 43; 45) supported the construction and transition from layer one (themes) to layer two (spheres of action) and then layer three (virtues). At each layer of conceptualised model building, the empirical evidence was interrogated in relation to the context⁵⁵, whereby at each level the empirical evidence aligned more closely (Kakabadse, 2015, p. 20) towards revealing a deeper truth. Thus, the virtue model as the third layer outcome emerged through rigorous interpretive steps supporting the inductive reasoning (Aristotle's NE⁵⁶ 1139a 35, see Aristotle, 2004) at layers one and two. Importantly, the interpretive steps allowed traceability: the possibility of moving from the interpretations back to the specific events, original empirical materials or premises. Furthermore, the approach allowed the possibility of the interpretations being weak, even if the premises were more likely true.

But why inductive? What was the focus of the outcomes? And how could inductive interpretations be meaningfully understood in Heideggerian (1927) hermeneutics?

Firstly, induction philosophies (Aristotle's *tabula rasa*; Avencia, 1027⁵⁷) precede both deductive and empiricist logics, where all were influenced by the Enlightenment (Locke, 1690; Hume, 1739, Mills, 1843) and positivism (Comte, 1853, Von Wright, 2004). These days, rational deductive logics are the preferred mainstream methodological frameworks of knowledge, particularly in US management inquiry (Popper, 1968). Yet, deduction accurately reaches only a few feet of depth in the ocean of complex social life, and cannot cope well with ill-defined situations or the multifaceted dimensions of human behaviour (Arthur, 1994).

Secondly, induction has consequently been tailored for use in contemporary hermeneutics (Johnson and Duberley, 2015), phenomenological inquiries (Charalambous, 2010) and grounded theory interpretations (Glaser and Strauss, 1967), amongst others. Thus to justify more rational judgments, the focus has shifted from the original understandings of seeking intersubjective relative truth, to academic debates about criteriology, inferences, causality and method (Gadamar, 1960; Garratt and Hodkinson, 1998).

⁵⁵strategy +(engagement x alignment) = value delivery; context is engagement x alignment. In this inquiry multi level empirical evidencesources were brought together at each level in support of that level's context (Kakabadse, 2015).

⁵⁶ Aristotle's (350B.C) Nicomachean Ethics (NE), series of ten books. See Aristotle (2004).

⁵⁷ Avencia's *The book of healing* Book 1, Chapter 8; Book VIII, Chapter 6 define truth.

Thirdly, in this thesis Heidegger's (1927, p. 24) hermeneutic circle⁵⁸ (German: *hermeneutischer Zirkel*) distinguishes social and natural sciences (Merleau-Ponty, 1945; Dilthey, 1996) where the focus is on human behaviour⁵⁹ being meaningful to actors. It is *Verstehen* as a human science that establishes meaning as *Dasein* in revealing the truth. Palmer's (1969) book on many hermeneutics, as opposed to a single hermeneutic, is in itself an example of American academic debates. For Spinoza (1632-1677), Ast (1816) and Schleiermacher (1985) the hermeneutic circle is conceived as the interpreter's relation to the text and its parts. But for Heidegger (1927) the emphasis in formulation of the truth is on self-understanding and being in the world. Thus the hermeneutical circle is not a philological tool, but an existential concern. We cannot understand ourselves without being in the world (Dilthey, 1986; 1996). Thus, in this thesis the hermeneutic circle is not a methodological construct, but a theological philosophy of understanding the self in relation to social phenomena (*Dasein*). Inter-subjectivity enables a shared understanding or meaning.

It is the original inductive ontological philosophies that better foster a deeper understanding of human social behaviour as interpretive outcomes for this thesis, towards a meaningful, intersubjective understanding of a deeper truth (Heidegger, 1927; Dilthey, 1996). Thereby, terms such as inductive, logic, premise, proposition and truth are all appropriately understood as highly qualitative hermeneutic subjective terms. This is in contrast to more contemporary hermeneutics and other rationally influenced logical thinking such as Boolean truth, where such terms have roots in the mathematical, physical and natural sciences (Higgs and Smith, 2006). The bounded inductive framework adopted in this thesis is designed for social science (Blaikie, 2010). The framework overcomes the demands of debates on method, whilst retaining flexibility for multilevel interpretations that give priority to diversity in outcomes and human judgments as interpretations. Each inquirer has his or her own subjective truth (Schleiermacher, 1985) in relation to social phenomena (Heidegger, 1927; Dilthey, 1986; 1996).

The framework enables interpretive practices to be followed, large volumes of complex empirical material to be analysed and the evidence to be interrogated, of which the focus is on understanding outcomes as meaningful. Meaningful in the spirit of inductive logic in this

⁵⁸See Heidegger's *The origin of the work of art* (1960) to exemplify the hermeneutical circle.

⁵⁹As distinct from natural and physical objects.

thesis is reflective of the interpretations of different readers; of other inquirers' analysis and interpretations using the framework; and of the reader's acknowledgement that the strength of interpretation is possibly true. Inductive hermeneutic inquiry is not to be understood narrowly in a contemporary sense or with simple methods, but more philosophically and broadly as meaningful interpretations of human activity. The attention is on whether inquirer outcomes have strength as inductive intersubjective interpretations of social phenomena that reveal their shared truth.

Section 5.3 below proceeds with a detailed overview of the interpretive steps taken to reveal the first layer outcomes from analysis at this level for conceptualised model building.

5.3 First layer model building

This section presents a detailed overview of the steps taken to construct layer one of the conceptualised model. The interpreted outcomes at this first layer of model building were themes.

First layer conceptualised model building engaged the inquirer in subjectively interpreting the sources of empirical materials, i.e. the publically available written reports. These were carefully selected to best inform the grocery multiple retail contexts at the different levels of co-evolutionary theory through the four-year longitudinal inquiry (2006-2009). At this first layer, the central question being asked was *What is the strategic change event?* that the firm had enacted.

With this in mind, each individual report was read with diligent care and sensitivity. The inquirer captured each strategic change event as a direct quote from within the reports. Each document was given a reference and each quote within the document was traceable to the page number from where it was captured, so that the text above and below could contextualise and make broader sense of the quote. This inductive process began directly from the original reports as the source of first evidence empirical material.

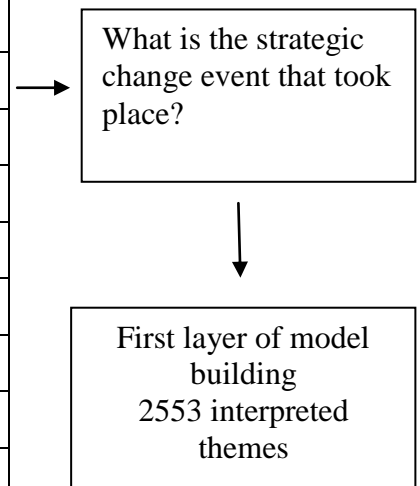
Four similarly structured Excel files were created, one for each different year of the reporting period (2005/6; 2006/7; 2007/8; 2008/9). Within each file, the spreadsheet was divided into nine co-evolutionary levels (see Table 5.3.1 below). Multiple spreadsheets duplicated this

structure for layer one, layer two and layer three. This enabled the flow and transition of emergent interpreted outcomes from layer one to layers two and three, whilst allowing for iterative traceability throughout. Every quote captured during reading was referenced and placed word for word into its corresponding level within the Excel spreadsheet for layer one. At the time of typing the quote, the inquirer further interpreted the (a) significance or explanation of the event; and (b) the output, impact or conflict that this change was having. Thus the inquirer reflectively progressed from the direct quote through two columns of the spreadsheet before establishing the overarching interpreted theme (c)⁶⁰.

Table 5.1 below presents the number of themes within each level/year that were captured and interpreted at layer one.

Table 5.1 Themes at layer one

Features	Level	2005/6	2006/7	2007/8	2008/9
Selective environment	Global	37	88	83	75
	Regional	59	57	61	72
	National	73	84	77	69
	Industry	103	73	67	102
Adaptive environment	Firms	20	10	11	11
	Sainsbury's	101	99	109	69
	Tesco	114	66	71	74
	Morrisons	74	90	86	57
	Co-op	58	123	76	54
	Total	639	690	641	583



Source: Compiled from Excel spreadsheets Appendices 6-9.

In total, 2553 themes were revealed from the historical secondary publically published written reports for the four-year period under inquiry (2006-2009). In Table 5.1 above, there were on average 638 themes in each year, of which 295 themes were in the selective

⁶⁰see Figure 5.2 below in this chapter to further exemplify (a) (b) (c). Comprehensive themes are available in the appendices.

environment, and 343 themes were in the adaptive environment. Overall, the largest number of themes, 690, was revealed for 2006⁶¹.

The inquirer began by reading the Global Retailing report of 2005/6 and capturing selected quotes in the 2005/6 layer one Excel spreadsheet. The events within the report were placed at the appropriate level (global, regional, national, industry, firm, individual firm) to which they related, regardless of it being a global-level report. To exemplify, if a national event such as a new UK government incentive was captured, this would be placed at the national level in the spreadsheet at layer one, even if it was mentioned in a global-level report, and was referenced to the report. To exemplify, at national level the reference to quote would be GR05 (Global report 2005/6) pg. XX. Meanwhile, at the firm level, Tesco's annual report may mention rising oil prices, which would be captured at the global level as a strategic event, but referenced to TR05 (Tesco report 2005/6) pg. XX.

On completing the reading and capturing from the 2005/6 global-level report, the inquirer then proceeded down to the next levels⁶² (regional, national, industry, firms: Sainsbury's, Tesco, Morrisons, Co-op) before starting the next year (2006/7). Thus, the central question at layer one was applied first to the Global Powers of Retailing report, then the Office of National Statistics reports, followed by the industry report and then to each of the individual firm's annual reports, all in 2005/6. The outcome of hermeneutic interpretation established a total of 37 themes at the global level in 2005/6 (see Table 5.1 above) from across all the reports that were analysed.

In Section 5.3 an overview of the first layer of model building has been presented. Section 5.4 below proceeds to share in more detail the underpinning and initial reflective insights of the emergent themes outcomes from layer one.

⁶¹ In the table this is 2006/7 i.e. where each report corresponded to the time period beginning in 2006 and finishing in 2007. The exact month may vary for different reports.

⁶² See layer three findings, Chapter six, Section 6.2 for further justification.

5.4 Themes as outcomes

This section shares the underpinning of defining “theme” as an outcome in this inquiry, along with some early stage reflective insights from the many themes that were revealed at layer one (see Table 5.1 above).

Qualitative inquirers do not infer scores or instruments, but are focused on a “saturated” people's view of social phenomena (Creswell and Miller, 2000), from which interpretation establishes themes that are closer to the truth. The inquirer reflectively returned to the empirical material sources⁶³ to construct, understand and interpret the themes (Patton, 1980). The constructivist mindset was seeking “rich, thick descriptions”⁶⁴(Creswell and Miller, 2000: Table 1, p.126) of the contextualised place and situation as reality at each level. The iterative development of themes was seeking holistic truth through reflection, whilst credibility drew attention to trustworthiness and authenticity in the process (Lincoln and Guba, 1985). Where each quote was represented by a central theme, this theme may also have had corroboration across multiple, different sources, i.e. the same event such as the global financial crisis 2007/8 was mentioned in different reports. However, the event may have also have had unique meaning or impact to a different firm, institution or level, thus reaffirming the importance of context (Kakabadse, 2015).

Etymological derivation of the word “theme” is the Greek word *thema* (proposition). It is commonly used in discourse to represent a main or dominant topic, recurring or unifying idea, particular subject or overall gist or argument within different fields, including music, art, medicine, literature. It also has categorisation in religious interpretation (Rahman and Moosa, 2009). It is applied in this inquiry to written text. The hermeneutic approach considered disruptions within the narrative, (e.g. a significant event, new strategy, entry into a market, or even a subtle change in reporting language or structure) that indicated strategic change events. To exemplify, in the Morrisons annual report p.13: “Freshening up our brand”; p.06 and p.20: “Opening of our new Head Office in Bradford”; p.7 and p.17: “New Chief Executive joined in September” were all strategic change events.

⁶³ Historical publically published written reports at different levels.

⁶⁴ Denzin (1989: 83) distinguishes rich, thick data from thin data that simply reports facts.

The deeper meaning of each such event critically questioned what is usually taken for granted (Moules, 2002): *What happened? Why did it happen? How did it impact?* It was in that momentum of thought that each theme formed and had its own character and place in the inquirer's interpretation. Thus, theme development was a concentrated, dynamic, fluid and specific interpretation that emerged from reading at that particular time, whilst the inquirer reflected and had an understanding of the priorities in question. It was in that instant⁶⁵ that the thought pattern was articulated. Rather than ignore the change, the attention was to capture and conserve the unique event, inclusive of its historical legacies and relationships (Jardine, 2000). The theme at layer one was giving meaning to the main strategic change event.

In giving meaning, the developmental process at layer one involved recognition of “place” and “belonging” (Moules, 2002, p.3) for each theme, where comprehension of the theme considered whether the emerging theme had truth, resonance and familiarity in hermeneutic interpretation. Thereby, the process sought not to replicate or justify, but to acknowledge that the theme was an outcome of historical realities that needed to be interpreted into a new character in order to preserve knowledge for application to new instances. Argumentation theory (Toulmin, 1958) provides some processual background support to central theme development, in that an “argument” progresses from explicit statement to implicit meaning, from simply being accepted empirical material to warranting a claim about a conclusion. In this thinking, claims to a conclusion are subject to the different interpreted merits of warrants (principles/premises) that are supported (by evidence), whilst being open to counter claims. However, rather than simply warranting a claim, this inquiry differs to argumentation theory (Toulmin, 1958) where “deeper meaning” is concerned with revealing a more accurate and holistic truth of the social phenomena under inquiry.

In this inquiry themes emerged as a sentence, or more than one sentence, to give meaning to the strategic change event. Thus, a theme at layer one extended beyond a single word as “recurring idea”⁶⁶ to consider the specific issue or agenda that was impacting. and the strategic position taken, in the change event at that level. To exemplify, Figure 5.2 below presents two examples of theme development that move from the direct quote that was

⁶⁵ Similar to sometimes when people try to remember something, they write it down there and then or forget or change its meaning if they don't capture it at that time.

⁶⁶e.g. the theme of John Steinbeck's (1937) *Of Mice and Men* is “loneliness”

referenced in the published report through two steps (a) and (b), to establish the theme (c). The first example is from the firm-level Co-op report (2006/7) p. 5, in which the strategic event is at the national level; and the second example is from the Morrisons firm-level report (2007/8) p.1 and p.3, in which the strategic event is captured (see Appendix 7 and 8) at firm level in Figure 5.2 below:

Figure 5.2 Theme development examples

Reference	Event (quote)	Processual change (a)	Output focus(b)	Emergent theme(c)
Co-op (National level, 2006/7: 5)	“Merger with United Co-op will secure Co-op sector place in UK economy.”	Co-op has been losing market share against commercial grocery multiples.	Merger will create world's largest Co-op Group (T/O/ £9bn). Both are UK-based.	Co-op formats are consolidating in a competitive struggle against commercial larger multiples. Both Co-ops being British suggests format loyalty and approach is to a unique consumer base in UK.
Morrisons (firm level, 2007/8: 1&3)	“In my last statement as Chairman...”	Sir Ken Morrison retiring after 55 years.	Sir Ken retired as Chairman on 13th March 2008. Sir Ian Gibson is the new non-exec Chairman. Sir Ken is first honorary president in Company.	Company transformed from small family business to national retailer. Self-made owner's leadership style reflected in Morrisons business model. New role created to retain influence whilst technically retiring.

Source: Compiled from layer one analysis (Appendix 7 and 8: Excel spreadsheet of inquiry analysis)

Themes were generated as outcomes, as in Figure 5.2 above, where the inquirer had to carefully consider within each report at which level each strategic change event was most relevant, and at a deeper level, the central driving force that was directing the change. A necessary important distinction is that hermeneutics in this case is seeking “universal truth”⁶⁷ that is constant throughout history and can be known. Where individual understanding is subjective, knowledge of truth may be partial. Through deeper interpretive inquiry, this truth is revealed to a greater extent. This is completely different to grounded theory (Glaser and Strauss, 1967), which engages themes to build concepts, categories and theories as higher rank patterns.

⁶⁷ Revealed through deep reflection and interpretation of the evidence.

Relevant to the broader hermeneutic process in this inquiry, Attride-Stirling (2001) offers useful guidance for the thematic analysis of textual data. Arguing that much qualitative inquiry omits the “how” of analytical process (Lee and Fielding, 1996), the call is for reporting method and techniques, as these enhance the value of interpretation and offer the opportunity for more inquirers to pursue “similar projects” in different contexts (Attride-Stirling, 2001, p.386). The “thematic networks” approach aims to understand an issue through (1) low-order basic themes, (2) categorised abstract principles as organising themes that are then interpreted as (3) superordinate principal themes (Attride-Stirling, 2001, Figure 1, p.388). In consideration, the thematic network approach illustrates a useful layered framework whereas in this thesis the hermeneutic approach interprets (1) themes into (2) spheres of action and then (3) virtues of that action. Where Attride-Stirling (2001) is focused on themes at three levels, in this thesis the inquirer reveals themes as knowledge at layer one only.

Ultimately, there is a philosophical difference in the understanding and use of themes in the hermeneutic lens. Interpretation as the “concept of *alethia* as unconcealment of truth” (Heidegger, 1998) is fundamentally different to the use of theme as methodology (Glaser and Strauss, 1967) or method (Attride-Stirling, 2001). However, the hermeneutic approach (Heidegger, 1927; Dilthey, 1986) concurs with Attride-Stirling (2001) that the first stage of development is rudimentary, but it is vital that it is completed rigorously and with due attention to detail to enable the more interesting second and third phases of development. As such, the inquirer gave due consideration to accuracy: Does the interpretation and process of theme development reveal truth? Is it supported with sufficient empirical materials and evidence that can be followed? And is it a realistic interpretation?

Table 5.1 presented the many themes that were unconcealed at each level and year. While this was only a first-layer outcome, the numbers of themes offered some interesting insights for the four-year period (2006-2009). Table 5.2 below focuses on the number of selective environment themes, which are analysed in greater detail.

Table 5.2 Selective environment themes (2006-2009)

Features	Level	2005/6	2006/7	2007/8	2008/9	Totals
Selective environment	Global	37	88	83	75	283
	Regional	59	57	61	72	249
	National	73	84	77	69	303
	Industry	103	73	67	102	345
	Totals	272	302	288	318	1180

Source: Extracted and compiled from Table 5.1, selective environment only

In total there were 1180 themes in the selective environment (see Table 5.2 above). Comparing the levels, the industry level had the most themes (345), impacted by two high years (2005/6 and 2008/9), and the regional level had the least number of themes (249). This suggested that the industry level in the UK, through policy and regulatory mechanisms, strongly influenced its internal markets during times of uncertainty or instability. This seemed to be in contrast to the regional level, which appeared less dynamic than, or lagging behind, market movements. Comparing the years, 2008/9 had the most themes (318), whilst 2005/6 had the least (272). This suggested that in “good”, stable times (2005/6) change is a low priority, whereas in “uncertain” times (2008/9), change is necessary and an urgent priority.

At the global level there was a significant increase in themes, from 37 in 2005/6, to 88 in 2006/7. This suggested that there was a significant change or shift in activity at the global level in 2006. In support, there was a rise in number of themes at the national level in 2006 to 84. At the same time, it seemed unusual that there was less change at the regional level, which fell from 59 themes in 2005/6 to 57 in 2006/7, before rising in subsequent years (61 in 2007/8; 72 in 2008/9). At the industry level the number of themes fell from 103 in 2005/6 to 73 in 2006/7, before rising again to 102 in 2007/8. Thus the selective insight suggests that 2006 and 2008 had more strategic change activities, and this time frame was either side of the global financial crisis event. The overall differences between year and level activities indicated a lack of overarching coherence and alignment between the levels and their impacts. At the same time it seemed odd that global level activity increased dramatically in advance of the crisis.

Further detailed insight can be gleaned from focusing attention on the adaptive environment within the co-evolutionary structure of Table 5.1 above. A snapshot of just the number of adaptive environment themes is offered in Table 5.3 below:

Table 5.3 Adaptive environment themes (2006-2009)

Features	Level	2005/6	2006/7	2007/8	2008/9	Totals
Adaptive environment	Firms	20	10	11	11	52
	Sainsbury's	101	99	109	69	378
	Tesco	114	66	71	74	325
	Morrisons	74	90	86	57	307
	Co-op	58	123	76	54	311
	Totals	367	388	353	265	1373

Source: Adaptive emergent themes extracted from Table 5.1

In total there were 1373 themes in the adaptive environment (see Table 5.3 above). Comparing the levels, Sainsbury's had the most (378), and the firms level had the least (52 themes). Comparing the years, 2006/7 had the most (388), whilst 2008/9 had the least (265 themes). The firms level, which was developed as an outside-in lens, had 20 themes in 2005/6, which reduced significantly to ten themes in 2006/7. Significant to this level being an outside-in lens, this suggested a shift from greater collaborative activities, i.e. each firm taking interest or interacting with one another in some way during 2005/6, to individual self-interested activities, i.e. the firm behaving more independently of other firms in 2006/7.

Within the adaptive environment during 2006/7, Morrisons took over Safeway (90) and Co-op merged with United Co-op (123), and this may have increased their number of themes as strategic change activity. Finally, it is noted that Tesco was highly change active in 2005/6 with 114 themes, but had less themes emerging in the following years (66 in 2006/7; 71 in 2007/8; 74 in 2008/9), suggesting difficulty or complexity in the firm's desire or ability to change quickly. The adaptive insight contributes to highlighting 2006 as being an important year of change in the conceptualised model at this layer.

In this section theme definition, developmental steps and outcomes have been shared for the first layer of conceptualised model building. Section 5.5 proceeds below with an overview of the second layer of conceptualised model building, in which the outcomes were spheres of action.

5.5 Second layer model building

This section proceeds with an overview of the process in which the established first-layer outcomes, i.e. the themes shared in Section 5.4, were reinterpreted within the second layer of analysis into outcomes as spheres of action.

Second layer model building engaged the inquirer in interpreting the themes revealed at the first layer into spheres of action. The central question being asked was *What was the action taken?* that had resulted in the strategic change. The inquirer reflected on the themes within each co-evolutionary level/year as a collective group. Applying the question, the themes were interpreted until all the themes could be related to a sphere of action. Each sphere of action's definition emerged by grouping relevant themes together and considering the main or dominant action that was influencing the themes. In this way, the spheres of action revealed a deeper meaning and understanding of the social phenomena. Each strategic change (theme) could be linked to a sphere of action. Table 5.4 below presents the number of themes (T) that were interpreted into spheres of action (S) at each level/year for the four-year period under inquiry (2006-2009).

Table 5.4 Transition of themes at layer one to spheres of action at layer two

Features	Level	2005/6		2006/7		2007/8		2008/9	
		T	S	T	S	T	S	T	S
Selective environment	Global	37	4	88	5	83	7	75	9
	Regional	59	4	57	5	61	7	72	7
	National	73	5	84	5	77	7	69	7
	Industry	103	5	73	5	67	9	102	8
Adaptive environment	Firms	20	4	10	2	11	4	11	3
	Sainsbury's	101	5	99	5	109	6	69	6
	Tesco	114	7	66	5	71	5	74	9
	Morrisons	74	4	90	5	86	7	57	6
	Co-op	58	4	123	7	76	8	54	7

What was the action taken?

↓

Second layer
2553 themes
interpreted into
208 spheres of
action

Key: T= themes; S= Spheres of action

At this second layer, in Table 5.4 above, a total of 2553 themes (T) were interpreted into 208 spheres of action (S). Thus there was overall an average of 12 themes for each sphere of action.

The inquirer began the interpretive process at the global level 2005/6. The 37 themes revealed at global level in layer one were copied into, a new co-evolutionary Excel worksheet with exactly the same structure representing layer two, as outlined earlier. These themes were reflectively and more holistically interpreted until all were “saturated” within the emergent spheres of action. In Table 5.4 above, the central question applied at the global level in 2005/6 generated four spheres of action (S) as outcomes.

At this second layer analysis, the interpretation was more evidence-led, due to the support of the first layer outcomes, along with the inquirer having a greater degree of familiarity and understanding with the empirical materials (source documents) and the actual strategic change events. The inquirer avoided proceeding systematically down the levels (regional, national, industry, firms, Sainsbury's, Tesco, Morrisons, Co-op) in this second layer analysis. Instead the inquirer deliberately randomly interpreted each level independently of the others, but completed each year before starting the next. Throughout the reflective interpretive process, if needed, the inquirer was able to trace back to the empirical sources, i.e. the text within secondary reports, to help understand the themes better, when giving meaning to the spheres of action.

In Section 5.5, an overview of the analysis at the second layer for conceptualised model building has been presented. Section 5.6 below proceeds to share in more detail the underpinning and some reflective insights of the spheres of action as layer two outcomes.

5.6 Spheres of action as outcomes

This section shares the underpinning to defining spheres of action as the outcomes of layer two analysis in this inquiry, along with some early stage reflective insights from the hundreds of spheres of action that were unconcealed at this layer (Table 5.4 above).

In social context, the public sphere (German: *Öffentlichkeit*) is a space where individuals come together to freely discuss and identify problems, seeking resolution or direction as

“common judgment”. This notion is central to the broader understanding of modern democracy⁶⁸ within which a government or state, as the public authority, should serve the wider public opinion in its political actions. In consideration, Habermas (1962,p.1) asserts “we call events and occasions public when they are open to all, in contrast to closed and exclusive.” This dilemma is not new, as in the Greek city-state the sphere of the *polis* was common (*koine*) to free citizens and strictly separate from the sphere of the household (*oikos*), which was the realm (*idia*) of the individual. Public life (*bios politikos*) was for the market place (*agora*) which involved discussion (*lexis*) and common practice (*praxis*). Where *oikos* remained largely obscure⁶⁹, it was in the public sphere that whatever existed was revealed for all to be seen and commonly known.

Thus, in contrast to personal wealth and wants remaining concealed in households, the theatre of *polis* provided an open and honourable domain in which citizens could discursively interact as equals (*homoioi*) and the best could excel. Whilst many pursued and claimed this public recognition of their reputation, the virtues catalogued by Aristotle (384B.C.-322B.C.) reflected concerns about real behaviour in the Greek *polis*. The virtues themselves “were ones whose test lies in the public sphere” (Habermas, 1962, p.4) and here alone was where their recognition could be achieved.

At this second interpretative layer, the spheres collated the strategic events (themes) towards the actions that had caused the events to occur. Furthermore, the inquirer was induced and encouraged into thinking more deeply about the reasons for such occurrences, along with considering the potential broader influences such as power (Lukes, 1974, Sieberer, 2011), politics (Pettigrew, 2014), leadership style (McNulty and Pettigrew, 1999; Kakabadse et al., 2006) and organisational culture (Pettigrew, 1979) in a multilayered context.

Where the historical notions of public sphere have translated to wider modern-day platforms : fame, media, technology, social-media (Kouzmin et al., 1997), so have household (*oikos*) concerns : personal data, security, monitoring, and professional versus private life. Thus, the age-old private-public, known-unknown, and open-closed dilemmas remain (Bakan, 2012).

⁶⁸Democracy emerged from earlier monarchical and feudal societal structures that became bourgeois through industrialisation and liberalisation. Today it is in the forms of capitalism and the welfare state.

⁶⁹ Influence of Greek households in the public sphere actually depended on status - job, slaves, wives, wealth: influences in a more masculine society.

Significant to this inquiry, revealing the deeper truth had to critically question the relationship between what was written (i.e. the rhetoric), and what was actually happening in practice to gain deeper understanding of the patterns beyond simple reputation, claims or face value.

Thereby, the spheres of action were a broader and considered step towards revealing that which is normally concealed, where the boundaries of public and private can become blurred (Goodman, 1992). Regardless of the fact that in this inquiry all firms and institutions were in the public domain, they all fiercely defended their own competitive position (Porter, 1996)⁷⁰ and always portrayed their best public image (Gray and Balmer, 1998). This would make the concealed (Bok, 1999) of greater interest and of more significance to the hermeneutic truth (Heidegger, 1927). The different empirical materials improved the understanding of multilevel events that were reflectively formed as patterns at layer two. In comparison to layer one, the layer two analysis required a more reflective practice and therefore was a slower process of reinterpretation. It engaged the inquirer to seek patterns within the empirical evidence and to make connections between the many themes at layer one.

Nussbaum's (1988, p.1) opening statement that "virtues are attracting increasing interest in philosophical debate" indicates the broad, timeless relevance and appeal of ethics, whilst suggesting an underlying frustration and concern about the behaviour of the dominant elements within the twentieth-century public sphere, not dissimilar to those about the rule of the Macedonian monarchy in the pre-Hellenistic period⁷¹. Nussbaum (1988) asserts that only the Aristotelian (384B.C.-322B.C.) approach overcomes the criticisms of other normative ethical approaches such as consequentialism and deontology by combining "rigour and concreteness, theory and sensitivity" to the understanding of human experience. The clear distinction from other virtue theorists (Aquinas 1225-1274⁷²; Kant, 1785; Bentham, 1789; MacIntyre, 1985) is the justification of rationality in an account of the good life – beyond Aristotle's own belief simply making something true:

⁷⁰ Porter's understanding of competitive advantage narrowly conceives strategy; Gray narrowly perceives public image. Both differ to this thesis - thus institutions and firms are narrowly protecting their interests.

⁷¹ Nicomachus was personal physician to King Amyntus of Macedonia, and later his son Aristotle was tutor to Alexander the Great from 343B.C.

⁷² *Summa Theologica* published in English in 1917, translated by Fathers of the English Dominican Republic.

“What he does, in each case, is to isolate a sphere of human experience that figures more or less in any human life, and in which more or less any human being will have to make some choices rather than others, and act in some way rather than others.”

Nussbaum, 1988 p.5

Nussbaum (1988) reaffirms in detail that each virtue is a defined sphere of human experience bounded by vices, whereby Aristotle (384B.C.-322B.C.) asks *What is it to choose well within this sphere?* Thus the choice is to act properly/correctly, deficiently, or excessively. As long as one lives (being - Heidegger, 1927), one will encounter these spheres and have to behave within the context in each case. Here, rationality (Aristotle, 384B.C.-322B.C.) becomes important in addressing the issue of *What is the appropriate behaviour?* to which the grounded experience as a sphere establishes a virtue as a reference. Then the argument becomes one of specifying a position from that reference, or alternatively finding a better specification (in the form of a more appropriate virtue definition) as a new reference.

Importantly this clearly reaffirms that the framework flow has to be from layer two to layer three outcomes. There is a need to understand the context and experience as a sphere of action prior to being able to reinterpret virtues as third layer outcomes (Chapter six). Virtue, or excellence, is specific to the situation in which it occurs, i.e. the spheres of action at layer two. As a point of note, even if an individual alone identifies the reference, this then becomes subject of further inquiry by others, who accept the definition or redefine it. It is the action as a reference that defines the virtue as a reference of behaviour. Multiple contributions by different inquirers can add to the “thickening” of the definition.

The pattern of longer-term trends reflects that the rise of virtue ethics (MacIntyre, 1985) to a priority discipline has taken place historically in advance of when powerful elite controllers have ruled (Kakabadse and Kakabadse, 2011). Its demise or lowering in priority is more likely associated to when “social” or more democratic models of societal governance have prevailed (Offe, 2003). Ideally, this rise and fall should be the other way around, which indicates a possible manipulation of ethics by elites to justify their own means to an end (Kakabadse et al., 2002). Nussbaum's sentiment, at the time of writing in 1988, is that human society was once again gradually shifting towards greater rule by elites. Thus this inquiry, located in the early twenty-first century, could be at a critical time when human societies are

being shaped in the renewal of governance cycles. The current common societal circumstances of frustration, anger, disconnect and misalignment are reflected in cases such as the Syrian refugee crisis in 2015, the anti-austerity movement in Greece in 2010, the VW car emission tests scandal in 2015; the rise of NGOs (Briner, 2015); and political apathy towards elections in advanced countries (60% election turnout in 2015). Collectively, these indicate that the momentum of the public sphere is more likely being used by elites to shape the agenda (Richardson et al., 2013). This further supports the case and need for the “spheres of action” at layer two to inform virtue ethics at layer three in this inquiry, in an attempt to reveal the deeper truth.

Miller (1984) articulates the uniqueness of the Aristotelian approach is to the ethical discipline’s end means being action rather than just knowledge⁷³. Consequently the emphasis is on practical rationality. Greater importance is assigned to practical knowledge such as *What to do in an actual given situation?*, which is interdependent on the apprehension of human action as an end and practical rationality in the choice of action, both of which are by the moral agent (the firm consists of humans). This, Parellada (2005) associates to a constant need to balance argument and circumstance, in the challenges of decision and action. This cannot be mechanical, and therefore is dynamic. Thus, practical thought has theoretical (principles) and practical (calculative) qualities for each rational soul. Ultimately, practical states emerge in interactions and become the means to an end (NE VI,7,1141b10-12. See Aristotle (2004)). Excellent rationality fosters better planning for the “good life” whilst intellect itself seeks the truth (NE 1,1139a27-31. See Aristotle (2004)). This relationship emerges as a moral judgment: a balancing of norms, values, principles and emotions.

In giving meaning to the sphere of action the inquirer had to appreciate that a greater knowledge of realities may be in the hands of few (Vitali et al., 2011); that knowledge may be known and true yet rejected to protect people’s interests (Tomlinson, 2015); that knowledge may be partial or biased when given to leaders or at different levels (Blackden, 2013); that the empirical materials may be written by partial or biased parties (Gaber, 2015); and that moral judgment is not always for the greater good (Harrold, 2015). Here, hermeneutics (Heidegger, 1927; Dilthey,1996) recognises such influences, but places a

⁷³ Miller (1984) asserts mathematics’ end mean is knowledge.

greater emphasis on the ability of the inquirer to seek deeper meaning within written texts. The universal truth becomes revealed through patterns, broad inquiry and deeper understanding, regardless of any efforts to conceal.

More commonly, the mantra of Aristotelian ethical critics (Anscombe, 1958) has been towards the limited and unclear virtues within Nicomachean ethics (NE. See Aristotle (2004)). This reflects two misunderstandings: firstly, there were few virtues because Aristotle (384B.C.-322B.C.) specifically isolated that part of human experience which could be re-situated to other contexts; and secondly, virtue development is a dynamic process where “we must begin with what is familiar” (NE 1.1095b2-13. See Aristotle (2004))⁷⁴ and it is for others in the public sphere to thicken; or re-specify the interpretation. Thus, the spheres of action in this inquiry were a step towards isolating the human experience as actions within the context.

Thereby practical rationality emerges in actions within spheres as the “truthful state of character, involving thought, relative to good or bad” (NE5.1140b4-7. See Aristotle (2004)). This is applicable to the individual or corporate character. Importantly, Aristotle (384B.C.-322B.C.) differentiates action/practice (*praxis*) from its production (*poiesis*). In this thinking, action has two ends: 1) as observable in the sphere and 2) as a prescription of what to do when next facing a similar context. In consideration, Heidegger (1927) asserts that an action is not indicative of its aims and that being is different to beings, where action has impacts and consequences (Kuhlken, 2014). For Heidegger (1927) existence in the *polis* infers a wider existential meaning, and there is a less clear distinction between *praxis* and *poiesis* in action.

These obscurities between Aristotle (384B.C.-322B.C.) and Heidegger (1927) in the understanding of action are overcome in a historical context, where action has already occurred and is being understood within more holistic contextualisation. Additionally, this inquiry overcomes these differences between Heidegger (1927) and Aristotle (384B.C.-322B.C.), where the level of analysis is at industry level and the unit of analysis is the organisation (firm/institution), all of which consist of people. In this inquiry, each firm/organisation is understood as single entity and its behaviour associated with dominant

⁷⁴ Beyond Theophrastus at Lyceum, much of Aristotle’s work was lost. What is quoted is in treatise form which was meant to be an aid to his students. It has been revived for reference often with less understanding.

individual behaviour. Furthermore, in this inquiry, moving from the interpretation of themes at layer one to reinterpretation, the understanding of sphere of action in the sense of “setting up in the unconcealed” is not concerned with the point of closure as the end of the means (Kant, 1785), but rather it is “a new starting point for human endeavours to open up possibilities” (Heil, 2011).

In this inquiry, spheres of action emerged as a sentence or more than one sentence to give meaning to the themes derived from the strategic events within the publically published reports. Table 5.5 below presents examples of the spheres of action that emerged at this second layer of interpretation.

Table 5.5 Spheres of action examples

Reference	Spheres of action
Regional level 2008/9	Major de-coupling between general public and people in powerful positions. Rise of youth frustration.
Regional level 2008/9	Supply chain control for food production – genetically modified and biological treatments; de-stocking and re-stocking of global supply chain for turbulent markets.
Co-op level 2007/8	Division between senior leadership that is externally focused and executive management that is internally business focused.
Morrisons level 2007/8	Risk-averse individual leadership approach where control focuses on frugality.
Tesco level 2006/7	Tesco entry into the US marketplace using a completely new brand – fast follower-based player entering innovative marketplace.

Source: Compiled from layer two analysis (Appendices 6,7,8,9 and analysis)

The interpretation of the spheres of action (Table 5.5 above) from the themes at layer one involved an iterative back-and-forth process in which each sphere of action sought to understand and give meaning to many⁷⁵ themes within its statement. As such, at the second layer in this inductive inquiry, the interpretive process moved from the specifics of layer one towards a broader reflective interpretation of the social phenomena.

Analysis of the spheres of action indicates that in 2005/6 the industry level may have shifted structurally and impacted the adaptive environment. There was an increase in a more rationalised reporting style, and the engagement of technological outputs in decision-making processes suggested information overload e.g. industry-level DEFRA Report of 2006, p.15:

⁷⁵ Provision was there also for a single theme on its own to be interpreted into a sphere of action. However, usually there were many themes.

“Efficiency is key to retailers’ profitability and competitive edge”, i.e. employee, space and financial productivities; p.6: “New technology has allowed retailers to reap the benefit of economies of scale”. At that time, the supermarkets extended into non-food sectors and own-label brands, broadening their market standing and meaning that corporate firms had influence on suppliers and customers. However, the spheres of action in 2005/6 (see Appendix 6) suggested regulatory intervention was very much consumer focused (as reaction), rather than corporate practice focused (as pro-active). Furthermore, the supermarkets were fast adopting the internet format as part of their multi-format strategies. This brings attention to the nature and influence of the industry level, which was critical in shaping the adaptive environment, but seemed to be moving slower than and with limited effect on the changes that were emerging in the marketplace.

In this section, the underpinning of defining spheres of action as layer two outcomes has been shared, along with a brief insight from the analysis at this layer. Section 5.7 below proceeds with the theoretical considerations of layer one and two for conceptualised model building.

5.7 Theoretical considerations

In this section the theoretical considerations outlined above pertaining to the framework, interpretive practices and outcomes at layers one and two are shared. These two layers give support to conceptualised model building at the third layer.

The co-evolutionary theoretical framework (Volberda and Lewin, 2003) was used to structure and analyse the empirical materials at layers one and two. No known previous inquiry has engaged this guiding theory in a hermeneutic inquiry (Heidegger, 1927; Dilthey, 1996) of British grocery multiple firms, interpreting layer one as theme, and layer two as spheres of action outcomes. These outcomes provided strong evidence-led and traceable interpretations that are unique to this inquiry.

A new regional level was introduced into the co-evolutionary structure. This was below the global level and above the national level (see Tables 5.1 and 5.4, Level column, above). Reading the reports, it emerged that regional level strategic events featured and needed to be captured. Furthermore, where the UK is an advanced active country within Europe (Europa, 2015a, 2015b), the impact of European Union trade and relations and European legislation as

well as other regional impacts (such as North American trade ties with Europe and the UK, and the opening up of retail markets in South America) warranted this additional level as it impacted both institutional and firm behaviour. The regional institutional level (DiMaggio and Powell, 1983) was added to the co-evolutionary framework so that it could better cope with multilevel and multilayer analysis. However, in this inquiry the regional layer featured as an outside-in layer. There were no consistent, independently verified, publically available regional reports for the grocery multiple sector between 2006-2009 that provided sufficient written empirical materials for analysis. Consequently, the themes developed at this level were outcomes informed by seven of the other eight levels reports, i.e. global, national; industry; Tesco; Sainsbury's; Morrisons; and Co-op. The firms level (see Table 5.1 Level column above) was also an outside-in level that was introduced into the co-evolutionary framework. This was to cater for strategic events that were reported where more than one firm was involved in the strategic event. Alternatively, institutional reports referred to strategic events that involved more than one firm. These two levels at layers one and two were introduced based on evidence-led interpretations and provided strong broadening of the support to the co-evolutionary theoretical framework (Volberda and Lewin, 2003) and analysis.

Two important theoretical considerations were the flow within and time taken for analysis at these first two layers of the framework. The reading and analytical interpretation was a complex, slow-moving and reflective exercise. At the earlier layer one step, the inquirer followed a high-level (global) to low-level (firm) structure in reading. At the second layer, the analytical process was more evidence-led and able to be understood separately at each level. Regarding the flow, each level had to be completed before moving to another level, and each year had to be completed before progressing to the next year. The reason for this was to retain a theoretical focus of the interpretations by the inquirer within specific level, year, time and flow boundaries, following the sequence in which events emerged in history. Further, the co-evolutionary framework (Volberda and Lewin, 2003) distinguishes between the adaptive and selective environment.

The outcomes as themes and spheres of action were findings that could have been analysed in more detail at the completion of each layer before moving to the next layer. However, the inquirer deliberately avoided drawing more detailed findings as conclusions at the end of the

interpretations at layers one and two as this would have potentially biased the development and analysis of each of the advanced second and third layers. The analysis at layers one and two was not seeking conclusions, but was providing findings to support layer three. Instead it is suggested that there is opportunity to engage in retrospective analysis of these two layers in more detail after the third layer has been completed. This avoids potential bias and more interestingly allows one to consider why the behaviour had emerged, the nature of change in firms and institutions and how the different levels had impacted each other. Thus, the framework provides for a theoretical feedback loop of third layer outcomes back to the analysis after all of the layers' interpretations have been completed.

The time taken to complete layers one and two had to be consistently managed and refined. This longitudinal inquiry was initially going to cover a longer time frame, ten years. However, the high volume of empirical materials, where each report could extend to more than one hundred pages⁷⁶, required the balancing of time for the single inquirer's capacity to retain high quality, evidence-led outcomes. Layer one outcomes were achieved in nine months. Layer two outcomes, which required deeper reflection, were completed in six months. In both cases, the best practice was to engage in interpretation of a level, then step away from the analysis for a short period to allow for reflection, before returning to progress further. Layer one analysis involved direct detailed interaction with empirical materials at all times, whilst layer two outcomes were more reflective. Altogether the analysis of layers one and two took fifteen months.

In this section theoretical considerations of the framework and the interpretation outcomes at layers one and two were outlined. Section 5.8 below shares the practical considerations.

5.8 Practical considerations

The steps of the framework and interpretations at layers one and two have been outlined within Chapter five. Following the theoretical considerations in Section 5.7 above, this section proceeds to share the practical considerations of layers one and two.

⁷⁶see Deloitte quote in Section 5.8 below.

Practical steps were taken in the earliest phase of inquiry design to consider widely the potential routes to inquiry. As part of this, a one-hour meeting with a board director from one of the UK big four grocery multiples was arranged. This in itself took time to organise, trying to accommodate their busy schedule. The meeting in London enabled the inquirer to share an overview of the original inquiry proposal with the firm leadership and gain valuable feedback from a representative within the sample of firms under potential inquiry at that time. Practical concerns were highlighted, such as to get access to both relevant information and the right people would be difficult. The outcomes of the meeting suggested that grocery multiple firms are highly competitive and protective of their positions. Furthermore, the informal interview indicated that directors will often give legal and technically qualified responses in a mindful and considered manner.

Additional practical guidance during the design phase also included seeking independent expert academic insight and know-how. A one-hour meeting was arranged with a professor from Cranfield University who was actively engaged in grocery multiple retail cases and who had had a longitudinal case inquiry of a big-four grocery multiple published. The professor kindly and knowledgeably shared their advice. A few weeks later, the inquirer availed himself of an opportunity to get input and feedback from another professor at Birmingham City University. This was interesting and beneficial, particularly as the inquirer was in a position to compare and contrast the different views and advice received.

The gradual emergence of the guiding theory and methodological design involved going down alternative paths or even blind alleys and then being able to return, in order to craft and arrive at the right combinations. As part of this, the inquirer appreciated that the long-term PhD journey would be most successful where there was the strongest alignment of thinking, personality and engagement in the field. After all, the inquirer would have to overcome many practical challenges along the way, be resilient to criticism and ultimately be happy with the end product. The PhD journey is a unique, once in a lifetime experience and the breadth of practical guidance at the early phase of design was helpful in facilitating the inquirer's methodological choices.

Learning and reflecting from these initial meetings, the inquirer adopted the qualitative co-evolutionary hermeneutic lens to inquiry. This suited the wider range of empirical materials

to be engaged; appealed to deeper inquiry of multiple firms rather than potential smaller case studies; and overcame issues of access and consistency, as reports would be independently verified and publically available.

Another practical consideration at the design and pilot stage was selecting the empirical materials that best suited the framework and inquiry approach. To exemplify, the national level reports were from the Office of National Statistics. These were available online and consisted of a series of reports about employment, the retail sector, economy, etc. Thus the framework had to be able to accept written reports as wider contributions to the main annual reports, thus the wider understanding of hermeneutics (Heidegger, 1927; Dilthey, 1996) was a practical benefit for the inclusion of different written empirical materials if needed. Another example is that reports often included separate chairman statements, which could provide an important overview of the position of an organisation and its future outlook.

A majority of the publically available reports published by corporate grocery multiple firms and various institutions at different levels, e.g. annual report, global or industry standards, stock exchange statements and CSR reports, are commonly facilitated by a small number of accounting, agency or professional service firms in order to meet the regulatory requirements or standards of best practice, e.g. the Financial Reporting Council and UK Corporate Governance Code. Where reporting structures are similar, the inquirer gave consideration to understanding the narratives and financial contents critically and coherently. A survey by Deloitte into annual reports (Deloitte, 2012) asserts a rise in narrative content to 51% and advises caution, as disclosure requirements can obscure the information of most value in reports, where there remains a need to remove clutter:

“It comes as no surprise, that the average length of annual reports has doubled over the last 16 years, to a current 103 pages.”
Deloitte, (2012) p.2

Deloitte's (2012) findings indicated that only fourteen per cent of firms provided a consistent story that linked the aims, business models, strategies and risks together well. Furthermore, only sixteen per cent of firms provided insightful and specific analysis of the significant issues. The average time frame for approval of the publication of reports was 71 days.

Despite these various issues, the survey acknowledged that the reports were a subjective assessment which comes down to the opinions of the social actor (Deloitte, 2012, pg 26).

The introduction of the regional and firms levels within the co-evolutionary framework was outlined earlier. Whilst this was valuable, it is recognised that this may not have had as much significance to the less international firms within the sample population. To exemplify, Morrisons only operates within the UK and has not grown internationally. Furthermore, the Co-op, whilst having international joint ventures, was also a UK-centric grocery multiple. At the same time, whilst these firms may have been less active at the regional level, this does not mean that regional events will not have uniquely impacted individual firm behaviour. Thus there remained practical advantages to the broader understanding of behaviour facilitated by the new co-evolutionary levels.

In this section the practical considerations of layers one and two have been shared. In Section 5.9 below a summary of the analysis is offered.

5.9 Summary of analysis

In this chapter the interpretive steps taken within the co-evolutionary (Volberda and Lewin, 2003) framework and their outcomes at layers one and two of conceptualised model building have been shared. These provided the foundations for the interpretations of virtues at layer three, which will be the focus of findings in Chapter six. Section 5.9 offers a brief summary of the analysis at the first two layers.

In summary, the inductive hermeneutic interpretations within the co-evolutionary framework of selected empirical materials generated 2553 themes at layer one. These themes were reinterpreted into 208 spheres of action as layer two outcomes.

The fully comprehensive Excel spreadsheets are presented in Appendices 6,7,8 and 9. With support of Chapter five, the reader is able to follow the inquirer's interpretations directly back to the written texts within the empirical materials, the original sources. This is important, as the transition between each layer is unique and it is the heuristic device that enables the understanding of knowledge at each layer of conceptualised model building. In this case, the transition was from themes to spheres of action as outcomes.

The analysis at layers one and two was deliberately focused on using an iterative technique to saturation point. These early findings were not critically analysed in detail at this stage, because this would potentially bias the layer three interpretations ahead. Analysis of layers one and two was a time-consuming and complex step-by-step progression where thematic and practical considerations supported the quality of outcomes together. The learning supported strength in methodological rigour and robustness, while it also became apparent that there was a need to contain the length of the longitudinal period under inquiry to a more realistic and manageable four years (2006-2009).

Chapter five has shared the stages, analysis and outcomes of conceptualised model building at layers one and two. Chapter six below proceeds by sharing an overview of the findings of layer three interpretations. The outcome at layer three was virtues.

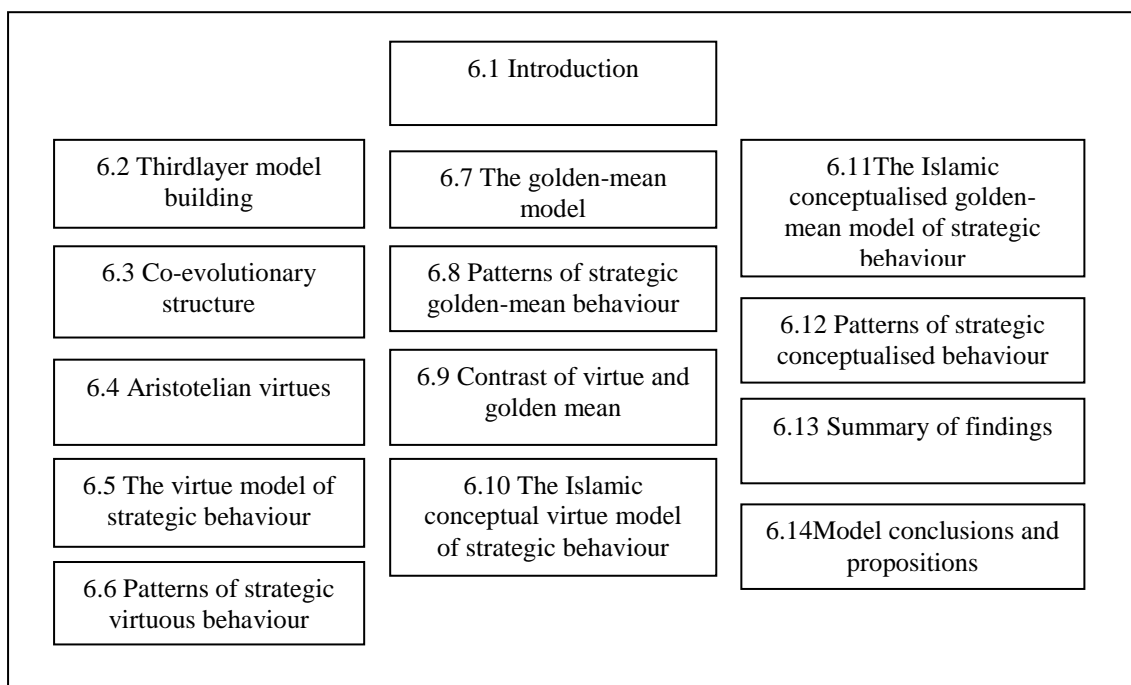
Chapter six: Findings

6.1 Introduction

This chapter builds on the more detailed and complex analysis in Chapter five that presented the first and second layers of model building. The focus of Chapter six is to explain the process at, and development of, the co-evolutionary third layer. It presents the findings as a conceptualised longitudinal (2006-2009) virtue model of strategic behaviour, along with the ideal alternative, the golden-mean scenario, and the findings' definitive Islamic virtue and golden-mean conceptualisations. The emergent patterns of behaviour within these interdependents of the model are shared. The purpose is to generate new knowledge, a novel way of understanding retail firm survival and growth within its environment (context), by giving meaning to the virtue/vice behaviours captured at this deepest layer of interpretation. Similarities and differences between the particular discrete, salient and holistic features as ethical characteristics⁷⁷ of the emergent models are explored. It is the understanding and explanation of these findings as patterns that may support, extend, add to or challenge the existing methodological approaches and previously published literature.

The structure of Chapter six is outlined in Figure 6.1 below:

Figure 6.1: Structure of Chapter six



⁷⁷ Heidegger engages a pre-Socratic definition of Heraclitus (Fragment 119) "*ethos athropos daimon*". See Heil (2011, pp. 10-11).

Section 6.2 below proceeds with an overview of the process by which the established layer two outcomes were interpreted into layer three findings.

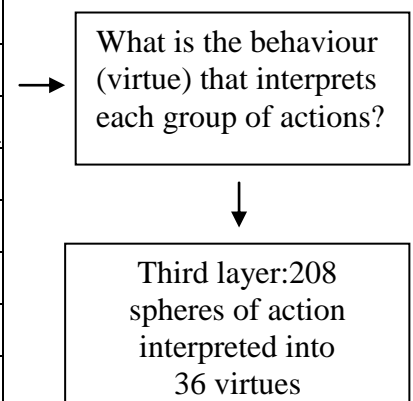
6.2 Third layer model building

This section presents the third layer of model building in which the layer two outcomes were interpreted into findings of behavioural virtue.

The third layer of model building engaged the inquirer in subjectively interpreting into virtues the spheres of action that had emerged as outcomes of layer two. At this third layer, the central question being asked was *What is the behaviour that has resulted in these actions?* The inquirer reflected on the collective spheres of action within each co-evolutionary level for each year of layer two. Table 6.1 below presents the numbers of spheres of action within each level/year that were interpreted into virtues. A starting list of 120 virtue definitions was used to interpret each group of actions into a virtue. This virtue was representative of the shared prominent, dominant behaviour that was in play at that level/year.

Table 6.1 Transition of spheres of action (layer two) to virtues (layer three)

Features	Level	2005/6	2006/7	2007/8	2008/9
Selective environment	Global	4	5	7	9
	Regional	4	5	7	7
	National	5	5	7	7
	Industry	5	5	9	8
Adaptive environment	Firms	4	2	4	3
	Sainsbury's	5	5	6	6
	Tesco	7	5	5	9
	Morrisons	4	5	7	6
	Co-op	4	7	8	7
	Total	42	44	60	62



In total, 208 spheres of action were interpreted into 36 virtues for the four-year (2006-2009) empirical set (Table 6.1 above). Overall the number of spheres of action increased in each

subsequent year of the model. In the selective environment at all levels and in the adaptive environment only Sainsbury's had no reductions in the number of spheres of action.

The inquirer began the process at the global level 2005/6 and proceeded systematically down to the next levels (regional, national, industry, firms, Sainsbury's, Tesco, Morrisons, Co-op) before starting the next year. To exemplify, in Table 6.1 above, the central question was first applied to the four spheres of action understood together at the global level (2005/6), of which the finding was the virtue of greed. The reflective interpretive process by the inquirer allowed for iterative traceability back to the source (i.e. the text within secondary reports) from the spheres of action, if better understanding was needed. Furthermore, the process allowed for the adding of new virtues to the existing list of 120, where the new virtue better articulated and explained the behaviour being captured. Prasad (2002, p.24) notes that the inquirer: a) actively “defines the context” and b) it is at “different levels of comprehensiveness”. Prasad (2002) prefers the process moving from the lowest level to higher levels to avoid possible “productive prejudices” (Gadamer, 1975, p.263). Although Gadamer⁷⁸ (1900-2002) studied the works of Aristotle (384B.C.-322 B.C.) under Husserl (1859-1938) and Heidegger (1889-1976), his approach to human science (*Geisteswissenschaften*) differs from the traditional German approaches of Schleiermacher (1768-1834) and Dilthey (1833-1911). This inquiry follows Heidegger and Dilthey's approach to the hermeneutic process⁷⁹, in which the inquirer reflected on each group of spheres of action independent of other groups, regardless of top-down or bottom-up processes, to ensure the model construction was evidence-led.

In Section 6.3 below, the progressive development of the co-evolutionary structure at this third layer is explained. Flowing from layers one and two, some theoretical gaps in the existing framework underpinning the model are addressed. This contributes to practical support for the better articulation of deeper behavioural diversities, and will improve findings.

⁷⁸Gadamer's *magnum opus* is *Truth and Method* (1960), which he argued were at odds with one another.

⁷⁹Hermeneutics is inclusive of inquirer biases, but this does not impact bottom-up or top-down processes.

6.3 Co-evolutionary structure

In this section the co-evolutionary theoretical framework contributions and considerations are explained in support of the model building.

In answering the inquiry question (Section 2.12), the co-evolutionary theoretical framework (Volberda and Lewin, 2003) has been adopted to understand and explain holistically how the leading British grocery multiple firms survived and grew into the global retail sector during 2006-2009. This thesis adds to existing studies (where the framework has not previously been used) as a third layer of interpretation for this longitudinal inquiry.

The literature review asserts that institutions are increasingly interdependent at a regional level and the firm has greater global flexibility (Section 2.4.5). In recent decades, a technological revolution has benefited faster communication and wider accessibility to markets, enabling the greater internationalisation of trade. This in turn has transformed the nature of the political and regulatory complexities of twenty-first century regionalism (Baldwin, 2011), pressurised by globalisation agendas and their associated risks (Evans et al., 2008). As such, the inter-institutional effects (UN, EU, BRIC, national) may act as dampening, enabling or control mechanisms on the industry and firm, such as their entry into new markets, innovation or skills. In consideration, the pilot inquiry findings (Section 3.9.3) indicated a structural gap and the potential opportunity to introduce a regional level to the existing framework. The theoretical structure was extended to include a regional institutional level (DiMaggio and Powell, 1983; Hall and Soskice, 2001b) above the national level within the selective environment that featured in layers one and two. This was also adopted at the third layer.

There is a growing body of specialised research into regional level effects, such as Regional Studies (1967-present). Regionalists hold that truly global multinational corporations are rare and that a firm more likely operates in limited geographic clusters (Rugman and Verbeke, 2004). Furthermore, within the international business literature, Flores et al., (2013) focus on the regional level in understanding multinational corporate strategic changes in their ex-post schemes for modelling patterns.

Practical justification for the regional level also emerged in the interpretive process. The themes being developed in layer one often referred in their source documents to divergent historic, cultural (Grechenig and Gelter, 2008) governance influences and different regional (EU, North Americas, Far East) policy impacts of global events such as the emerging BRICS, rising oil prices, and the credit crisis of 2008. Deep reflection may attribute such variations to contrastingly embedded cross-national philosophical preferences commanding the investment in particular academic approaches to the study of social phenomena. Thus, introducing the regional level supported the better understanding of punctuated equilibrium within markets (Lewin and Volberda, 1999) as the explanation of incremental or radical transformational changes at this and previous levels.

In an increasingly interconnected world, the inquiry was thereby better positioned to consider the local effects of the global level phenomena as patterns (Ansoff, 1957; Peng, 2006). The patterns changed more dynamically for firms and institutions between times of steady state and crisis (Van Essen et al., 2013). These third layer findings are closer to reality, where global events are in fact local first, but they have far-reaching impacts that vary over time, depending on strong or weak trade relations, geopolitics, rates of policy adoption or simply changing consumer trends.

Similarly, the third layer findings were in a better position to consider diversified responses at the national level, where different countries act and react in different ways to contexts. A point of note is that certain countries are more dominant or active than others at the institutional level, e.g. Germany within the European Union. It was at this third layer that the interpretive articulation of behavioural diversities benefited the findings. The theoretical framework more accurately reflected the strategic “decision making processes within their context” for improved understanding (Papadakis et al., 1998, p.119).

At the top of the adaptive environment, a new firms level was introduced in the model, flowing from layers one and two above the individual firm levels. This captured the change within written reports that referred to “the larger retailers”, “leading firms”, “leading grocery multiples” or “big four” as a collective group. At this firms level, the events, actions and behaviour are those which are perceived by the other levels of the firms as a collective group. As such, this firms level, and the regional level are the only two levels that offer an outside-in

perception derived from the other levels. In consideration, this indicates an opportunity for co-authored public reports by firms and for more specific regional retail reports which were not publically available for the longitudinal period under inquiry.

Recently, Geels (2014) has conceptualised a triple embeddedness framework (TEF) of firms in industry from a co-evolutionary innovation perspective, arguing that firms may be competing for legitimised “social fitness rather than economic efficiency” (Powell, 1991, p. 184). Separately, Carayannis and Campbell (2012) have progressed their knowledge production framework to a quadruple/quintuple helix, arguing that eco-system innovation is multilayered and even social and natural systems co-evolve. In their Mode 3, Carayannis and Campbell (2012) make the case for hybrid overlapping knowledge and understanding between economy, society and democracy levels as being broader than earlier “liberal democracy” concepts, and preferable for better sustainable high-order democracies. These more recent developments to co-evolution give support to Lewin and Volberda's (1999) embeddedness, where more than one firm together can react to and/or is subject to selective pressures. The firms level introduced in this inquiry extended the co-evolutionary framework to nine levels. This firms level was located below the start of the selective environment, i.e. at the top of the adaptive environment. Thus, where the industry level represented the competitive selective environment, the firms level in the adaptive environment represented firms working co-operatively or being pressurised as more than an individual firm.

Within co-evolution, this inquiry specifically adopts the managed selective journey that gives emphasis to differences in internal and external rates of change. As such, strategic change patterns (Mintzberg et al., 2009) emerged at the structural boundaries. Strategic change as an event was the outcome at each level of the complex strategic decision-making processes (Papadakis et al., 1998) integrative to the model. Papadakis et al., (1998) assert that the strategic decision process has a greater influence of decision-specific characteristics such as rationality, politics, formalisation, communication, and reporting, along with top leadership or external factors . Where in this model the patterns indicate misalignment, lag effects, discrete or salient features, this indicates an opportunity to modify the antecedent processes towards aligning future multilevel outcomes or purposely pursuing deliberate independent shifts in strategic behaviour. As such, the model presents outcomes of events, where

understanding behavioural patterns is critical to managing the root causes of change within processes.

Structural boundaries were not only defined as the different levels of co-evolution as a specific distinction between adaptive (endogenous) and selective (exogenous) environments (Penrose, 2009), where a gap (RGS) may exist; but also longitudinally across the four-year period as annual empirical sets or waves, and to distinguish between multilayered analysis (layers one, two and three) where any layer can impact other layers. The key to success was that the interpretive process was evidence-led and included reflection for deeper understanding⁸⁰. Thereby, strategic change emerged as patterns (Mintzberg et al., 2009).

Within this structure, the inquiry is at industry level and the unit of analysis is the firm, which fits to the adaptive/selective framework flowing from layers one and two into the third layer. Where more than one firm was under examination, there was pattern flexibility to support understanding the survival and growth of different firms simultaneously (Ter Wal and Boschma, 2011). A distinguishing structural feature of note is that strategic change was understood within historical change events, i.e. the forces of strategic change in the source documents. As such, change as a concept acknowledged the link between strategy and structure (Chandler, 1962) within the firm as well as between the firm and environment. Thereby, patterns were the realised strategic outcomes of earlier routines by empathetic people (Becker, 2008). Consequentially, the systematic layered analysis (themes, actions, virtues) was critical to understanding behaviour as the knowledge driver and reason for co-evolution (Kipping and Cailluet, 2010).

In Section 6.4 below, the embedding of Aristotelian virtues within the co-evolutionary framework in this third layer of model building is explained.

6.4 Aristotelian virtues

This section builds on the methodology (Chapter three) and pilot inquiry outlined earlier. In answering the question *What is the behaviour that has resulted in these actions?* this inquiry

⁸⁰Similar higher order multi-dimensional constructs but in quantitative approaches may refer to Johnson et al.(2011).For longitudinal constructs, see Ployhart and Ward (2011)

followed the Mintzbergian school of thought (Table 2.1), seeking non-abstract normative conclusions (Mintzberg, 1978).

This inquiry engages a philosophical understanding of the term normative. Teleological (purposeful) normative properties make claims about how things ought to be, how to value them, what is good and bad and what is right or wrong. At this third layer, Aristotelian virtue ethics⁸¹ (Aristotle, 384B.C.-322B.C.) underpins the understanding of behaviour.

According to Aristotle, the goal of ethics is to achieve the good life. The best of the good life is *eudemonia* (happiness/flourishing), where for Aristotle the “common good” of society has a greater value (Anderson, 1993) than personal happiness. This can be achieved by applying *phronesis* (practical wisdom) in virtuous activities. Practical wisdom is the knowledge of how to act prudently and correctly in a given, immediate and ambiguous social or political situation. Virtue (*arete*) in virtuous activities is excellent behaviour that goes beyond being abstract traits or desires to requiring activity, as action, in the exercising of its disposition. Furthermore, in their activity, people are in a *polis* – a human community where they exhibit reasoning capacity (*logos*), such as the pursuit of excellence, intention to harm, self-interest or being charitable.

As such, in the Aristotelian lens, the virtuous, i.e. excellent, state of character emerges rationally and is observable within practice/s (Chapter 7, Book 1, Nomenclature of Ethics) as historical outcomes and change events. In modelling strategic behaviour, the preferable ideal excellent behaviour is the golden mean (the virtuous desirable middle). The golden mean is between two virtuous boundaries that are the extremes of deficient or excessive moral behaviour, as vices, within the specific context under inquiry. In application at this third layer, Aristotle's virtue ethics does not see action as simply a reflection of ethics, but rather looks into the character⁸² for the reason behind the ethics (Eudemian Ethics, 1233b15). This thesis is underpinned by the firm as social actor, the institution and social phenomena all consisting of people. Thus the spheres of action were interpreted into virtues, seeking behaviour as a demonstrable reason for strategic change as its characteristic.

⁸¹With earlier roots in Plato (428B.C.-348B.C.) or in Chinese philosophy, doctrine of the mean (Confucius in the Analects), revived by Anscombe (1958) or see Yu (1998) who contrasts virtue to Ren.

⁸²Heidegger, Letter on Humanism/Hum 47/LoH: 258

Critics of Aristotelian virtue ethics (*Nicomachean; Eudemian; Magna Moalia*) and Stoic⁸³ Hellenistic philosophy (300B.C.), whilst recognising virtuous characteristics, argue about how to define a virtue and what constitutes a good life. Despite renewed interest in Aristotelian ethics (Crisp, 2013), most inquiry has focused on the treatment of virtues to characterise social phenomena, without considering the precise nature of virtues as a second-order re-conceptualisation (Malikail, 2003). In consideration of this, Heil (2011, p.10) asserts that Heidegger engages the sentence “*ethos athropos daimon*” not simply “as human character” but as “dwelling/abode”. In the familiar, an abode for man is the open region for the presence of God, the unfamiliar (LoH 258/Hum 47). Inquiry into ethics is then about the human way of dwelling that we find ourselves in. In overcoming criticism, adopting Heraclitus’ understanding of *ethos* and supporting stronger hermeneutic criteria (Prasad, 2002), the virtues in this inquiry are linked to an Islamic ontological source (the Quran) to justify and independently verify the concept itself (Heil, 2011, pp.19-33; Dahlstrom, 2001, p.402). This aligns with the inquirer’s own ontological position and is a requirement of hermeneutic ontological inquiry.

Consequentially, at this third layer of inquiry, the interpreted findings were modelled as (1) a virtue model in context and (2) the ideal golden mean, whereby the virtues/vices in model (1) and (2) had an independent Islamic ontological conceptualisation (models 3 and 4). In this inquiry, the model concepts simply provided a holistic philosophical reality to independently verify the meaning of the virtue or vice. The point of note here is that any other independent complete philosophical frame can also be adopted (such as Judaism; Christianity, Buddhism, Hinduism, Confucianism, Humanism or Atheism), in place of Islam for this purpose. The conclusion (Chapter seven) briefly compares and contrasts the models (1 and 2) within their deeper conceptualisations (3 and 4), but it is left for future inquiries to consider the similarities and differences between the philosophical frames, and to align these and the virtue model itself (1). Regardless, this is the first time that a inquirer has combined Aristotelian and Islamic ontological conceptualisations to understand the strategic behaviour of UK corporate retail firms in this way.

⁸³ Founded by Zeno of Citium in Athens. It taught self-control to overcome destructive emotions.

McNeill's (1999, p.3) in-depth analysis of Heidegger's reading of Aristotle asks what the apparent alignment is between the philosophical desire (*alagon*) to see and that of curiosity. Is curiosity an everyday desire to see, and philosophical desire a tendency for everyday reflection? Or maybe the alignment is Heidegger's later conception of "knowing having seen". Regardless of the interpretation, it is the outward appearance (*eidos*) that arouses curiosity, which, importantly, is the starting point of philosophical desire. As such, McNeill (1999) asserts that Heidegger's (1927) *Being and time* provides a concise account of the philosophical and theoretical comportment of theory (*theorein* or *theoria*) that has its precedent with Aristotle.

McNeill (1999) and Heil (2011) both stress that Heidegger's (1927) fear has come true, in that what was once philosophical knowledge has been eroded to a scientific level in the governance of being in the world. This has restricted the understanding of being to a narrower, more particular configuration or ordering that leads to a reduced and insufficient understanding of the more contemporary world that ascribes to the Cartesian tradition⁸⁴ (Descartes, 1637, 1641) as its justified lens. Polt (1999, p.1) explains this as "...although, Einstein's well-known formula $E=mc^2$ does show a relationship, physics as a discipline and Einstein himself leave the questions of what energy is, what matter is? etc." To ask such questions is the concern of philosophy and ontology.

Philosophical knowledge for Plato (428B.C.-348B.C.) and Aristotle (384B.C.-322B.C.) refers to seeing as "that which can be seen by the eye of the soul". As such, it is common to all (*koinon*) and universal (*katholou*), where *eidos* is constant and not subject to decay. As such, importantly to historical development, Aristotle (384B.C.-322B.C.) characterises *eidos* as the essence (*essentia*), i.e. what it was before actualisation - *a priori*. Thereby, *eidos* is the cause, and as the origin of "being" it can be sought in the actualised, morphed final form. In consideration, the greatest emphasis is placed on "seeing" by both Aristotle (Book X) and Heidegger (1927) as a complete and perfect moment. This gives kudos to the subjective, reflective, interpretive process adopted by an inquirer seeking unconcealment of the truth. Here, Heidegger⁸⁵ (1927) argues that humanity is not subservient in its "being" relationship to

⁸⁴ *Cogito ergo sum* - I think therefore I am. This is the only certainly and all other knowledge is doubtful.

⁸⁵ Heidegger asserts that the Roman Empire used deception of the truth to rule over others, which is different to falsehood.

entities, but instead governs them. Aristotle refers to this as “rational”, in that humans can understand themselves in relation to other entities, in which moral conduct is the key to survival. As such, the search for truth shifts from being just a correctness of perception to an awakening of consciousness, common sense and the soul for promoting control of the body for well-being. This inquiry's model adopts the Heideggerian Aristotelian lens to conceptualise interpretation of the final form, i.e. strategic historical events, in seeking the truth (*alethia*) in the ever-present *eidōs* (virtue as cause).

For Plato (428B.C.-348B.C.) theoretical reality has a contemplative abstract form, whereas Aristotle (384B.C.-322B.C.) argues that theory remains speculation until it has a practical purpose, i.e. rational action, which results in a change of situation, establishing a new truth as reality. As such, Aristotle distinguishes between intellectual and moral virtues as habit (*hexis*), or state of character, where the distinction is their relationship to reasoning (*logos*):

“Virtue, then, is a state of character concerned with choice, lying in a mean relative to us, this being determined by a rational principle, and by that principle by which the man of practical wisdom would determine it. The rational principle is active in a different way in each kind.”

Aristotle (NE I:13, Chapter 2:6. See Aristotle (2004))

Aristotle's moral and intellectual virtues have been interpreted in different ways over the years: as nature/reason (Bamber, 2014); desire/practical reason (Sanderse, 2014); emotion/character (Sherman, 1997); or as two parts of readiness (Simon, 1986). Uniquely, humans have *nous* (the mind's eye, good sense, intellect) that is an independent constituent of *logos* (reasoning), which enables active thought, whereby active sensual perception provides images of *nous*. Aristotle divides the soul (*psuche*) into two parts (NE book VI. See Aristotle (2004), one with reason that is the source of principles (*archai*) and the other that provides the images of *nous* – *sensus communis* (common sense, also present in animals). *Nous* develops as people gain experience and is a non-syllogistic awareness that gives the mind the capacity to think and reason for the sake of something more than just the truth. For Aristotle, passive intellect receives active intellect, but active intellect is required to turn potential knowledge into actual knowledge. Thus the actuality of thought is life, where God is the actuality and the soul makes things alive. Following this thinking, it is the combination of

intelligence and reasoning that emerges as human actions, which can be interpreted and explained historically as virtues.

In model building for this inquiry, *habitus* is interpreted as dispositions (*diathesis*), meaning to put things in order, where ordering or arranging implies relating one thing to another. Building on the pilot inquiry (Chapter three) and layers one and two (Chapter five) dispositions (ordering) emerged as combinations of virtue/vice behaviours. Each whole disposition also had parts. Within the co-evolutionary framework, the model adopts major (moral) *hexis* as selective states of character, and minor (intellectual) *hexis* as adaptive states of character. The moral *hexis* are those virtues or vices that are embedded in social, cultural, institutional or governance structures as the more stable habits; established, repeated practices that take longer to change. The intellectual virtues are where each individual firm has its own practice that can be taught or learned more independently, establishing a more firm-specific stance to the selective environment. The combinations and orderings of moral and intellectual virtues/vices establish each whole disposition as a set of realised patterns. A point of note is that model building allows for the possibility that the disposition may itself also be different to the parts that form it, in relating one part to another in this causal inquiry (Weick, 1995).

In Section 6.5 below, the virtue model is presented.

6.5 The virtue model of strategic behaviour

This section presents the findings for the context-specific virtue model of strategic behaviour for the British grocery multiple retail firms at this third layer.

Having interpreted the virtue and its vices as characteristics of strategic behaviour for each co-evolutionary level (nine in all) across the four years under inquiry (2006-2009), the emergent model was constructed. The co-evolutionary theoretical framework established the position of the virtue by level/year within the model. The traceability back to the original sources in layer one, i.e. the secondary published reports, provided evidence that connections and relationships exist between firstly the different levels of the framework (global, regional, national, industry, firms, individual firm) and secondly, longitudinally in the progression of changing events (2005/6, 2006/7, 2007/8, 2008/9). Within each source document there were

multilevel interpretations and the progressive documents moved the changes forward with time.

Figure 6.2 below presents the virtue model of strategic behaviour that emerged (see Appendix 10). Appendix 11 further supports the model by defining the deficient, golden-mean and excessive boundaries pertaining to each virtue or vice within the model.

Figure 6.2 Virtue model of strategic behaviour: grocery multiple firms (2006-2009)

Disposition (<i>arete</i>) of character	Level		2005/6	2006/7	2007/8	2008/9	
		Global		Greed	Cantankerousness	Attachment	Mistrust
	Regional		Uncritical loyalty	Anger	Machismoism	Ignorance	
Major (moral <i>hexis</i>)	National		Hubris	Partiality	Self-indulgence	Ineffectiveness	
	Industry		Cowardice	Spitefulness	Dishonesty	Zeal	
Minor (intellectual) practices	Firm	Firms	Vainglory	Resoluteness	Wastefulness (corruption)	Stinginess	
		Sainsbury's	Fortitude	Ambition	Tact	Prudence	
		Tesco	Cleverness	Over-confidence	Single-mindedness	Gluttony	
		Morrisons	Egoism	Discretion	Inflexibility (loyalty)	Lack of empathy	
		Co-op	Insensibility	Lack of discernment	Envy	Ambiguity	

Source: Compiled as in Appendix 10

Key: Deficient Golden mean Excessive

This behavioural model (Figure 6.2 above) is an outcome of the inductive hermeneutic reflective interpretation (Heidegger, 1927; Dilthey, 1996) that involved exegesis of the written word (Lamond, 2006) to reveal new understanding (*Verstehen*) of the actions as historical behaviour from the social actor's (firm) perspective. The inquirer, as the mediator of language (Blaikie, 2010) sought to understand the authorial intentions (strategic actions) of the social actor (firm) in reinterpreting the written accounts, i.e. secondary published reports.

In exploring the virtues that have evolved, it is possible to identify patterns within the model. Furthermore, contrasting patterns and their disparities or particular stand-out characteristics can be explored.

In Section 6.6 below, the emergent patterns from within Figure 6.2 above are shared.

6.6 Patterns of strategic virtuous behaviour

This section proceeds to explore and explain the emerging patterns within the model (Figure 6.2) presented in the previous section. The inquirer engaged in a reflective process, interpreting the model's composition, flows and relationships as dispositions. The emerging particular discrete, salient and holistic features are explained as patterns of behaviour.

Firstly, the position of substantive rationality as a necessary pre-condition to understanding the evidence in this inquiry is explained. Importantly, this aligns to the subjective qualitative approach taken in giving meaning to the evidence (Heidegger, 1927). There are therefore implications for both the process that the inquirer followed and the evaluation criteria of the interpretive models. It calls for more flexible and ethical guidelines as moral and ethical judgments of quality and trust in understanding such modelling (Denzin, 2009), which is different to more typical scientific, empirical-linked theory and uses different methods of prediction (Denzin, 1999). In this inquiry, textual causality is presumed to map the actual goings on in the real world, requiring interpretation to understand the social phenomena (Denzin, 1994). The scientific mind may more readily lean towards a lack of trust in qualitative inquirer subjectivity during the process of evidence collection, but equally if not more so, quantitative inquirers have an effect on evidence collection, analysis and interpretation (Denzin, 2009). It is the lack of evidence, misrepresentation, alteration or partiality that is always open to judgment.

As such, the interpretative process is transparent and was an exercise in presenting and seeking patterns of evidence that enable trust in their representation. Where the risk of interpretation is that it is only as good as any other opinion, a need for qualitative methodological criteria establishing genuine contribution may consider principles such as Madison's (1990, pp.29-30) "coherence, comprehensiveness, penetration, thoroughness, appropriateness, contextuality, agreement, suggestiveness and potential." Furthermore, in this type of inquiry, it is important "to view knowledge not as a static correct set of propositions, but as a continuing search for better interpretation" (Polt, 1999, p.41).

Secondly, the section proceeds to explain the qualitative path, inclusive of ethics, and present the patterns of strategic behaviour within the model.

Denzin (2009) charts a path of resistance to performative models of qualitative inquiry in educational departments where PhDs are produced. The global audit culture is subjected to politics and ethics in misjudging the evidence of interpretative inquiries simplistically, on scientific criteria. As such, Kakabadse and Steane (2010) assert that rationality in substantive form is inclusive of ethics and morals as values, but in instrumental form (functional, procedural, scientific) it becomes a technical means to an end. Thereby, more often than not, the assessment of interpretative models in the West try to force their justification to conform through quasi-methodologies, random testing, mixed methods and meta-analysis, but these are in reality “the elephant in the room” (Denzin, 2009, p.153), as evidence is never morally or ethically neutral. It depends on factors such as who has power, where funding is coming from and what evidence collection criteria is used, along with personal experiences and biases towards the outcomes.

Thus, the evidence may seem concrete and indisputable (Morse, 2006) but this is only as politics has determined who has the power and authority in judgment. In reality, interpretive evidence is soft: not valid or replicable, but contextual and a personal reflection judging the *Sitz im Leben* (situation in life) (Kakabadse and Steane, 2010). This indicates that both the production and evaluation of PhD findings is actually a higher-order, morally influenced judgment that cannot be divorced from beliefs, culture and attitudes as values. Furthermore, the production of knowledge is always a partial, ethical, political and moral interpretation.

The inquirer engaged in a reflective interpretation of Figure 6.2, exploring and revealing patterns within the holistic model. It is important to appreciate that these patterns emerged specific to the retail context and reports (2006-2009) that were analysed by this inquirer, which may not be the same in different environments, contexts or longitudinal inquiries. Although aspects of patterns could be related to the literature, the virtues as patterns themselves were emergent through a natural interpretive process, not purely dependent on the literature, and avoiding any presuppositions. In a different context, other issues may appear and alter the model. Thus, further inquiry is required to ascertain whether the patterns can be generalised.

The methodological contribution is as a heuristic device where the conceptualised model (the findings) is different to what is being modelled (the social actor in social phenomena). More

importantly, the interpretation approach and process can be applied to other social phenomena⁸⁶; carried out by anyone; engaged by adopting different ontological positions; and followed by others to validate and verify understanding of the outcomes, where a subjective philosophical position establishes model construction as an internalised social reality based on personal experiences (inquiry). As such, presented below is the personal interpretation of the inquirer as the inquiry patterns of strategic behaviour.



Pattern 1 - Selective extremism

Pattern 1 is within the selective environment, where there was a trend for sudden and sharp strategic change from one extreme to the other. The selective institutional behaviour moved directly from excessive behaviours to deficient behaviours, or from deficient behaviours to excessive behaviours. This is exemplified where extreme excessive behaviours in 2005/6 (greed, uncritical loyalty, hubris) had become extreme deficient behaviours by 2007/8 (attachment, machismoism, self-indulgence) as in Figure 6.3 below. There was a distinct lack of golden-mean behaviours at global, regional and national levels within the selective environment.

Figure 6.3 Selective extremism pattern

Level	2005/6	2007/8
Global	Greed	Attachment
Regional	Uncritical loyalty	Machismoism
National	Hubris	Self-indulgence

Source: Compiled from Figure 6.2

Key:  Excessive  Deficient

Interestingly, most of the selective environment had moved into deficient behaviour in 2006/7, suggesting that collective pressures of the institutions (global, regional, national) were impacting in advance of the actual emergence of the financial crisis in September 2007 (Knyght et al., 2011). The isomorphic pressures as indicated in the literature (DiMaggio, 1983; Volberda and Lewin, 2003) would have included mimetic, coercive or normative shifts in policies, agendas and regulatory effects. In the first year/wave of the model 2005/6, the Labour party had won a third successive term under the leadership of Tony Blair, but had the lowest majority of government in British history (Quinn, 2006). Furthermore, the UK was in

⁸⁶The methodological approach may vary for human/non-human or the particular approach to hermeneutics that is adopted, which will need to align.

its eighth year of successive growth. The model suggests that the political governance agendas were the leading mechanism of strategic change and that 2006 (wave 2) was a turning point within the selective environment. Whilst this would seem normal at a time of changing governments and institutional leadership, it seems odd that the major shift in strategic behaviour is emergent across both global and national institutions, particularly at the national level during a long-term successive UK government position.

Pattern 1 suggests that it is politics that dominates economics. Deliberate political decision making had been impacting negatively as extreme swings of behaviour. Governance changes have high costs of bureaucracy and take time to impact on markets. Thus the evidence indicates that the selective institutional changes taking place by politicians were not given time to impact and be observed within markets before the next change came into force. Instead, the pattern reflects politicians positioning to satisfy important influential stakeholders for the purposes of re-election and being seen to look after the interests of their network.

Furthermore, the timing of this pattern suggests that political policy shifts had disregard for political party manifestos. It seems odd that such an extreme behavioural shift occurs mid-term of the third successive Labour government. The pattern suggests that political differences between the governing and opposition national parties had little or no effect on major global shifts in behaviour. Similarly, there was less political transition at regional and global levels in 2006, and yet a major shift in behaviour emerged. The indication is that such selective institutional shifts in environment may be dictated by other forces and that national governance in the UK was suffering from the blurring of true political divergence and honesty in political representation of the terms upon which election pledges were made to citizens. This culminates in a dual purpose within selective agendas: one the appearance of societal democratic processes to obtain mandate and the other the protection and service of special interest groups.

Pattern 2 - Selective follower-leader



Pattern 2 is within the selective environment. The global and national levels moved together from excessive behaviours in 2005/6 (greed and hubris) into deficient behaviours in waves 2 (cantankerous and partiality); 3 (attachment and self-indulgence); and 4 (mistrust and

ineffectiveness) during 2006-9. Contrastingly, the regional level in-between had excessive behaviour in 2006/7 (anger) and 2008/9 (dishonesty), at a time when the other institutional levels had adopted deficient behaviours. A point of note is that excessive or deficient simply indicates a boundary, but there are still many different behaviours classed as excessive or deficient. In For example in Figure 6.4, greed is different to hubris, but they are both excessive behaviours in the interpretation of this retail context. This adds further complexity to a relational understanding of the model.

Figure 6.4 Selective follower-leader pattern

Level	2005/6	2006/7	2007/8	2008/9
Global	Greed	Cantankerousness	Attachment	Mistrust
Regional	Uncritical loyalty	Anger	Machismoism	Ignorance
National	Hubris	Partiality	Self-indulgence	Ineffectiveness

Source: Compiled from Figure 6.2

Key:  Excessive  Deficient

Pattern 2 consists of two trends within Figure 6.4 above. The first is either that the UK was more closely aligned to the global level than the regional level, or that it was an elite influencer of global institutions above the regional level. In the former case, the UK was follower to the global institutions as leader, whereas in the latter case, the UK had a leading role in global institutional agendas. Regardless of the follower-leader relationship, the UK seems more closely aligned to the global level than the regional level. This may reflect a historical link to the British Empire and/or the development of global institutions in the post Second World War era. The UK is one of the five permanent members of the United Nations and has the power of veto (Lukes, 1974). This reflects a reality where the global-level institution is dominated by a smaller group of nations that have remained advanced since such institutions were formed (UN, IMF, World Bank, OECD, WHO).

The second trend is that the UK at the national level had a more divergent relationship with the regional level in 2006/7 and 2008/9. A point of note is that the regional level particular to the UK is the European Union, which was being dominated by Germany and France. This pattern reflects the disjointed relationship that the regional level had between global and national agendas. In 2006/7 the global level had adopted aggressive leadership into mass consumer markets and the UK was exercising partiality in the form of narrow decision

making and judgment, leaving the regional level polarised. Similarly in 2008/9, the global level pursued a professionalised⁸⁷ internationalisation and at the national level, the UK was supporting privatisation and existing corporatism, again leaving the European regional level with a gap to the other levels. The trend here reaffirms that the UK and global level may be more closely aligned within a smaller, networked, deliberate agenda that was tightened during these two waves. Thus pattern 2 asserts elitist ties between certain nations, and global agendas that are different to regional agendas. Furthermore, the leaderships of regional-level institutions had contrasting views on behavioural strategies to deal with situations when compared with global and national level institutions.

The deeper reflective question is what effect closer alignment would have had. There are clear differences in value between the leaderships of institutions that struggle to align as world views of governance. The indication within this pattern is that the regional level may also be a pivotal counterbalance to what would otherwise had been a singular vision of the governance model. The issue is that the dominant governance model lacks a mutual respect of the diverse institutional frameworks or different world views in the conduct of trade and governance of citizens. Underpinning pattern 2 is an aggressive power dominance and its countervailing balance. This contributes to cantankerous relations at the global level, or it could be that certain forces deliberately prefer cantankerous relations in an agenda of control.

Pattern 3 - Oligopolistic gatekeeper


Pattern 3 is emergent at the boundary between the adaptive and selective environments. In Figure 6.2 this draws attention to the industry and firms levels (Figure 6.5 below). The industry level represented the regulatory and competitive bodies within retailing. The firms level represented the collective behaviour of firms. The firms level alone demonstrated a behavioural shift in all three modes: excessive (vainglory), golden mean (resoluteness) and deficient (wasteful corruption, stinginess) over the four-year period. But the industry level preferred deficient behaviour. In pattern 3, holistic interpretation of level boundaries indicates that the weakest level was the industry level (cowardice, spitefulness, dishonesty, zeal).

⁸⁷ This refers to engagement with service firms as agency - such as big-four accountancy firms and their developing practices and auditing procedures, global reporting agencies, accepted indices and stock exchange requirements.

Figure 6.5 Oligopolistic gatekeeper pattern

Level		2005/6	2006/7	2007/8	2008/9
Industry		Cowardice	Spitefulness	Dishonesty	Zeal
Firm	Firms	Vainglory	Resoluteness	Wastefulness (corruption)	Stinginess

Source: Compiled from Figure 6.2

Key: Excessive  Golden mean  Deficient 

Each individual firm behaved differently in the adaptive environment, which was as expected where each firm has its own strategy. The model suggests that collectively the firms had behaved competitively in relation to the selective environment. This is evident in that the firms layer was the most flexible, and it shifted in a more tempered but regular manner (Figure 6.5 above), moving from excessive behaviour (2005/6) to golden mean (2006/7) and then to deficient behaviour (2007/8). The interpretation was that the firms were more naturally competing to fit the selective environment, but avoided extreme shifts in behaviour as a group. In contrast, the industry level in the selective environment remained deficient in waves 1 (2005/6); 2 (2006/7); and 3 (2007/8) and most consistently adopted the weakest of deficient behaviours. Where Co-op's behaviour was insensibility, the weaker behaviour was that of cowardice at the industry level (2005/6). The pattern suggested that a conflict of interests may exist at this level.

Within pattern 3, a particular feature is that in wave 1 (2005/6), when the rest of the selective environment and majority of firms in the adaptive environment had adopted excessive behaviours, the industry level adopted deficient behaviour (cowardice). Firstly, this seemed out of place at a time of successive economic growth, and secondly, the continuity of deficient behaviour reflected a more deliberate narrow, protectionist stance supportive of oligopolistic practices. But why was there a preference to deal with few firms and/or resistance to change?

The industry level is the closest to the firms level within the selective environment. Whilst there was defined independence and authority of bodies such as the Competition Commission or DEFRA in the UK, there had also been a growing influence on the industry by ethical initiatives such as the FTSE4Good Index or food labelling that had been taken by firms. The

interpretation of the evidence was that firms were in collusion and the industry level was supporting this collaboratively as a norm. Furthermore, the firm leaderships were often on the independent committees or bodies, whereby industry target setting was met by the few leading firms. Whilst there have been many long and expensive Competition Commission inquiries into grocery multiples, their remit has a narrow justification and their findings are crafted to appease the public and satisfy firm pressures. In pattern 3 it was clear that the firms level was influencing the industry level.

In a crisis, the firm will usually fight for survival and protect its interests. In wave 4 (2008/9), the industry level faced pressure from the firms level and selective institutional pressure and was forced into golden-mean (zeal) behaviour. The interpretation is that in a crisis situation, it was the firms-level influence that was strongest in pushing for a natural competitive response to the crisis. This is why the industry level behaviour shifted to golden mean in 2008/9. This further reaffirms pattern 3, that the industry level was influenced by the firms level, whilst institutional interests are to protect the norm or intervene only as a necessity. Where the leading firms dictate the industry to such an extent, pattern 3 at the industry level emerges as oligopolistic gatekeeper.

Pattern 4 - Cultural nature

Pattern 4 is emergent across each level in this four-year longitudinal inquiry (2006-2009). Each level within the virtue model demonstrated a series of behaviours that upon reflection collectively represented the cultural nature of an institution or firm. In consideration, within each level the virtue could be linked to the next year. For example, at the global level greed (2005/6) contributed to cantankerousness (2006/7), which in turn contributed to lack of attachment (2007/8), which contributed to mistrust (2008/9). These virtues together were interpreted as having a “deliberate” nature. Pattern 4 asserts that each institution and firm has a cultural nature.

Table 6.2 below identifies the cultural nature of each level that was interpreted from the series of virtues:

Table 6.2 Cultural natures 2006-2009

Level	Nature of institution or firm
Global	Deliberate
Regional	Defensive
National	Arrogant
Industry	Submissive
Firms	Self-interested
Sainsbury's	Resilient
Tesco	Aggressive
Morrisons	Selfish
Co-op	Romantic

Source: Compiled with reference to Figure 6.2

Tesco was the only firm and level within the model that continuously expressed excessive behaviours (cleverness, over-confidence, narrow mindedness, gluttony). Furthermore, Tesco was the market leader during the period of inquiry. Understanding the model holistically, pattern 4 indicates that the aggressive firm was successful in an arrogant marketplace, encouraged by a deliberate pursuit of greed (Figure 6.2 and Table 6.2).

Sainsbury's was the only firm and level within the model that consistently expressed golden-mean behaviours (fortitude, ambition, tact, prudence). Whilst the firm was resilient, it was always out of alignment with an excessive or deficient marketplace and the other competitive firms.

Morrisons moved similarly to the global level, but had a selfish nature that was centred around the owner's own values. This over-personalised approach (egoism, discretion, inflexible loyalty, lack of empathy) placed greater demand on the leadership's views and may have restricted the firm's ability to respond to the marketplace. This firm had a very individualistic retail model that was different to the other firms and that was retained due to ownership influence. This was the only firm that moved directly from excessive (2005/6) to deficient behaviour (2006/7).

Co-op was the only firm within the model that consistently expressed deficient behaviours (insensibility, discernment, envy, lack of focus). A strong ethical reporting and social

leadership was romantic, but the firm lacked much needed commercial skill sets at the top. Furthermore, this firm's membership structure did not suit the marketplace. During the inquiry period, a major merger suggested growth, but in reality the food business had been supporting the other loss-making businesses and was itself being eroded.

At each level, the linking of virtues as a pattern is an ongoing development. Pattern 4 asserts that a conscious effort over time is needed to bring about a shift in nature. Furthermore, the survival or growth of a firm is impacted by the nature of other firms and the selective environment. The alternative is a need for much better coordination between selective and adaptive environments. Thus pattern 4 supports pattern 3, where the industry level fails to coordinate properly between the two environments. It will take a novel change by a firm/institution with strong character to genuinely shift behaviour in the marketplace.

Within pattern 4, the complexity is increased as there are different types of excessive, deficient and golden-mean behaviours. This is exemplified where in 2007/8 at the height of the financial crisis, the selective and adaptive environments display different deficient behaviours. Pattern 4 calls for better coordination and alignment in reducing the risk of instability through effective communication. Is a global financial crisis triggered when a number of multilevel deficient behaviours align within a single year (2007/8)? Where pattern 1 asserts that 2006 was the changing point, is it in fact two years later that the virtue layers aligned?

Pattern 5 - Selective step-down

Pattern 5 begins at the top left corner of the model, i.e. greed at the global level. Within the selective environment, the higher level behaviour impacts the subsequent lower level in the following year. In Figure 6.6 below, greed (global level 5/6) can be paired with anger (regional level 6/7) and similarly, uncritical loyalty (regional level 5/6) can be paired with partiality (national level 6/7). In this pattern, the virtues can be paired in step sequences, moving across right one and down one. Importantly, this is not a chain, but simply a pairing of virtues where behaviour has an effect/impact in the next year at the lower level. Pattern 5 occurs only within the selective environment.

In this paired sequencing of the virtues, the higher level pressures the lower level through its behaviour. At the same time, the lower level has a particular cultural nature. In the next year the particular behaviour emerged where the nature of the level responded to the higher level pressure. As such, the model asserts that the selective environment operated in a top-down hierarchical structure within which the higher level, in the period of inquiry, was always dominant. The lower levels within the selective environment conformed or modified their behaviours but were unable to push bottom-up for strategic change. Thereby, in the context of this model, greed was the “king” virtue that had dictated the flow of selective behaviours (Figure 6.6 below):

Figure 6.6 Selective step-down pattern

Level	2005/6	2006/7	2007/8	2008/9
Global	Greed*	Cantankerousness	Attachment	Mistrust
Regional	Uncritical loyalty	Anger	Machismoism	Ignorance
National	Hubris	Partiality	Self-indulgence	Ineffectiveness
Industry	Cowardice	Spitefulness	Dishonesty	Zeal

Source: Compiled from Figure 6.2

Key: Excessive Golden mean Deficient * King virtue

This pattern was not apparent in the adaptive environment. Each firm behaved independently and had its own relationship to the selective environment. A point of note is that the order in which firms are listed in the model is random, i.e. Co-op could be listed first. As such the firm virtues were independent and could not be paired in stepping sequences.

However, where the selective global level was dictating the agenda, the successful firm was most likely to be the one that most closely aligned to the selective environment. The model indicates 2006/7 as a turning point in the selective environment. Following the step sequence, this impacted the industry level in 2009/10. Meanwhile in the model, the market leading firm Tesco consistently retained excessive behaviour. Thus, pattern 5 suggests that in 2010/11 the excessive firm behaviour of Tesco and deficient selective behaviour will collide. Where the firm adapts to the selective environment in co-evolution, in this top-down structure, the lack of change in behaviour of the firm puts it at greater risk.

Pattern 6 - Adaptive isolation

Pattern 6 is actually the lack of patterns emerging from within the adaptive environment. In the model (Figure 6.2) each firm behaves so independently that it is misaligned to the selective environment and further isolates itself competitively from the other firms. Consequently, the nature of each firm, as reflected in their virtues, becomes highly inward-facing and heavily dependent upon firm leadership perceptions and values. Pattern 6 is that rational competitiveness drove the perceived success of the firm, and ultimately encouraged adaptive isolation (Figure 6.7 below).

Figure 6.7 Adaptive isolation pattern

Level	2005/6	2006/7	2007/8	2008/9
Firms	Vainglory	Resoluteness	Wastefulness (corruption)	Stinginess
Sainsbury's	Fortitude	Ambition	Tact	Prudence
Tesco	Cleverness	Over-confidence	Single-minded	Gluttony
Morrisons	Egoism	Discretion	Inflexibility (loyalty)	Lack of empathy
Co-op	Insensibility	Lack of discernment	Envy	Ambiguity

Source: Compiled from Figure 6.2

Key: Excessive Golden mean Deficient

In Figure 6.7 above (and the model in Figure 6.2) at the firms level, it is not that the firms were proactively working together, but this level represents the perceptions of the leading retailing firms as a group within the reports from the other different levels. At the time when the selective environment shifted in 2006, the firms level was golden mean (resoluteness), i.e. as a group the retail firms' behaviour was perceived as tempered. This could be interpreted as either that Sainsbury's had a greater influence on this level in that year, or that the firms as a group were behaving with broader and fairer appeal. The underlying implication brings attention to the nature of competition in the adaptive environment.

The latter case suggests that free and fair competition differs from the nature of rational competition. The interpretation asserts that selective institutional pressure encourages highly rational competitiveness. It would be normal to assume that each firm wants to appoint its leaders with good intentions and with a view to improving firm prospects. However, the nature of competition as networks and gatekeepers narrows the talent pool to those groomed to be self-driven and rationally experienced. The problem is that this type of leadership is in

itself destructive because over-isolation transforms “survival of only the fittest” to “high risk of self destruction” when the selective environment changes. Where firms may prefer naturally to compete more fairly (2006), the pressure from the selective environment forces the cultivation of narrow, rational leaderships and a divide-and-rule agenda in controlling the adaptive environment. Thus, pattern 6 (Figure 6.7 above) asserts that the retail firms collectively are at a high risk of leadership crisis due to narrow networks (evident in narrow virtues) and that the adaptive nature of competitiveness is currently dependent on the selective pressure, which when changing will force new forms of competition and warrant new types of leadership.

Pattern 6 further highlights that the adaptive environment fails to influence the selective environment towards fair competition. Instead, the leading isolated firm better services the political selective agenda. In doing so, the selected firm puts at risk all the other firms in the adaptive environment due to its unfair advantage in a reshaped selective environment. As such, there is opportunity for better collaboration and for the bottom-up adaptive influence of the selective environment. However, this is dependent upon firm leaderships realising and coordinating more virtuously. For each firm the call is also to transform their leadership approach not just to meet but also to impact the selective environment.

The isolation interpretation is exemplified within Tesco's 2006/7 and 2007/8 behaviour (over-confidence; single-mindedness). At that time, Tesco entered the US marketplace as the brand Fresh & Easy (Lowe and Wrigley, 2009). Sir Terry Leahy had joined the board in 1992 under the chairmanship of Lord Maclaurin (1985-1997) and became CEO (1997-2011). Tim Mason, who worked under Sir Terry Leahy, became CEO of the US venture and was married to the daughter of Lord Maclaurin (Lynn, 2015). The US venture has since made a loss of two billion pounds. Tim Mason resigned in 2012 and in 2013 the venture was partly sold whilst Tesco filed chapter 11 bankruptcy in the US in October 2013. Furthermore, within the model the leadership appointments seemed to follow a narrow networked approach, where the necessary criteria for groomed talent or experience could only be obtained within certain positions. At this level, the cross-industry reputations of colleagues become well-known.

Within pattern 6, the firm that may be in a stronger position to manage change is Sainsbury's. Being consistently in golden mean suggests that this firm is at a comparatively lower risk of

destabilising. Even where the selective market presses different extreme excessive or deficient behaviours, Sainsbury's behaviour is better able to cope and survive. However, in an extreme marketplace the golden-mean firm will always grow slower than firms more aligned to the selective markets.

There is another risk to existing firms within the model that can be interpreted from pattern 6. The model currently only captures the four leading British retail firms. Where as a group these leading retail firms follow narrow virtues as behaviour, they leave open an opportunity for broader, smaller retailers or foreign competition (Aldi/Lidl) to take a market share through more divergent behavioural strategies. Thus pattern 6 calls for a broader range of behaviours. These may emerge through a diversification of players in the adaptive environment as a rebalancing or risk-lowering mechanism. But it is at the industry level that the marketplace is restricted. This is exemplified where Wal-Mart successfully lobbied the British government in allowing it to buy Asda in 1999 (Sparks, 2008). In 2009 Wal-Mart sold Asda to its own UK-based investment subsidiary for 6.9 billion pounds and in 2010 purchased the smaller Netto chain for 778 million pounds (Finch and Wood, 2010). Foreign firms have become savvy in their dealings with UK regulators and are gaining a share of the market.

Summary of strategic virtuous patterns

In Section 6.6 the patterns that were emergent within the model (Figure 6.2) have been shared. In total there were six patterns. Table 6.3 below summaries the patterns of strategic virtuous behaviour that were interpreted within the model (Figure 6.2):

Table 6.3 Summary of strategic virtuous patterns

Pattern	A/S	Behaviour
1	S	Selective extremism
2	S	Selective follower-leader
3	S	Oligopolistic gatekeeper
4	A/S	Cultural nature
5	S	Selective step-down
6	A	Adaptive isolation

Source: Compiled from Figure 6.2

Key: A: Adaptive environment S: Selective environment

In Table 6.3 above, four patterns (1, 2, 3 and 5) are specific to the selective environment. Evans et al. (2010, p.3) assert “global and national level policy formation and delivery has been weak and fragmented,” forcing governments to firefight at a time when they should be co-operating more closely. Thereby, the largest corporations become politically motivated towards an ill-conceived globalisation agenda. The alternative call is for a shift in political will and an approach towards a more cosmopolitan world view (Held, 2009; Kakabadse and Kakabadse, 2009).

At the same time, the adaptive patterns (within 4 and 6) hint towards ownership structures influencing the cyclical nature of leadership changes within each firm. The more family-orientated or personal ownership structure (Sainsbury's and Morrisons) forces a form of responsible governance in times of crisis. Sainsbury's demonstrate this as “tact and prudence” whereas Morrisons adopt caution in form of “selfishness and inflexibility”. Contrastingly, institutional shareholder or impersonal ownership structures (Tesco; Co-op) contribute to shorter leadership renewal cycles in times of crisis. This interpretation brings into question Co-op's membership structure, governance and leadership.

As such, it seems that the more institutional shareholder or impersonally orientated the corporation, the greater its leadership's inability to modify behaviour between stable and crisis conditions (Van Essen et al., 2013). Alternatively, it may be that the agency effect (Fama and Jensen, 1983) of short-term institutional/shareholder pressures undervalues the opportunity and cost of retaining leaders. Leaders are easily blamed and changed, regardless of their ability to adapt to a crisis, where the crisis may have its making outside of leadership control or is a natural process of longer-term renewal. In this case, the responsibility lies not with the leadership, but with the ownership, who may be accepting a higher longer-term cost for changing the leadership that will never be known.

In this section, the inquirer was focused on understanding and giving meaning to what was happening. The inquirer interpreted the social actor's own accounts of their activities (Schütz 1971; Schütz and Luckmann, 1973). New knowledge was acquired through second-order conceptualisation. The inquirer through self-reference evolved the patterns as an engaged reflective learner (Blaikie, 2010).

Section 6.7 proceeds to present the golden mean as the ideal alternative to Figure 6.2.

6.7 The golden-mean model

In this section the ideal golden-mean model, which represents the ideal alternative to Figure 6.2, is presented.

Where the virtue model (Figure 6.2) had excessive and deficient behaviours, these have been replaced by their golden-mean ideal. Those levels/years that were golden mean in the virtue model remain unchanged. Thus, the alternative all-green golden-mean model (Figure 6.8 below) represents the state or condition where in the 2005/6; 2006/7; 2007/8; 2008/9 retail contexts, all levels and years would have aligned with each other as virtuous or morally excellent behaviour: the perfect desirable scenario for that context:

Figure 6.8 Desirable golden-mean model of strategic behaviour: grocery multiple firms (2006-2009)

Disposition (arete) of character	Level		2005/6	2006/7	2007/8	2008/9
Major (Moral Hexis) (Stable habits)	Global		Liberality	Friendliness	Lofty detachment	Trust
	Regional		Integrity	Gentleness	Community	Sensitivity to knowledge
	National		Pride	Justice	Self discipline	Effective industry
	Industry		Courage	Righteous Indignation	Honesty	Zeal
Minor (Intellectual) (Practices)	Firm	Firms	Magnanimity	Resoluteness	Moderation	Charity
		Sainsburys	Fortitude	Ambitious	Tact	Prudence
		Tesco	Wisdom	Confidence	Openness	Abstinence
		Morrisons	Altruism	Co-operation	Flexible loyalty	Empathy
		Co-operative	Temperance	Discermment	Kindness	Focus

Source: Compiled with reference to Figure 6.2

Key:  Golden-mean virtue

The golden-mean model (Figure 6.8 above) is the desirable middle state between two extreme behaviours. This equilibrium reflects having “the right feelings about the right things and the right people, in the right way, at the right time”(NE 1106b. See Aristotle (2004). In Aristotelian ethics, there is no one size fits all, but instead the golden mean is relative and particular to itself, i.e. this was the interpreted golden mean for a context where Figure 6.2

was the reality as interpreted by the inquirer. As such, these were the virtuous behaviours that as conducts would have been the best at that time and in that context for *eudemonia*.

In Section 6.8 below, the patterns of the golden-mean model are shared.

6.8 Patterns of strategic golden-mean behaviours

In this section, the emergent patterns within Figure 6.8 are shared. Two patterns are interpreted in the golden-mean model.

Pattern 1 - Adaptive leadership

Pattern 1 is that the four individual firm-level virtues (Sainsbury's; Tesco; Morrisons and Co-op) in each year seem to be very much working together in harmony (Figure 6.9 below). These therefore are interpreted as the cardinal or principal virtues that collectively drive the model every year. To exemplify, in 2005/6, temperance, altruism, wisdom and fortitude are driving the model. The wider model loses its “beauty” if these four are not connected.

Figure 6.9 Adaptive leadership pattern

Level		2005/6		2006/7		2007/8		2008/9	
Firm	Sainsburys	Fortitude		Ambitious		Tact		Prudence	
	Tesco	Wisdom		Confidence		Openness		Abstinence	
	Morrisons	Altruism		Co-operation		Flexible loyalty		Empathy	
	Co-operative	Temperance		Discernment		Kindness		Focus	

Source: Compiled from Figure 6.8

Key:  Golden-mean virtue.

As such, in the golden-mean scenario, a bottom-up adaptive leadership prevails (Figure 6.9 above), which the selective environment follows to support the equitable competitive firms.

Pattern 2 - Selective step-up

Pattern 2 starts in the bottom left-hand corner of the selective environment (courage 2005/6 at industry level). Within the selective environment, the virtues can be paired moving one step right and one up (Figure 6.10 below). To exemplify courage (2005/6) leads to justice in 2006/7. Thereby, the selective environment moves from the bottom left corner towards the

top right corner as a selective step up. This is conditional on pattern 1 establishing momentum at the firms level which drives into the selective environment.

Figure 6.10 Selective step-up pattern

Level		2005/6	2006/7	2007/8	2008/9
Global		Liberality	Friendliness	Lofty detachment	Trust
Regional		Integrity	Gentleness	Community	Sensitivity to knowledge
National		Pride	Justice	Self discipline	Effective industry
Industry		Courage	Righteous Indignation	Honesty	Zeal

Source: Compiled from Figure 6.8

Key:  Golden-mean virtue.

As such, pattern 2 of the golden-mean model is the opposite of pattern 5 (Figure 6.6) that emerged from the virtue model (Figure 6.2). Where greed (2005/6) was the critical top-down controller in the virtue model, in the golden-mean model, trust (2008/9) was emergent as the critical outcome at the global level (Figure 6.10 above) at the end of the four years.

Summary of golden-mean model patterns

Table 6.4 below summaries the two patterns that were interpreted within Figure 6.8.

Table 6.4 Summary of golden-mean patterns

Pattern	A/S	Behaviour
1	A	Adaptive leadership
2	S	Selective step-up

Source: Compiled with reference to Figure 6.8

Key: A: Adaptive environment S: Selective environment

There was one adaptive and one selective pattern in the golden-mean model (Table 6.4 above). Importantly, both patterns indicate bottom-up rather than top-down flow.

In Section 6.8, patterns that were emergent in the golden-mean model have been shared. Section 6.9 below proceeds to contrast the virtuous and golden-mean models.

6.9 Contrast of virtue and golden-mean models: Greed and trust

The virtue model (Section 6.5) and the interdependent desirable golden-mean model (Section 6.7) have been explained, along with their patterns (Sections 6.6 and 6.8). In this section the virtue model (Figure 6.2) and its interdependent golden-mean model (Figure 6.8) are compared and the divergence between them is explained.

The contrast between the two models is interpreted within the stand-out virtues of greed (virtue model 2005/6) and trust (golden-mean model 2008/9). The interpretation within the virtue model is that greed may have triggered or imposed the financial crisis (Figure 6.2). Contrastingly, the golden-mean model posits that trust would have been the outcome of a four-year bottom-up process, which was critical at the height of the financial crisis. Interestingly, the literature review asserts that there was a clear lack of trust between firms and governments at that time (Edelman, 2009). Although both these behaviours are at the global level, one dictates the model (greed) whereas the other is an outcome (trust).

Wight's (2005) analysis of Smith's papers, *The theory of moral sentiments* (1759) and *The wealth of nations* (1776) depicts the demand side view of greed as:

“[The rich] are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the Earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society...”

(Smith, 1759).

and the supply side view of greed as:

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

(Smith, 1776, pp.26-27)

Wight (2005, p.50) notes the definition of greed as “an excessive desire to acquire or possess more than one needs or deserves”, whereby:

Greed: *“Greed is the excessive pursuit of self-interest, with disregard for the rights of others.”*

(Wight 2005, p. 55)

Flores and Solomon (1998, p.208) consider trust as “a rich, thick social and ethical phenomenon” that is interpreted as not necessarily requiring evidence, that may be more than simple belief, or may be a social construct (Fukuyama, 1996) as a set of attitudes (Jones et al., 1996). Furthermore, trust as a virtue goes beyond trustworthiness, the compounded virtue of dependability, capability and responsibility derived from previous experiences. As such,

Trust: *“Is a dynamic emotional relationship that entails responsibility.”*

(Flores and Solomon, 1998 p.205)

In consideration, Edelenbos and Eshuis (2011) bring attention to the complex interplay between inferential (negative) and symbiotic (positive) co-evolutionary cycles of control and trust.

The contrasting interpretation asserts that the grocery multiple firms had been operating in an imposed culture of greed that fuelled high levels of mistrust. An emergent point of note is that misalignment may be compounded where it seems that it takes four years for a behaviour at one level to impact at the fourth level away from it. Consequently, the comparison of both models calls for greater coordination and co-operation with a longer-term vision that recognises impact as being time- and level-dependent.

In Section 6.9 a comparison of the virtue and golden-mean models has been shared. Section 6.10 below proceeds to share the findings of the Islamic conceptualised virtue model.

6.10 The Islamic conceptualised virtue model of strategic behaviour

This section proceeds to present the findings as an Islamic conceptualised virtue model of strategic behaviour, which is an interpretation of the original virtue model (Figure 6.2). This is a condition of the hermeneutic (Heidegger, 1927; Dilthey, 1996) ontological approach adopted.

Hermeneutics is commonly traced back to the Greek word *hermeneuo* (translate, interpret) whilst its introduction into philosophy as *hermenia* (interpretation, explanation) is associated with Aristotle's *De Interpretatione* (360 B.C.). At that time in Europe, the mythological context was to Hermes, a messenger of the gods, who mediated between God and man, introducing diversity of languages and the separation of nations (Prasad, 2002). The dominant philosophical tradition at that time was primarily based on the idea of a moral universalism, underpinned by a link to understanding the self as part of a cosmic world ruled by many gods. These days theories derived from Aristotelian interpretation include semiotics, semantics and linguistics, as verbal and non-verbal communication. However, the early use of hermeneutics is associated with the interpretation of religious scriptures such as Talmudic hermeneutics in Judaism, Biblical hermeneutics in Christianity, Vedic hermeneutics in Hinduism, Buddhist hermeneutics including *sila* (moral conduct), amongst others (Longstreet, 2009). As such, for Heidegger (1927) hermeneutics is not just about understanding language or methodology, but more so about "being in the world" where the task of the subjectivist is to demonstrate that the interpreted norms and judgments can be rationalised in a philosophical reality and as truths. Therefore understanding for human beings (*Dasein*) is at its deepest within an existential rather than a philological form.

The works of Aristotle were translated into Arabic (Al Kindi, 801-873; Al Farabi, 872-950; Avicenna, 980-1037; Averroes, 1126-1198) before being revived into Western European scholarships (Thomas Aquinas, 1225-1274) and more recently applied in moral and political philosophy (MacIntyre, 1985). However, for Muslims the Quran (religious scripture: literal translation *recitation*) is the direct word of God revealed to humanity through the last prophet, Mohammed (*pbuh*⁸⁸), over twenty-three years (609-632 AD). This text is the guide (*huda*) that has been revealed (*wahy*) as reminder, warning and wisdom (*hikmah*) for discerning between truth and falsehood. Thus, for Muslims, Islam (literal translation: peace; religious translation: voluntary submission to God) is a complete philosophy that explains life in this world in the context of a single omnipotent God. As such, religious scholars have sought deeper meanings and interpretations of Quran text, where hermeneutics is known as *tafseer* (interpretation).

(peace be upon him)⁸⁸

In the subjectivist ontology, the inquirer meets the condition of being able to define existential reality and support independent verification of the virtues. The inquirer is a Muslim and therefore the ontological philosophical conditions of inquiry are inclusive of conceptualising the findings in an Islamic context.

Quranic scholars commonly refer to *Tawhid* (one indivisible God) which fundamentally differs from the many gods of Greek mythology. The Quran asserts a single absolute truth that transcends this world. Furthermore God is eternal, universal and independent of creation. The Quran consists of 114 chapters (*surahs*) comprising of more than 6000 verses (*ayahs*) that all need to be understood in context and as relevant to a holistic purpose to life. As such, this written text provides a complete philosophical framework for giving meaning to and establishing what is good or bad, right or wrong that may be tested against other philosophical frameworks.

Figure 6.11 below presents the original virtue model (Figure 6.2) as interpreted within the Quran. The original virtues were defined in the context of meanings within chapters (*surahs*) and verses (*ayat*) that conceptualised and exemplified definitions of the virtue.

Figure 6.11 Islamic conceptualised virtue model of strategic behaviour: Grocery multiple firms (2006-2009)

Disposition (arete) of Character		Level	2005/6	2006/7	2007/8	2008/9
Major (Moral Hezis) (Stable habits)	Global		Al-Lail, ch. 92, vs8 Al-Fajr, ch 89, vs 19	Al Mahidah, ch 5, vs 64 Al Baqra, ch 2, vs 11-12 Muhammad, ch 47, vs 22-24	Al Tawbah, ch 9, vs 24 Al Qasas, ch 28, vs 76 Al Hadid, ch 57, vs 20 Al Imran, ch 3, vs 14 Al Kahf, ch 18, vs 34-36 Al Anfal, ch 8, vs 54	Hud, ch 11, vs 6 Al Zumar, ch 39, vs 7 Al Araf, ch 7, vs 16-17 Al Anaam, ch 6, vs 142
	Regional		Al-Araf, ch 7, vs 20-21 Al-Nisa, ch 4, vs 44	Al Araf, ch 7, vs 154	Al Hujraat, ch 49, vs 13 Ya Sin, ch 36, vs 77 Al Nisa, ch 4, vs 19 Al Rum, ch 30, vs 21	Qaf, ch 50, vs 18-24 Al Araf, ch 7, vs 199 Al Qasas, ch 28, vs 55
	National		Al Baqra ch 2, vs 170 Al Tawba ch 9 vs 81	Al Hajj, ch 22, vs25	Al Fatir, ch 35, vs 5 Al Takathur, ch 102, vs 1	Muhammad, ch 47, vs 1 At-Takwir, ch 81, vs 29 Ar-Rad, ch 13, vs 11
	Industry		Al Imran, ch 3, vs 122 Al Tawba ch 9, vs 38-39 Al-Ahzab ch 33, vs 15	Al Hashr, ch 59, 8-10 Ar Rad, ch 7, vs 14-19	Al Araf, ch 7, vs 33 Al baqra, ch 2, vs 42 An Naba, ch 78, vs 35 Al Anaam, ch 6, vs 28	Al Ahzab, ch 33, vs 22 Al Imran, ch 3, vs 146
Minor (Intellectual) (Practices)	Firm	Firms	Sad ch 38, vs 2 Al Nisa Ch 4, vs 36	Al Furqan ch 25, vs 52 Ya Sin, ch 36, vs 52	Al Baqra, ch 2, vs 11 and 205 Al Qasas, ch 28, vs 77 Ar Rum, ch 30, vs 41 Al Fajr, ch 89, vs 11-14 Al Mahidah, ch 5, vs 33 Al-Araf, ch 7, vs 31	Al Hadid, ch 57, vs 24 Al Imran, ch 3, vs 180 Ya Sin, ch 36, vs 47
		Sainsburys	Al Baqra ch 2, vs 153 Luqman, ch 31 vs 17 Al Furqan, ch 25 vs 75	Taha, ch 20, vs 131	Al Imran, ch 3, vs 110 Al Imran, ch 3, vs 28 Al Hijr, ch15, vs 9 Al mumunun, ch 32, vs 1-8	Al Ahzab, ch 33, vs 59 Al Anfal ch 8 vs 2-4 Al Israh ch 17 vs 26 Al Nahl ch 16 vs 90
		Tesco	Al munafuqun ch 63, vs 1-3 Al Baqra ch 2, vs 6-7 Al Tawba ch 9, vs 69	Al Tawba, ch 9, vs 25	As Saffat, ch 37, vs 138 Al Araf, ch 7, vs 184 Al Hijr, ch 15, vs 26 Al Baqra, ch 2 vs 7	Al Araf ch 7 vs 31 Al Takathur ch 102 vs 1
		Morrisons	Yusuf ch 12, vs 53 Al Furqan ch 25, vs 43 Al Baqra, ch 2, vs 54	Al Kahf, ch 18, vs 29 Al Baqra, ch 2, vs 35 Al Insaan, ch 76, vs 3 Al Imran, ch 3, vs 182	Al Baqra, ch 2, vs 170 Al Mahidah, ch 5, vs 104 Al Nisa, ch 4, vs 135	Al Baqra ch 2 vs 2 Al Nisas ch 4 vs 157
		Co-operative	Al Baqra, ch2, vs 74 Al Tur- ch 52, vs 45	Al Hajurat, ch 49, v6 Al Furqan, ch 25, vs 1 Al Baqra, ch 2, vs 4-7 Al Imran, ch 3, vs 19	Al Falaq, ch 113, vs 5	Al Kahf ch 18 vs 28 Ya Sin ch 36 vs 60-62 Al -Araf, ch 7 vs 16-18 Al Hijr, ch 15 vs 39.

Source: Conceptualised with reference to Figure 6.2 and the Quran.

Key: Deficiency Golden mean Excessive

In this section the Islamic conceptualised virtue model of grocery multiple retailers (2006-2009) has been presented as findings (Figure 6.11 above). Section 6.11 proceeds to present the Islamic conceptualised golden-mean model.

6.11 The Islamic conceptualised golden-mean model of strategic behaviour

In this section the findings are presented as an Islamic conceptualised golden-mean model of strategic behaviour, which is an interpretation of the original golden-mean model (Figure 6.8). This is in accordance with the hermeneutic (Heidegger, 1927; Dilthey, 1996) ontological approach adopted.

Aristotle argues that it is natural for humans to reason. To reason well is to do so in accordance with virtue. Whereas ethical theories (Kant, 1781; 1785; Mills, 1861; Habermas, 1975) place emphasis on actions as subject to ethical judgments, virtue ethics (Aristotle, 384B.C.-322B.C.) focuses on character. In virtue ethics, consideration is given to whether the act is what a virtuous person would do in that context. Cultivating the right character enables the development of virtues. As such, virtue ethics asserts that character is morally good or bad. Furthermore, whilst individuals may possess moral codes, these are checked and learned within social norms, standards and contexts. The individual in isolation remains cut off and over time may lose their sense of morality. Aristotle argues that isolated individuals gradually become either more godlike (monks, nuns, lonely great thinkers) or beasts (prisoners, criminals, dictators) and they either excel beyond human norms or revert to animalistic instincts. Thus humans are rational socio-political animals:

“He who is unable to live in society, or who has no need because he is sufficient for himself, must be a beast or god.”

(Aristotle, Politics, Book 1, 1253a27)

Accordingly Critchley (2011, p.16) asserts that the “golden mean is central to Aristotle's conception of virtue”, but this is not simply just about moderation between extremes. More complicatedly, golden-mean behaviours are strictly with reference to reasoning capacity, where deficient or excess behaviours put the individual and/or others in trouble or harm and are against the rational appraisal of a situation. Thereby reason governs non-rational instincts and actions should be appropriate to the context or circumstance. The implication underpinning virtues is that they are value-laden, e.g. honesty implies valuing truth; empathy implies caring for others. Thus the original virtue model (Figure 6.2) suggests differing priority of values may be in conflict with each other beyond the boundaries. On deeper reflection, the boundaries may not just be levels and years but also the boundaries of the

virtues themselves, e.g. *When is it right to disclose a painful truth?* and *What constitutes openness in leadership?* The issue is that a complete golden mean is highly unlikely unless broader communication and co-operation seek consensus over conflict for all the stakeholders of society.

Throughout the ages, society has always consisted of many alternative philosophical viewpoints. At the same time, it seems a dominant group has consistently shaped the values and virtues within society. The controversial statement “God is dead” by Nietzsche (1882) is reflected upon by Heidegger, who comments:

“If God as the suprasensory ground and goal of all reality is dead, if the suprasensory world of the ideas has suffered the loss of its obligatory and above all its vitalizing and upbuilding power, then nothing more remains to which man can cling and by which he can orient himself”

(Heidegger, 1927, p. 61)

Heidegger's (1923) interpretation of Nietzsche (1882) is not literal, but suggests that the foundation of metaphysics is philosophical. Without philosophy there is no “being” and metaphysics falls into a demise, in which modern science and secularisation risk misunderstanding the “Abrahamic God” that has served as the basis of meaning and understanding for thousands of years.

Engaging Abrahamic philosophical belief and faith, Figure 6.12 below presents the findings of the desirable golden-mean model (Figure 6.8) as a golden-mean Islamic conceptualised model.

Figure 6.12 Islamic conceptualised golden-mean model of strategic behaviour: Grocery multiple firms (2006-2009)

		Level	2005/6	2006/7	2007/8	2008/9
Disposition (arete) of Character						
		Global	An Lahl, ch 16 vs 90 Al Baqra, ch 2, vs 37 Ar Rum, ch 30, vs 21 Al Baqra, ch 2, vs 254	Al Maidah, ch 5 vs 51 Al Mumtahanah, ch 60 vs 8-9 Al Imran, ch 3, vs 134-135	Al Thakathur, ch 102, vs 1-8 Al Munafiqeen, ch 63, vs 9 Al Khaf, ch 18, vs 46	At taghabun, ch 64, vs 13 An Naml, ch 27, vs 79 As Saffat, ch 37, vs 102-107
Major						
(Moral Hexis) (Stable habits)		Regional	Luqman, ch 31, vs 18-20 Al Hijr, ch 15, vs 9 Al Ahqhaf, ch 46, vs 9-12	Al Baqrah, ch 2, vs 256 Ash Shuraa, ch 42, vs 43 Al Balad, ch 90, 12-17	Al Tawbah, ch 9, vs 71 Al Hujurat, ch 49, vs 13 Al Imran, ch 3, vs 113-115	Al Baqra, ch 2, vs 151 An Nahl, ch 16, vs 89 Al Araf, ch 7, vs 183-187 Al Maidah, ch 5, vs 48
		National	Al araf, ch 7, vs 11 Fatir, ch 35, vs 10	Al maidah, ch 5, vs 42 Al araf, ch 7, vs 29	Al Ankabut, ch 29, vs 45 Al Baqra, ch 2, vs 183 Al Baqra, ch 2, vs 196	Al ankabut, ch 29, vs 58 Az zalzalah, ch 99, vs 6-8
		Industry	Al Anfal, ch 8, vs 46 Luqman, ch 31, vs 17 Al Imran, ch 3, vs 166	Maryaam, ch 19, vs 65 Hud, ch 11, vs 6	At Tawbah, ch 9, vs 119 Al muminin, ch 23, vs 8-11 Al Baqra, ch 2, vs 42	Al Ahzab, ch 33, vs 22 Al Imran, ch 3, vs 146
Minor						
(Intellectual) (Practices)	Firm	Firms	Al Fajr, ch 89, vs 28-30 Al Waqiah, ch 56, vs 77-79	Al Furqan Ch 25, vs 52 Ya Sin, ch 36, vs 52	Al furqan, ch 25, vs 67 Al baqra, ch 2, vs 143 Al Israa, ch 17, vs 29	Al tawbah, ch 9, vs 60 Al baqra, ch 2, vs 271 Al Hadith, ch 57, vs 11
		Sainsburys	Al Baqra Ch 2, vs 153 Luqman, Ch 31 vs 17 Al Furqan, Ch 25 vs 75	Taha Ch 20, vs 131	Al Imran, Ch 3, vs 110 Al Imran, Ch 3, vs 28 Al Hijr, Ch 15, vs 9 Al muminun, Ch 32, vs 1-8	Al Ahzab, Ch 33, vs 59 Al Anfal Ch 8 vs 2-4 Al Isra Ch 17 vs 26 Al Nahl ch 16 vs 90
		Tesco	Al Baqra, ch 2, vs 208 Al Qasas, ch 28, vs 56 Ash-Shuara, ch 26, vs 192-195 Al Baqra, ch 2, vs 269	Taha, ch 20, vs 25-28 Al anfal, ch 8, vs 2	Al anaam, ch 6, vs 3 Al fussilat, ch 41, vs 20-22	Al maidah, ch 5, vs 3 Al maidah, ch 5, vs 90-91
		Morrisons	Al insaan, ch 76, vs 8-9 Al Hashr, ch 59, vs 9	Al Hujarat, ch 49, vs 13 Al maidah, ch 5, vs 2	Al Tawbah, ch 9, vs 129 An Nisa, ch 4, vs 59	Al tawbah, ch 9, vs 128 Al Baqra, ch 2, vs 195-197
		Co-operative	Al baqra, ch 2 vs 187 Al Araf, ch 7, vs 19 Al Balad, ch 90, vs 4-10	Al furqan, ch 25, vs 1 Al anfal, ch 8, vs 29 Yunus, ch 10, vs 5-10	Ar Rum, ch 30, vs 21 An Nisa, ch 4, vs 36 Al imran, ch 3, vs 159	Al, baqra, ch 2, vs 155 Ad Dhukan, ch 44, vs 3

Source: Conceptualised with reference to Figure 6.8 and the Quran

Figure 6.12 above shows the inquirer's interpretations of each virtue. In both Islamic conceptualised models (Figures 6.11 and 6.12), one or more than one reference to chapter/verse just adds to the conceptualisation examples of that virtue. Each chapter/verse is a narrative in the context of a particular situation that exemplifies that virtue. More examples simply reinforce the definition. But one example also conceptualises the virtue. Publically available online translations, explanations and word searches were engaged to search and define each virtue that was understood in the context of the narrative associated above and below.

In this section the conceptualised golden-mean model of strategic behaviour of grocery multiple firms (2006-2009) has been presented as findings. This supports the analysis of Aristotelian virtues. Section 6.12 proceeds to share the emergent patterns of behaviour within the conceptualised Islamic models.

6.12 Patterns of strategic conceptualised behaviour

In the previous section the Islamic golden-mean model was shared. This section proceeds to present the patterns within these conceptualised interdependents of the model (Figures 6.11 and 6.12). There are two patterns that emerged.

Pattern 1: Excessive triggers

Figure 6.11 suggests that excessive behaviours impact strongest on others. This is interpreted where the negative consequences of behaviours that impose on others have a greater harmful adverse effect. This emerges as an effect where good behaviour is largely suppressed and deficient behaviour is forced as a reaction of the suppressed. As such, in the conceptualised virtue model (Figure 6.11), Tesco's cleverness and global-level greed were triggers that shaped the adaptive and selective environments through their imposition (Figure 6.13 below). At the global level there was a deliberate shift in behaviour in the progressive years while Tesco maintained its excessive stance against deficient competition.

Figure 6.13 Excessive trigger patterns

Level		2005/6 Conceptual virtue triggers (7.0.1)	2005/6 Conceptual desirable golden mean (7.1.1)
Global		Al-Lail, ch. 92, vs 8 Al-Fajr, ch 89, vs 19	An Lahl, ch 16 vs 90 Al Baqra, ch 2, vs 37 Ar Rum, ch 30, vs 21 Al Baqra, ch 2, vs 254
Firm	Tesco	Al munafuqun ch 63, vs 1-3 Al Baqra ch 2, vs 6-7 Al Tawba ch 9, vs 69	Al Baqra, ch 2, vs 208 Al Qasas, ch 28, vs 56 Ash-Shuara, ch 26, vs 192-195 Al Baqra, ch 2, vs 269

Source: Compiled from Figures 6.11 and 6.12

Key: Excessive Golden mean

Figure 6.13 suggests that liberality at the global level and wisdom by Tesco may have shaped the selective and adaptive environments more favourably. Sainsbury's sustained golden-mean behaviour is explained by a more inward-focused recovery and strategic plan for growth that avoided reacting to competitive pressures, instead focusing on self-improvement. Thus, pattern 1 is that excessive behaviours are triggers that shape deficient reactions.

Pattern 2: Happiness over flourishing

Pattern 2 is derived from both the conceptualised virtue (Figure 6.11) and golden-mean (Figure 6.12) interdependents of the model. The pattern asserts that each level within the model gives priority to its own happiness over flourishing. But the pursuit of happiness can reflect different constructs, such as sensual pleasure, materialism, detachment from worldly goods, good health, friendships and family. Furthermore, as a wider social construct, happiness infers boundaries of freedoms, human rights and acceptable behaviour. For example, slavery was once acceptable and now is a violation of rights, and publically unacceptable. *Eudemonia* as human flourishing actually prioritises the “common good” over the individual, or in this case, individual-level happiness, in contrast to what is happening. As such, shorter-term happiness behaviours at each level are competing with rather than considering that the longer-term, multilevel flourishing of the common good may possibly be the better outcome. Accordingly, the nature of competition is not towards the common good but towards happiness within each level. This could be either due to lack of understanding in leadership circles of the concepts of the common good, or it may be due to particular professional training and experiences that shape the leadership. Aristotle (384B.C.- 322B.C.) argues that virtue ethics is not about personal sacrifice or self-interest, but that the nobility understands that within a more flourishing society, individual happiness will also be higher. Pattern 2 is happiness over flourishing.

Summary of patterns of strategic conceptualised behaviour

In Section 6.12 patterns that were emergent in the conceptualised models have been shared. Table 6.5 below summaries the two patterns that were interpreted within the conceptualised virtue (Figure 6.11) and golden-mean (Figure 6.12) interdependents of the model, understood together.

Table 6.5 Summary of conceptualised patterns

Pattern	Behaviour
1	Excessive triggers
2	Happiness over flourishing

Source: Compiled by author with reference to Figures 6.11 and 6.12

Both the Aristotelian and Islamic lenses assert that *phronesis* (practical wisdom) can be learned through experience and conscious practice. However, this requires a heightened level of awareness and reflection about the longer-term impacts of behaviour as actions and reactions. The conceptualised patterns indicate a need for longer-term, wider consideration in decisions that become actions. The conceptualised interpretations also indicate a need to manage behaviour as a reaction to provocation. In the meantime there remains a lack of awareness in leaderships of the concepts of the common good .

In consideration of *eudemonia*, is it possible that a child may offer greater wisdom than an experienced adult who may be over-conditioned due to their experiences. Or in similar thinking, a non-conventional leader may do a better job than a trained professional. This raises questions about the criteria and requirements that define the leaderships of organisations and institutions in their selection processes.

In this section the patterns of the conceptualised interdependents of the model have been shared. Section 6.13 below proceeds with a summary of the findings.

6.13 Summary of findings

In this section, a summary of the findings are shared as layer one and two outcomes followed by the four interdependent models of strategic behaviour and their emergent patterns at layer three.

The selected secondary empirical materials, i.e. historical publically published written reports, were the original sources of premises. At layer one, the inquiry asked *What was the strategic event?* The grounded iterative interpretive hermeneutic (Heidegger, 1927; Dilthey, 1996) outcomes were themes. In total, 2553 themes were revealed for the four-year period under inquiry (2006-2009). There were nine summary outcomes at the themes layer of

conceptualised model building. Table 6.6 below summarises the four adaptive outcomes and five selective outcomes at layer one:

Table 6.6: Summary of layer one theme outcomes

Adaptive outcomes	Selective outcomes
<p>TA1) A shift from greater collaborative activities, i.e. each firm taking an interest in or interacting with another in some way during 2005/6, to individual self-interested activities, i.e. the firm behaving more independently of other firms in 2006/7.</p> <p>TA2) Tesco facing difficulty or complexity in the firm's desire or ability to change quickly.</p> <p>TA3) Rise of mergers and acquisitions as a means of strategic growth activity.</p> <p>TA4) 2006 was an important year of change.</p>	<p>TS1) The industry level in the UK, through policy and regulatory mechanisms, featured strongly in influencing its internal market during uncertainty or instability.</p> <p>TS2) The regional level appeared less dynamic, or lagging behind, market movements.</p> <p>TS3) In good stable times (2005/6) change is a low priority, whereas in uncertain times (2008/9), change is a need and urgent priority.</p> <p>TS4) There was significant change or shift in activity at the global level in 2006.</p> <p>TS5) 2006 and 2008 had more strategic change activities. These were the time frames either side of the global financial crisis event.</p>

Source: Compiled from Chapter five

The second layer of conceptual model building interpreted themes into spheres of action. The question being asked was *What was the action taken?* that had resulted in the strategic change. A total of 208 spheres of action emerged as outcomes at the second layer. There were six summary outcomes at the spheres of action layer of conceptualised model building. There were two adaptive outcomes and four selective outcomes, as outlined in Table 6.7 below.

Table 6.7 Summary of spheres of action outcomes

Adaptive outcomes	Selective outcomes
<p>SA1) The supermarkets extended into non-food sectors and own-label brands, broadening their market standing. The corporate firms had influence on suppliers and customers.</p> <p>SA2) The supermarkets were fast adopting the internet format as part of their multi-format strategies.</p>	<p>SS1) In 2005/6 the industry level may have structurally shifted and impacted the adaptive environment.</p> <p>SS2) There was an increase in a more rationalised reporting style and the engagement of technological outputs in decision-making processes that suggested information overload</p> <p>SS3) Regulatory intervention was very much consumer focused, as reaction, rather than being corporate practice focused, as pro-active.</p> <p>SS4) The nature and influence of the industry level (which was critical in shaping the adaptive environment, but seemed to be moving slower and with limited effect) on the changes that were faster emerging in the marketplace.</p>

Source: Compiled from Chapter five

At the third layer, 208 spheres of action were interpreted into 36 virtues where the question being asked was *What is the behaviour that has resulted in these actions?* The model of strategic behaviour was presented as the virtue model (Figure 6.2); golden-mean model (Figure 6.8); Islamic conceptualised virtue model (Figure 6.10); and Islamic conceptualised golden-mean model (Figure 6.11), summarised in Table 6.8 below.

Table 6.8 Summary of Findings

Finding attributes	Model	Findings	Identified need for
Figure 6.2	<ul style="list-style-type: none"> ▪ Virtue strategic behaviour model of grocery multiples 2006-2009 	<ul style="list-style-type: none"> ▪ 6 patterns of behaviour ▪ Selective environment dominates adaptive environment ▪ Top-down hierarchies ▪ Industry level weak link ▪ Timing of patterns 	<ul style="list-style-type: none"> ▪ Better global, regional and national alignment. ▪ Narrower ownership structures provide clearer direction in crisis contexts - thus more flexible ownership structures of corporations should be considered for crisis/stable development phases. ▪ Industry level renewal. ▪ Relationship between greed and trust.
Figure 6.8	<ul style="list-style-type: none"> ▪ Desirable golden-mean strategic behaviour model of grocery multiples 2006-2009 	<ul style="list-style-type: none"> ▪ 2 patterns of behaviour ▪ Adaptive environment leads the selective environment. 	<ul style="list-style-type: none"> ▪ Bottom-up leadership. ▪ Greater firm co-operation supports cardinal virtue development. ▪ Adaptive influence of selective environment.
Figures 6.11 and 6.12	<ul style="list-style-type: none"> ▪ Islamic conceptualised virtue model of grocery multiples 2006-2009 ▪ Islamic conceptualised golden-mean model of grocery multiples 2006-2009 	<ul style="list-style-type: none"> ▪ 2 patterns of behaviour. ▪ Excessive behaviours force deficient reactions. ▪ Nature of competition lacks support for <i>eudemonia</i>. 	<ul style="list-style-type: none"> ▪ Need for greater reflection at early stages of decision making. ▪ Broader types of leadership may modify competitive natures.

The summary of findings have been presented in Table 6.8 above. From these interdependent models cultural, strategic virtuous, golden-mean and conceptualised patterns of strategic behaviour emerged. Section 6.14 below proceeds to share the modelled answers and propositions.

Section 6.14 Modelled answers and propositions

The section proceeds by sharing conclusions about the survival and growth of the firm within its endogenous and exogenous environments. Then the model outcomes are shared with their propositions. These are considered in relation to the main inquiry question and subset questions.

6.14.1 Factors influencing survival and growth

The preceding analysis and findings have provided an in-depth understanding of the strategic behaviours of four grocery multiple firms (Tesco, Sainsbury's, Morrisons, Co-operative) within their environments. The analysis and interpretations were all undertaken by a single inquirer⁸⁹, ensuring consistency of interpretation. Regardless that these firms originate and are headquartered within the UK, the variations in longitudinal themes, spheres of action and virtues clearly demonstrated that each firm or institution behaved uniquely and that each firm's strategic behaviour was heterogeneous and dynamic. In the model, no two adjacent findings of virtues were the same. From this, it can be concluded that each grocery multiple firm was impacted differently by the same exogenous factors, and that firm adaptation reflected the outcomes of internal empathetic strategic processes in the virtue characteristics of firm behaviour. Whilst these influences are complex, in this inquiry the understanding of these factors was not concerned with motivations, causes or reasons of action, but was focused on defining the strategic behaviour in that context. Thereby, the factors that constrained or enhanced firm survival and growth were the difference between the actual behaviour (virtue/vice in Figure 6.2) and its ideal golden-mean alternative (virtue in Figure 6.8).

Where the virtues and vices were conceptualised in Islamic source (the Quran), this offered the opportunity to understand the strategic behaviour from two different perspectives: firstly within the Anglo-American neo-liberal market, which prioritises secular/shareholder return as success (Figures 6.2 and 6.8); and secondly within the Islamic theological model (Figures 6.11 and 6.12), which prioritises ethics above economics (Naqvi, 1981) and gives greater priority to the common good over self-interest.

⁸⁹ The author of this thesis

The literature review and ethics chapters outlined that the understanding of survival and growth of the firm as successful, is dependent on the criteria for understanding performance. This is very much defined by the political policies and governance mechanisms that establish the rules of the game. In doing so, co-evolutionary theory asserts that the selective environment determines which firm survives and which firm grows, depending on how closely the firm fits to the system within which it is operating, or on whether the governance system changes to fit the firm more closely. This has implications for the grocery multiple firm in the home market, but also in its internationalisation into new markets. This suggests why some retailers are more successful than others in entering international markets. Tesco had expanded internationally, but at the same time struggled with its position in the US marketplace. The complexity is added to where international events impact home markets, as in the case of the 2007/8 financial crisis.

Considering the factors that influence survival and growth of the firm within the model of strategic behaviour, a more interesting interpretation of virtue can be concluded. The model suggests that while the aggressive firm (Tesco) thrives and grows more quickly, it is also the most exposed to exogenous rather than endogenous factors. Contrastingly, the resilient firm (Sainsbury's) is more dependent on endogenous strategic behaviour to drive survival and growth. In this regard, the model reflects relative growth for the period under inquiry, where the selfish firm's (Morrisons) endogenous growth reflects a shift of the firm towards better fitting the governance environment. Meanwhile, the romantic firm (Co-operative) benefited from a merger for its share of the market share, which had been declining. But in reality it is far easier to influence a romantic firm which is gradually being forced by selective pressure to conform to the governance system. Hence Figure 6.14 below presents the ethical behavioural factors of grocery multiple firm survival and growth.

Figure 6.14 Ethical behavioural factors of grocery multiple firm survival and growth

Firm	Dominant factors	Cultural nature	Control	Behaviour
Tesco	Exogenous	Aggressive	Market	Growth
Morrisons	Endogenous	Selfish	↕	↕
Co-operative	Endogenous	Romantic		
Sainsbury's	Endogenous	Resilient	Firm	Survival

Source: Developed from Figure 6.2

In Figure 6.14 above, control of the aggressive firm is from within the market in which it operates, which exposes it to increasing market risks. Contrastingly, the resilient firm retains endogenous strategic control, but its relative survival and growth is at greater risk from selective pressures (e.g. takeover/acquisition/restructuring). Figure 6.14 concludes that the most virtuous firm (Sainsbury's) in that context was distant from environmental factors, which preferred the aggressive firm (Tesco). The issue is that where a firm is overexposed to exogenous factors, it is more likely to encounter a crisis or failure due to shifts in the market. Thus the capitalistic issue of “too big to fail” is explained as an ethical issue.

In this section the survival and growth factors of the model were shared. In Section 6.14.2 below the model conclusions and propositions are shared.

6.14.2 Model conclusions and propositions

This section follows conclusions about the endogenous and exogenous factors of grocery multiple firm survival and growth within the model. In Section 6.14.2 the model conclusions and propositions are shared.

Considering the literature review and ethics chapters in relation to the analysis and findings chapters, conclusions can be drawn from the model about the strategic behaviour of the grocery multiple firm within its environments. The literature review criticised the UK for being a neo-liberal marketplace that gives preference to the shareholder model. The findings of the model support that a more financially orientated and aggressive firm is more likely to grow. Thus proposition one (P1) is that:

P1: *The corporation that best adapts to the shareholder model is more likely to be selected for growth by the selective environment.*

In the model, the longitudinal pattern demonstrates this within Figure 6.2, where within the period under inquiry the most neo-liberal firm, Tesco, was aggressive and retained excessive vice behaviours. Meanwhile, Morrisons' integration of Safeway to its format and its national expansion reflected a firm following corporatisation in its internal restructuring and its acceptance by the selective marketplace (conditional approval by the Competition Commission). Co-operative, whilst having a different ownership structure (member-based),

did face critical firm restructuring, and its growth path was through a merger with another group. Finally, Sainsbury's demonstrated resilience by focusing internally on its turnaround strategy, but at the same time the firm faced selective pressures from potential takeover bids. All these patterns support proposition P1 above. In consideration, at the same time proposition two (P2) is that:

P2: *The selective environment does not allow the non-shareholder corporate-structured firm to grow or rise to the position of industry leader.*

Where proposition P1 focuses on the adaptive firm, proposition P2 gives attention to the selective nature of the environment in understanding survival and growth. Considering the patterns of the virtue model (Figure 6.2), ideal alternative (Figure 6.8) and survival and growth (Figure 6.14) indicates that a critical factor in the development of a firm over time is its ownership structure. Thus proposition three (P3) is that:

P3: *The alternative ownership or less neo-liberal shareholder ownership structures are resistant to the growth of the firm.*

In the model, the most neo-liberalised share structure is that of Tesco, which has grown large. During the period of inquiry, Morrisons' restructure was reflective of a shift towards a more shareholder corporate structure, away from family ownership. Co-operative, whilst being member-based, faced leadership issues and selective pressures to behave more like a corporate entity rather than a member-based organisation, which brings into question whether it was having to increasingly distance itself from its originating principles. Sainsbury's also has a neo-liberal shareholder structure. Its ownership shifted from being family-based towards being invested in by a large foreign wealth fund, and the firm was exposed to further potential bids. Hence the patterns support proposition P3 above. Building on this proposition is that the model inquiry period was before, during and after the global financial crisis of 2007/8. The patterns of strategic behaviour indicate proposition four (P4):

P4: *In a crisis the selective pressures from the environment are accelerated and more intense on the firm.*

The patterns of behaviour before and after the financial crisis (i.e. 2006 and 2008) were critical shifts in the model. In each case, the firm faced pressure from the selective

environment and had to adapt quickly. Indeed in certain cases, firms act together to try and influence the selective environment at the industry level. Considering the patterns of strategic behaviour and propositions above leads to proposition five (P5):

P5: *Survival and growth of the firm demands conformance to renewed creative financial structures.*

Where P4 is focused on crisis, P5 gives particular attention to the Anglo-American shareholder model, as it is financially orientated in its performance. The patterns of strategic behaviour here question that regulatory changes do not address the ethical concerns that the model identifies, but instead move towards ever more creative financial structures for renewal or growth.

From the patterns of strategic behaviour and these five propositions, the sixth proposition (P6) is that:

P6: *The selective environment dominates the adaptive firm environment in determining the survival and growth strategies of the firm.*

Proposition P6 asserts that global institutions, regional governance, national governments and industry regulators have the power to shape the structures of the markets in which the firm operates. Where a corporation is dominating government, it is more because the selective environment is exerting less coordinated pressure at the different environmental levels on the multilevel firm. Thereby the corporation that fits the financial model will become financially dominant. At the same time, it is actually the selective institution that can shape the environment and that is more likely to survive longer than the largest of corporations. The patterns support proposition P6, where the firm collapses but the selective institution remains.

These patterns and six propositions assert that the shareholder governance system, in order to grow, needs to be re-orientated towards enabling broader and diverse ownership structures, e.g. family, member-based, wider stakeholder.

Another important conclusion that can be drawn from the model and patterns of strategic behaviour is that the Anglo-American shareholder model currently opposes ethical behaviour.

The values of a more successful firm in the shareholder model reflected a deterioration in ethical behaviour as it grew. The more ethical behaviour the firm demonstrated, the less well it fit to the environment and the less well it performed financially. This suggest propositions 7 and 8 (P7 and P8) that:

P7: *The more ethical a firm is, the slower it grows financially in the neo-liberal governed shareholder model of governance.*

and

P8: *The transition towards corporate entity and structure of the firm within the shareholder model promotes the ethical erosion of strategic behaviour.*

The patterns within the model indicate that less personal structures within increasingly artificial entities, as a condition of growth, point towards a lower ethical accountability of the people directing the firm. The shareholder model promotes the break-up of individual responsibility into shared accountability of the artificial entity. This has implications for board roles and the leadership of corporations.

Finally, contrasting the virtue models (Figure 6.2 and 6.8) with the Islamic models (Figures 6.11 and 6.12) demonstrates that financial performance alone promotes unethical behaviour. Whilst the firm may grow more quickly, supported by increasing neo-liberal financial mechanisms, its growth leads to a greater risk of scandal, collapse and failure as it aligns itself closer to the market. As such, the conclusion is that there is a need for the selective institutions to re-orientate the shareholder governance model towards promoting ethical strategic behaviour as a priority over financial performance. This explains the cyclical nature of the shareholder model being prone to its largest corporations facing ethical scandals which in turn put at risk the financial stability of both the organisation and the system. Thus proposition nine (P9):

P9: *The larger the corporation is within the Anglo-American governance system the greater its risk of collapse due to a lack of ethical accountability.*

These propositions collectively respond to the main inquiry question and subset questions outlined in Chapter one. At the same time, the primary influence of each proposition has a

more significant bearing on a particular question. Table 6.9 below presents the main and subset inquiry questions and their primary propositional influences.

Table 6.9 Inquiry questions and their primary propositional influences

Inquiry question	Primary propositional influences	Support from themes and spheres of action
(M) How did the firm's strategic behaviour co-evolve from within British grocery multiple retailing into global retailing during the period 2006-2009?	<p>P1: The corporation that best adapts to the shareholder model is more likely to be selected for growth by the selective environment.</p> <p>P4: In a crisis the selective pressures from the environment are accelerated and more intense on the firm.</p> <p>P8: The transition of the firm towards corporate entity and structure within the shareholder model promotes the ethical erosion of strategic behaviour.</p>	TA3; TA4; TS2; TS4; SS2; SS3
(SS1) Which factors, endogenous and exogenous to the firm, enhanced firm growth?	<p>P2: The selective environment does not allow the non-shareholder corporate-structured firm to grow or rise to the position of industry leader within it.</p> <p>P3: The alternative ownership or less neo-liberal shareholder ownership structures are resistant to the growth of the firm.</p> <p>P5: Survival and growth of the firm demands conformance to renewed creative financial structures.</p>	TA2; TS1; TS5; SA2; SS1; SS4
(SS2) Are adaptive factors more likely to influence survival and growth of the firm than selective factors?	<p>P6: The selective environment dominates the adaptive firm environment in determining the survival and growth strategies of the firm.</p> <p>P7: The more ethical a firm is, the slower it grows financially in the neo-liberal governed shareholder model.</p> <p>P9: The larger the corporation is within the Anglo-American governance system, the greater it is at risk of collapses due to a lack of ethical accountability.</p>	TA1; TS3; SA1

In Table 6.9 above, the main inquiry question (M) and two subset questions (SS1 and SS2) were influenced by all nine propositions, where each proposition's primary influence was more towards one of the questions compared with the others.

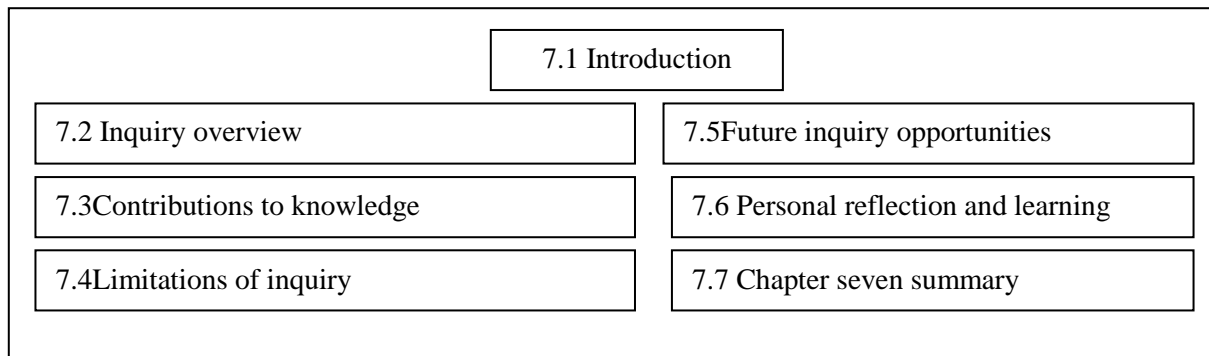
In this section the propositions of the model were shared. The next chapter concludes by sharing the contributions to knowledge and the limitations of the inquiry, as well as future inquiry opportunities.

Chapter seven: Conclusion as contributions

7.1 Introduction

Chapter seven concludes this thesis. Reviewing the emergent model in relation to existing literature has enabled conclusions to be drawn in response to the main inquiry and subset questions, and has set the inquiry objectives along with the corresponding emergent propositions from the model. In Chapter seven, the theoretical contributions to knowledge and practical implications of this study are shared before the limitations of the inquiry and future inquiry opportunities are considered. This thesis is completed by a personal reflection on the learning process of the PhD journey. Figure 7.1 below presents the structure of Chapter seven.

Figure 7.1 Structure of Chapter seven



Section 7.2 proceeds with an overview of this inquiry.

7.2 Inquiry overview

Following the introduction above, Section 7.1 proceeds to offer an overview of this inquiry.

The aim of this thesis, as outlined in Chapter one, was to explore the survival and growth of the firm from within British grocery multiple retailing into global retailing during the period 2006-2009⁹⁰. A basic assumption supporting the aim was that the firm exists in the marketplace and both need to be understood together (McKelvey, 1997). As such, the internal strategy of the firm impacted or was impacted by the external environment. The outcome of this dynamic interplay was strategic change at different levels. Responding to the complexities of firm development within its environment, outlined in Chapter two, a broad

⁹⁰inclusive - the four-year period of this inquiry

definition of strategic behaviour (Mintzberg et al., 2009) was engaged that explained strategic outcomes in historical⁹¹ events. The co-evolutionary theoretical framework (Volberda and Lewin, 2003) was adopted, which allowed for both adaptive and selective influences to be understood holistically, as articulated in Chapter three. The ethical focus within Chapter four concluded with support for defining the normative characteristics of a firm or institution within its context relative to a conceptualised virtue that represented the ideal excellent behaviour for the common good⁹² (Aristotle, 384B.C.-322B.C.). The emergent interpreted findings (Chapter five) were analysed as historical longitudinal outcomes towards a conceptualised model (Chapter six). The inquiry draws conclusions about the virtuous nature of the firm and the institutional levels, about the distinct patterns of their strategic behaviours as interpreted within the model, and with nine propositions.

The literature review revealed that the field of economics focused on external wealth creation, whilst the field of organisational behaviour gave more attention to the internal complexities of the firm. Separately these fields did not allow holistic examination of the firm within its environments (McKelvey, 1997). The common thread within these fields directed attention to strategic management. But even within the field of strategic management, the majority of the models of strategic behaviour (Appendix one) engaged narrow definitions of strategy, and they had restricted underlying assumptions that limited understanding to particular level/s (e.g. firm, industry, regional, global) or certain stages of firm development (Helfat and Peteraf, 2003). Furthermore, many of the models preferred an inside-out lens of inquiry that limited support from empirical evidence. It was concluded that the outcomes of these models were more suited to forward-looking predictions that gave less attention to historically learned outcomes. The understanding of strategic behaviour was limited where models offered isolated, static and less realistic interpretations. These criticisms implied that such models prioritised more immediate and narrow judgments with shorter-term outlooks that limited broader reflection.

From within the strategic management field, the co-evolutionary theoretical framework (Volberda and Lewin, 2003) offered the broadest and most holistic understanding of the firm within its environments. Co-evolutionary theoretical and empirical scholarly contributions on

⁹¹ Rather than strategy just being forward-looking.

⁹² Aristotelian "common good" prioritises societal benefit above financial benefit.

the strategic behaviour of grocery multiple firms in their context through the global financial crisis period are very limited. Whilst this framework has potential, it had not been engaged for an in-depth interpretative inquiry in this way before. It was concluded that this framework was the most open to handling the range and depth required to understand complex strategic behaviour. However within the field there were no appropriate propositions available that fitted the nature and scope of this behavioural inquiry about the grocery multiple firm. As a consequence the inquiry adopted a theory-building approach, as opposed to a theory-testing approach. The framework from the literature guided the design and analysis of the evidence. It was concluded that by focusing on interpreting (Heidegger, 1927; Dilthey, 1996) the firm within its environment as the context of social phenomena, the inquiry gap identified within the strategic management literature could be contributed to and addressed.

The interpretative methodological (Heidegger, 1927; Dilthey, 1996) approach was concluded to be the most appropriate and was adopted in this thesis. This offered an outside-in lens of inquiry which addressed concerns about narrow sources of empirical evidence. The approach allowed for historical holistic strategic outcomes (Mintzberg et al., 2009) to be understood and this responded to criticisms of the forward-looking models. Furthermore, the literature review asserted that there are issues within the most advanced neo-liberal market economies of Anglo-American governance systems (Knyght et al., 2011; Van Essen et al., 2013), as well as re-occurring scandals or failures of their firms such as Enron, WorldCom, Parmalat, Lehmans, BP, Northern Rock, and Barclays (Kirkpatrick, 2009). Hence this alternative approach, originating from a more socialised governance system (the Germanic tradition), was deemed useful, as it preferred an ethical focus on strategic behaviour, whereas the Anglo-American shareholder model promoted a financial priority. Finally, addressing the criticism of hermeneutics (Heidegger, 1927), the virtues (Aristotle, 384B.C.-322B.C.) were conceptualised using Islamic source (the Quran) which made ontological and methodological contributions to this inquiry.

An overarching inquiry question was developed from the literature pertaining to strategy and strategic behaviour of the firm; global change; understanding firm growth; and global, UK and grocery multiple retailing. This considered the strategic behaviour of the grocery multiple firm within its environments. Secondary publically published reports, i.e. firm annual, industry and global retailing reports, were the main sources of empirical evidence that were

analysed and interpreted at three layers as events, spheres of action and virtues. A pilot inquiry was conducted using one year of empirical evidence (2006) before the longitudinal inquiry proceeded (2006-2009). At the third layer, the model of strategic behaviour was presented as 1) a virtue model, establishing behaviour as either virtue or vice; 2) the golden mean, the ideal alternative for the “common good”; 3) a Islamic conceptualised virtue model; and 4) a Islamic conceptualised golden-mean model, as an independent standard of comparisons. The findings within the model, as patterns, were analysed in relation to the existing literature, from which corresponding propositions were offered (Chapter six).

In this section an overview of this inquiry was shared. In Section 7.3 below the contributions to knowledge are presented.

7.3 Contributions to knowledge

This section presents the key contributions to knowledge that this inquiry makes which establishes the originality of thesis. Furthermore, the important wider implications for practitioners are shared.

This thesis examined the strategic behaviour of the firm within its environments. The main inquiry question *How did the firm's strategic behaviour co-evolve from within British grocery multiple retailing into global retailing during the period 2006-2009?* was understood through the co-evolutionary (Volberda and Lewin, 2003) theoretical framework. The secondary publically published reports as sources of historical empirical evidence were interpreted (Heidegger, 1927; Dilthey, 1996) at three layers to define the virtuous characteristic (Aristotle, 384B.C.-322B.C.) of the firm within its environments as a conceptualised longitudinal model of strategic behaviour.

As expected of a PhD thesis, this inquiry makes a number of key contributions to knowledge. Principally, this is the first inquiry to engage co-evolutionary theory (Volberda and Lewin, 2003) in this way in a hermeneutic inquiry (Heidegger, 1927; Dilthey, 1996) of British grocery multiples firms⁹³ for the period 2006-2009.

⁹³ Four firms – Tesco, Sainsbury's, Morrisons, Co-operative

Table 7.1 below presents the main significant contributions to knowledge as empirical, theoretical and methodological:

Table 7.1 Significant contributions to knowledge

Knowledge characteristic	Key contribution is	Unique quality
Empirical	to existing empirical studies of co-evolutionary theory (Volberda and Lewin, 2003).	Adding to the discourse
	to existing empirical knowledge within the fields of strategic management; global change and firm growth; global, UK and grocery multiple retailing.	Adding to the discourse
	to existing empirical knowledge of interpretive hermeneutic (Heidegger, 1927) and virtuous business ethics (Aristotle, 383B.C.-322B.C.) inquiries.	Adding to the discourse
	to existing outside-in studies of the Anglo-American shareholder model around the time of the global financial crisis 2007/8 (Van Essen et al., 2013; Knyght et al., 2011).	Adding to the discourse
	the first inquiry in the field of business management to engage hermeneutics for a longitudinal inquiry.	Adding to the discourse
Empirical and Theoretical	to existing empirical knowledge of corporate firm (Drucker, 1972; Heil, 2011) inquiries and their survival and growth as virtuous characteristics.	Adding to the discourse
Theoretical	in the engagement of a broad understanding of strategy (Mintzberg et al., 2009) in the co-evolutionary framework (Volberda and Lewin, 2003).	Elaborating the framework
	to uniquely understanding the firm as consisting of people (Aristotle, 383B.C.- 322B.C.) to explain strategic behaviour as an empathetic process which can be interpreted ethically.	Elaborating the framework
	by the introduction of two new levels into the co-evolutionary framework (Volberda and Lewin, 2003) - regional and firms.	Elaborating the framework
	in the development of a new conceptualised model of strategic behaviours (2006-2009) and its testable propositions.	Re-contextualising and demonstrating application
	in the conceptualisation (Heil, 2011) of virtues based on Islamic source that is focused on the “common good” as the priority of grocery multiple firms.	Re-contextualising and demonstrating application
Theoretical and Methodological	as an ontological strategic behaviour inquiry of the grocery multiple firm within its environments as a historical and longitudinal model.	Substantiating and re-contextualising
	of findings as a conceptualised model of strategic behaviour consisting of 1) virtue/vice 2) golden-mean 3) Islamic virtue/vice and 4) Islamic golden-mean models.	Combining and implementing to reveal a more useful understanding
Methodological	the application of hermeneutics (Heidegger, 1927) and co-evolutionary theory (Volberda and Lewin, 2003) as a reflective three-layered interpretation of British grocery multiple firms.	Substantiating and re-contextualising
	this methodology can be used as a unique heuristic device applied to understand the virtuous behaviour of firms in other industries or at different levels.	Advancing the technique for wider application
	as the first inquiry to combine hermeneutics, Aristotelian virtues and Islamic conceptualisation to understand the strategic behaviour of grocery multiple firms.	Substantiating, re-contextualising and integrating

Whilst this thesis has made a range of significant contributions to knowledge, the major contributions of its conclusions are (1) empirical, towards a broader and more holistic understanding of firm survival and growth (Kakabadse and Steane, 2010); (2) theoretical, adding new layers to the co-evolutionary framework (Volberda and Lewin, 2003); and (3) unique, as a novel integrative methodology for a more substantive understanding of social phenomena (Kakabadse et al., 2013).

This inquiry has described and illustrated a range of critical decision-making moments and skills for analysis, in a highly qualitative inquiry. It provides an audit trail in the appendices so that others may be able to follow the interpretive journey of model construction and outcomes.

This unique methodology offers a new systematic theoretical analysis through the process of its reflective in-depth layered method, which is a further practical contribution to better understanding firm and institutional strategic behaviour as virtuous. The wider implication is that this approach can be used to inquire about virtuous firm strategic behaviour in other industries. Within the firm/institution, it has immediate implications for the moral judgment and behaviour of business leaders or policy makers and their strategic agendas.

On a practical note, this methodology's modular components offer additional flexibility, where social inquiries may alter the position of the lens, for example, to a different unit/level of analysis within the framework; by engaging different ontological sources to conceptualise; or by adoption of alternative ethical approaches to modelling behaviour, subject to the relevant substantive justifications. As adopted in this inquiry, the three-layered reflective interpretation process (strategic event, action, behaviour), whilst complex, encourages a deeper, higher quality and longer-term understanding of performance. Such flexibility contributes in a practical way by encouraging better shared understanding and mutual respect between divergent views. In doing so, the methodological practical contribution is towards bridging the wide gap between academics and practitioners. In particular, one practical benefit is in its adoption by open-minded scholars to integrate different world views and perspectives towards a "common good".

Finally another practical contribution of this thesis is in its adoption of Islamic source (the Quran) in the conceptualisation of modelling strategic behaviour. It is interesting to note here the recent (2015) carbon-dating⁹⁴ of Quran manuscript pages held at Birmingham University to between 568A.D.-645A.D. with ninety-five per cent accuracy, i.e. close to the lifetime of the prophet⁹⁵. This adds to authenticating the source. A practical contribution of this thesis is towards a call for more in-depth and substantive understanding of the religion of Islam, which is currently misunderstood and misrepresented to the Western public. This religion is the fastest-growing religion in the world (Pew Research Center, 2015) where one in three children under the age of fifteen are Muslim and ten per cent of Europe will be Muslim by 2050. In the US the Christian population is forecast to decline to sixty-six per cent by 2050, whilst the Muslim population will surpass the Jewish community in the US as the largest non-Christian group. By 2050 Muslims will be in a majority of over fifty per cent in fifty-one countries. This is a practical concern of narrow-minded interpretations and the associated portrayal of Islam in the Western media. Thus this thesis focuses attention practically towards countering antagonised social frustrations and fostering improved harmonious societal understanding and true representation of this religion. Thereby, the essence of this thesis has been towards a deeper and more realistic understanding of the truth beyond the typical rhetoric.

In this section the contributions to knowledge and the practical implications have been shared. Section 7.4 below considers the main limitations of this inquiry.

7.4 Limitations of the inquiry

Following the contributions to knowledge above, Section 7.4 proceeds by considering the main limitations of this inquiry.

As with any PhD inquiry, this inquiry was limited by the approach taken to examination and by the restrictive demands on capacity that imposed practical choices. The pathway selected emerged through the combination of the inquirer guided by supervisors establishing social phenomena of interest; the inquirer's critical judgments (Kincheloe and McLaren, 1994) of

⁹⁴ Test carried out at University of Oxford. For further details see <http://www.birmingham.ac.uk/news/latest/2015/07/quran-manuscript-22-07-15.aspx> or <http://www.birmingham.ac.uk/facilities/cadbury/quran-manuscript/index.aspx>

⁹⁵ *pbuh* (peace be upon him).

the existing knowledge streams; consistency between philosophical positions and method⁹⁶ adopted (Morse et al., 2001); and within the inquiry the methodological approaches to examination (Blaikie, 2010). Methodological choices framed the perspective, reference, design, volume and richness of evidence, and the analysis and interpretation of outcomes as a conceptualised model. These were filtered down to understand the main inquiry question, emergent at the end of Chapter two, as a knowledge gap which could be responded to through the subjective interpretive hermeneutic lens (Heidegger, 1927; Dilthey, 1996) guided by co-evolutionary theory (Volberda and Lewin, 2003).

Associated limitations include the practical choices taken when advancing the design in consideration of feasibility within the university guidelines of a PhD. These choices included establishing the outside-in lens of inquiry, a sample that was British in origin, and the firm as the unit and industry as the level of analysis. There was also the important limitation of access to empirical evidence. Whilst alternatives such as interviews were explored, the competitive nature of this industry was a limitation to the openness and trustworthiness of responses. Furthermore the inquiry was seeking to gain closeness to the actual realised reality, rather than the perceptions of individuals or strategic predictions. Hence this inquiry adopted publically available secondary sources as historical empirical evidence. A limitation of note is that the value of this thesis depends greatly on whether people actually learn from history and are prepared to change their behaviour as individuals, and more so collectively as groups, to establish the strategic outcomes of the firm.

It has been argued that all social science inquiries are contextual (Lincoln and Guba, 1985) and that this more openly underpins the characteristics of interpretive inquiries (Bryman, 1984). Where quantitative studies focus on science as a universal method to remove bias (Lash et al., 2014), in this qualitative inquiry reality existed in the mind of the individual and social reality was constructed through personal experiences rather than independent structures (Denzin and Lincoln, 2000; Ritchie and Lewis⁹⁷, 2003). Therefore one limitation was the extent to which the findings could be generalised (Hammersley, 1992). However, whilst findings are contextual or specific to experience, the methodological approach itself may be

⁹⁶ Contrastingly, some argue the range of method tools is available to the philosophical positions; see Seale (1999).

⁹⁷ See Box 1.1: Methodological stances associated with qualitative inquiry (p. 4) and Chapter 10 on generalisations (pp. 263-285).

useful in other relevant contexts and is transferable. Hammersley (1992) refers to generalisation as consisting of empirical (i.e. applicable to other samples or settings) and theoretical (i.e. generated from concepts and emergent propositions to build theory) components. Ritchie and Lewis (2003, p.277) assert the principles of qualitative generalisation are “full and appropriate use of the evidential base, the display of analytic routes and levels of interpretation assigned and checks on the inquiry design and conduct”.

This inquiry's outcomes were shaped by and inclusive of the personal biases of the inquirer at every stage of development (Swarm, 1983). Acknowledging that inquirer-induced biases are an inherent part of qualitative inquiries⁹⁸ (Blaikie, 2010) reflected a sincerity of the reality, which imposed a responsibility on the inquirer to preserve integrity of himself (Swarm, 1983) and those under inquiry (Miles and Huberman, 1994). This reflects qualities of trustworthiness as most important to qualitative studies (Creswell, 2012).

Each step of the inquiry involved a personal interpretation of the empirical evidence by the inquirer, where judgment of quality requires others to engage and experience the process for themselves to arrive at their own trusted judgments of the outcomes (Snyder and Swann, 1978). Where quantitative studies seek validity, reliability and objectivity in outcomes, qualitative inquiries are inclined towards credibility, transferability, dependability and conformability as evaluation criteria (Lincoln and Guba, 1985).

The restrictive demands on capacity imposed the need for practical choices and constrained the inquiry. These included the practical feasibility that the inquiry had to be within a PhD time frame. Whilst more typically this is claimed as three years (Phillips and Pugh, 2010), two matters extended the time frame to five years. Firstly, the inquirer followed his supervisor and moved institution at an advanced stage of the PhD⁹⁹. Secondly, and more crucially, the higher quality of this type of reflective inquiry sensibly fit the extended five-year commitment. Throughout the PhD the inquirer was a bursary-funded student.

Additional capacity choices limited the amount of empirical evidence that was analysed and interpreted to a four-year period (2006-2009). The inquirer alone had to organise, maintain

⁹⁸ Quantitative studies are also biased but are reluctant to acknowledge this.

⁹⁹ This was carefully considered and was deemed to be the best and right choice by the inquirer.

and manage the progression of the inquiry, which demanded handling a large volume of the empirical evidence and their multilayered interpretations. This was complex. Originally a longer longitudinal time frame of seven to ten years was considered, but the pilot study asserted that this would be impractical for a single inquirer and would have compromised outcome quality, so the choice was taken to limit the period of inquiry to four years either side of the financial crisis that was fast emerging in the latter part of 2007. One limitation is that a longer longitudinal inquiry may confirm, add to or add new insight to the current patterns that have been shared as findings (Chapter six).

In consideration of the empirical evidence, the sample of firms under inquiry initially considered five firms but was limited to a group of four leading firms - Tesco, Sainsbury's, Morrisons and Co-operative. Whilst the inquiry question imposed a focus on grocery multiple firms that were British in origin as a condition, Asda had no longer publically reported¹⁰⁰ in the UK since being taken over by Wal-Mart for 6.7 billion pounds in 1999 and therefore had very limited secondary publically published empirical evidence available compared to the other firms that were British in origin.

Finally, this is a qualitative hermeneutic inquiry (Heidegger,1927; Dilthey,1996), for which the outcome is a longitudinal conceptualised strategic behavioural model of the firm within its environments, along with its emergent propositions. As such, the contribution to knowledge is limited to foundational theory building, with practical considerations.

In this section the main limitations of this inquiry have been shared. In Section 7.5 below future inquiry opportunities are outlined.

7.5 Future inquiry opportunities

The previous section shared the limitations of this inquiry. Section 7.5 proceeds to consider opportunities for future inquiry emerging from this PhD thesis.

Future inquiry opportunities are those that build on existing knowledge, which if taken as the findings of this PhD thesis, have the potential to advance the current contribution to

¹⁰⁰It is no longer listed on UK stock exchange and does not publish annual reports in the UK, but as part of the Wal-Mart group in the US.

knowledge even further. These have been considered and are outlined as pertaining to the model, methodology and wider aspects of this inquiry.

A longitudinal conceptualised strategic behavioural model of the firm within its environments along with its emergent propositions is the outcome of the qualitative hermeneutic approach taken in this PhD inquiry. Other inquirers may add to this by replicating the inquiry to confirm or challenge the model and its emergent propositions. Alternatively, where the current model as patterns of strategic behaviour was limited to a four-year inquiry, the potential remains for the model to be extended longitudinally, which may confirm, add to or broaden the current patterns as findings shared in Chapter six. In such case, where this model considered strategic behaviour as historic (i.e. retrospectively), the model may be extended in both directions, i.e.. earlier years 2005, 2004, 2003 and/or later years 2010, 2011, 2012. Importantly, the current approach of engaging published reports and focusing on outcomes limits predictive strategic capacity to learning from historical contexts if similar contexts arise in the future.

In this inquiry, the unit of analysis was the firm and level of analysis was industry. Other inquiries may consider adopting different unit/level combinations within the multilayered co-evolutionary framework (Volberda and Lewin, 2003). Where the unit of analysis is within the level of analysis, consideration will need to be given to an arrangement where adaptive and selective levels are in interplay. Alternatively, new levels may be added to the co-evolutionary framework if there is relevant supportive empirical evidence.

Another possible application of the model is to engage it for evaluating the virtuous behaviour of firms in different industries or, more complicatedly, to use in cross-comparisons between firms within divergent governance systems. The outcomes in all these model-advancing opportunities will be of value to supporting, refining or challenging the model as it stands in this thesis.

Future inquiry opportunities that may add to this inquiry include methodological contributions. As outlined in Chapter six, this unique methodology may be adopted as a heuristic device. There is opportunity to adapt the approach to different ontological positions. The outcomes of contrasting models can then be compared and contrasted towards a more

integrated shared “common good”, where differences between divergent views are better understood. Alternatively, the methodology may also interpret strategic outcomes through different ethical postures. For example, the deontological posture may suit the regulatory or policy analysis of strategic behaviour. However, more interesting would be the opportunity for a quantitative inquiry to test the emergent propositions.

The wider inquiry opportunities may address the current limitations of the model outlined in the previous section. Where the current model has a retrospective understanding of strategic behaviour, the opportunity exists for a predictive ethical decision-making model that considers the leadership qualities and shifts in governance needed to address current concerns about strategic behaviour. Underpinning such advancement will be how this model and the forward-looking model would complement or contradict each other, asking what people learn from history and at a deeper level what drives individual, self-interested motivations versus those that have the “common good” as a genuine societal concern.

In consideration of the above, future inquiry opportunities are dependent on the availability and quality of empirical evidence. The fast progress of the digital age forces both opportunities for and risks associated with empirical evidence. There remains an opportunity for more independent and broader empirical evidence to support different co-evolutionary levels (Volberda and Lewin, 2003). More importantly, where the demand is for more instant, narrowly informed judgments, there remains a need for longer-term, deeper empirical evidence to support not only scholarly, but also practical strategic behaviours that have wide and far-reaching impacts.

This section has outlined the opportunities for future inquiry of this PhD thesis with regard to model, methodology and wider-related aspects. Essentially the call for future studies is towards more substantive ontological inquiries to build better foundations for improved quantitative studies. There is an urgent need for improved business-society relations and this thesis highlights the need to restore ethics as central to the sustainability of neo-liberal market economies. This is in turn, a call for future leadership selection processes and training programmes to broaden their current capacities in working towards a more stable and sustainable “common good” at a time when change is moving towards volatility and chaotic

conditions. At the same time, the opportunity remains to re-evaluate the unit of analysis, i.e. the firm, as a corporate entity.

In this section the opportunities for future inquiry have been outlined. Section 7.6 below proceeds to reflect on the personal PhD journey and learning gained.

7.6 Personal reflection and learning

This section shares reflection of the personal PhD journey and learning gained.

This PhD is the outcome of a five-year personal development process. In simple terms, compared to the early stages, there has been improvement in the articulation and quality of materials produced. Critical thinking, methodological considerations and academic writing skills have progressed, supported by more in-depth and up-to-date knowledge of the field. The learning curve can be steeper in domains new to the inquirer. But once the tools are skilfully engaged, this gives the confidence to craft and adopt a more innovative, personal position within the literature and methodological approaches.

Particular to this inquiry, the contributions of the intellectual concepts of earlier civilizations were considered to be philosophically stronger, and their longevity appeals to present-day social science inquiries. To grasp this broader historical wisdom demanded a deep immersion into the writings relative to their contexts. The learning contrasts with present-day scholarly demands on social phenomena inquiry, which are rational and more scientific.

The internal training programmes and courses at a university are an invaluable resource for laying academic foundations in their early stages. Later they allow access to different experts who employ the diverse methodological approaches. At the same time, inquirer participation in academic conferences, papers, book chapters, peer reviews and practitioner consultancy projects within the scope of a PhD all offer expansion into wider academic fields, thus extending the learning experience.

This process enables one to ask more relevant questions, recognise potential and think more freely and reflectively. At the same time, the three layers of interpretation as a heuristic process contribute to understanding the more powerful meanings of words, where language is

a culturally embedded communication tool and education systems train thinking in particular ways. Behaviour is central to dealing with matters, as behaviour impacts others and becomes more difficult to change, because events are then non-reversible. The capacity to reason well asserts a tension between what is right and honourable, and the realities of the world we live in today.

At the same time, these five years of learning reaffirm a judgment that there are serious concerns about the underpinning of the current Anglo-American governance system that is driving towards a solitary global governance structure. Reflective learning may posit that this governance system is deliberately designed as such by its architects. This is highlighted where scholarly concerns and calls for improvement over the last century should have had greater impact.

This philosophical inquiry has engaged Islamic conceptualisation. This reflective exercise reaffirms this religion's peaceful message and completeness . The learning asserts a need to overcome the narrow misunderstandings and misinterpretations that influence people's perceptions. Actually, more ethical thinking asserts that prophets as messengers with greater knowledge about the purpose of this life are the informed philosophers.

With the benefit of hindsight, the qualitative inquiry is understandably recognised as being less clear, more complex, more exploratory and having greater volumes of empirical evidence. Whilst other approaches may have offered easier or more efficient routes, the inquirer has gained a much deeper appreciation for the strong foundational necessity and long-term value of this approach to inquiry. While the analysis was time-consuming and at times frustrating, its personal impact was in crafting a more reflective thinking and personality. This in itself reaffirms that our diverse experiences shape our thinking and more importantly that human learning is an impact of evidence-led outcomes. An appreciation of one's own strengths and weaknesses as self-awareness is vital within social contexts and in shared experiences.

This PhD has been a unique, once in a lifetime experience. There are always things that could have been done differently and a PhD is a challenging, complex endeavour. But at the same time, I have thoroughly enjoyed the journey. It has fulfilled and exceeded my quest for

knowledge and at the same time, it has generated a desire to continue along the path, to share learning, to progress knowledge and to impact wherever there is potential.

7.7 Chapter seven summary

In Chapter seven the conclusion as contributions of this inquiry were presented.

In summary, the firm that conforms to the selective environment survives, whereas growth depends more on a closer multilevel alignment to the selective environment.

Within this chapter the empirical, theoretical and methodological contributions to knowledge have been outlined. In particular, this inquiry makes a unique methodological contribution to knowledge. Furthermore, the limitations of and future opportunities for this inquiry were considered. In the latter section, personal reflection and learning from the PhD journey are offered.

The model concludes that Sainsbury's was the virtuous and Tesco was the growth firm. The conclusion asserts that philosophical weakness has contributed to ethical deficiencies in the selective environment, whereby a firm will benefit from broader ethical foundations.

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Appendix 1: Traditional Intellectual Routes to Strategic Analysis

	Long-Range Planning	Structure Conduct Performance	Strategic Conflict	Resource-Based View	Core Competence	Knowledge-Based View	Dynamic Capabilities
Strategy	Forward planning. Distant from reality.	Firm position within industry. Attractiveness of industry.	Manipulation and influence of firm on other firms and markets through interaction.	Firms are heterogeneous and consist of resources (VRIN) and capabilities (firm specific).	Unique competency – collective knowledge, production skills and technologies.	Knowledge is the inimitable quality.	Rapid-changing environments. Adapting, integrating and reconfiguring capabilities.
Lens of Inquiry	Inside-out	Outside-in	Outside-in	Inside-out	Inside-out	Inside-out	Inside-out
Criticisms	Implemented and realised strategy may be different to planned. Time lag due to planning. Suited to predictable environments.	Focus on industry structure. Static model. Perfect competition will result in equilibrium.	Understanding behaviour of competition. Oligopolistic markets. Focus on rivals. Imperfect information.	Lack of managerial importance. Not suited to unpredictable environments. Can sustained advantage be achieved? How is value defined and what is the nature of SCA?	Offshoot of RBV. Focus on competency as a capability. Value-based systems – managerial capability, technical skills. Institutionalised competencies. Core rigidity inhibits innovation.	Offshoot of RBV. Notion of firm as a single community rather than collective individuals. Cost associated with tacit knowledge exchange. Absorptive capacity of recipient of knowledge. Ownership of knowledge may lead to conflict.	Offshoot of RBV. Dynamic capabilities are a pre-requisite to CA rather than formula for SCA. Managers have bounded rationality.

Appendix 1: Traditional Intellectual Routes to Strategic Analysis

Sustained Competitive Advantage	Rational decision making. Environment influence is low. Stable environments.	Based on how firms defend themselves within industry over time. Equilibrium position – entry barriers/mobility.	How rivals are kept off-balance through “playing the game”	Is based on inimitability. SCA is based on a bundle of resources combined with capability. Superior systems and structures.	Portfolio of core competencies (collective learning) provide differentiation and SCA.	Heterogeneous knowledge bases of the firm. Superior efficiency.	Distinctive processes (coordinating and combining), paths and position. Dynamic capability where a series of CA result in SCA (hypercompetition)
Concept of Value	Analytics in decision making and predicting.	Privileged industry position.	Privileged market position	Resources / bundles of resources and capability. Firm-level efficiency.	Core Competencies through alliances, skill networks	Firms as social communities of knowledge. Create knowledge, replicate/transfer and grow.	Schumpeterian innovation. Through exploration and exploitation. Dynamic capability and grow.
Scholarly Support	Chandler (1962) Ansoff (1965) Andrews (1971)	Mason (1939) Bain (1956) Porter (1980) Industrial organisation (IO) economics.	Shapiro (1989) Schelling (1960) Game theory	Wernfelt (1984) Barney (1986; 1991) Helfat and Peteraf (2003)	Hamel and Prahalad (1990)	Kogut and Zander (1992)	Teece et al. (1997)
Performance	Goal focused. Profit. Ability of management to predict.	Based on entry barriers. Concentration ratios of firms within industry.	Conflict with rivals. Manipulation of information in markets.	Unique resources and capabilities and improved systems and structures.	Through collective alliances. Focus on core capabilities.	Knowledge is the strategic resource of the firm.	Creative destruction of existing competencies.

Appendix 2: Characteristics and implications of firm perspectives to selection/ daptation

Dominant paradigm	Characteristics of Selection/Adaptation	Management implications
Transaction costs (Williamson, 1975)	Minimise transaction costs (cost of exchange) of firm compared with markets and other firms. Buying/selling/day-to-day interactions. Bounded optimum efficiency.	Focus on minimising transaction costs to firm compared with competition/markets – frequency, specificity, uncertainty, limited rationality, opportunistic behaviour. Cost of access to information.
Resource dependency (Pfeffer and Salancik, 1978)	Firm is dependent on resources which originate from the environment. Other firms exist in the environment, so firms are dependent on each other.	Resources are a basis for power. Firms share resources. Therefore power and resources are interlinked. Power is relational, situational and potentially mutual.
Evolutionary (Nelson and Winter, 1982)	Firm as a processor of knowledge (not information processor). Focus on routine and learning. Bounded rationality in decision making. The firm is heterogeneous as it mutates through learning. Natural selection within population.	Setting, constructing, selecting and using knowledge (not reacting). Focus on coordination of new knowledge through routines. Cognitive processes and coordinating mechanisms. Selection can be target orientated.
Resource-based view (Wernfelt, 1984)	Firm as physical and intangible assets and capabilities (VRIN). Resources and capabilities are scarce. Distinctive processes within the firm.	Design and development of resources and capabilities. Development of bundles of resources and capabilities. Superior systems and structures to exploit resources and capabilities.
Dynamic capabilities/ Knowledge-based view (Teece et al., 1997)	The value of firm is derived from capabilities and knowledge rather than resources. Distinctive processes within the firm.	Capabilities make the firm heterogeneous. Focus on routines and knowledge. Paths and processes to superior capabilities. Creation and dissemination of capability/knowledge.
Behavioural theory of the firm (Cyert and March, 1963)	Focus on routines and learning. Bounded rationality in decision making. Need to allocate resources and capabilities to ensure stability and avoid uncertainty.	Routines as history guide behaviour. Increase successful routines, decrease failure routines. Process of discovery. Managerial intention to balance stakeholder demands (slack.)
Contingency theory	Firm as structures – both formal and informal.	Authority, relationships within firm structures,

Appendix 2: Characteristics and implications of firm perspectives to selection/ daptation

Dominant paradigm	Characteristics of Selection/Adaptation	Management implications
<p>(Burns and Stalker, 1961)</p> <p>Population ecology (Hannan and Freeman, 1984;1989)</p> <p>Institutional theory (DiMaggio, 1983)</p> <p>Systems and organisational theory (Scott, 1992;1998)</p> <p>Strategic choice (Miles and Snow, 1978; Miles and Huberman,1994)</p> <p>Entrepreneurial theory (Casson, 2000)</p>	<p>Optimal structure is dependent on contingent factors, e.g. strategy, size, uncertainty. Firm adapts to environment.</p> <p>The firm learns and transmits knowledge as part of the learning process. Environment or population selects firms with high reliability and accountability.</p> <p>Markets are embedded in social and political institutions. Markets are based on rules and structures created by historical govt. institutions. Govt. is regulator and umpire.</p> <p>The firm as an open system with interlinked relationships. Emphasis on external links of the firm. Org. theory – firm relative to the system (environmental network). Suited to few player environments, e.g. utilities industry.</p> <p>Firm exists in markets from which resources are engaged. There are a number of choices available. Firm can influence the environment, but structure of environment is a consideration in choice making. Selective sources of input are key to survival.</p> <p>Firm is embedded in institution. There are information flows and material flows. Coordination depends on synthesis of information. The entrepreneur synthesises information and makes judgment. The firm is a specialised</p>	<p>firm hierarchies, rules and patterns of decision making. Rate of differentiation/integration to environment. As firm grows, structure develops.</p> <p>Variation, selection and retention at industry and population level. Inertia is a characteristic to achieve fit with the environment. Management focus is on specialisation and reliability.</p> <p>Understanding rules of systems and paths to growth. Interplay between market systems. Patterns of constraints and incentives within institutional markets. Understanding signals from government.</p> <p>Collective strategies that optimise the network. Firm is interlinked to other firms and environment. Environment influences are specific or general. Firm has many subsystems which are formal (structure) and informal (culture).</p> <p>Focus on decision making. Exercise of choice is dependent on evaluation. Distinction between environment and firm is relative to goals. The goals influence structure and performance</p> <p>There is vertical and horizontal division of labour. The entrepreneur exchanges money for coordination rights and competes with other entrepreneurs for resources. Persistent changes need to be monitored. There are risks associated</p>

Appendix 2: Characteristics and implications of firm perspectives to selection/ daptation

Dominant paradigm	Characteristics of Selection/Adaptation	Management implications
<p>Entrepreneurial Theory continued....pg2</p> <p>Organisational learning /Behaviour theories (Weick, 1979; Cyert and March, 1963; Nelson and Winter, 1982; Daft and Weick 1984)</p> <p>Innovation theory (Pitelis and Teece, 2009)</p> <p>Action theory (Argandona, 2010)</p>	<p>institution and entrepreneur coordinates resources within it.</p> <p>In a changing environment, the firm must learn to keep changing goals and be competitive. First the firm acquires memory (patterns) of action outcomes in relation to environment (scan) through experiment/discovery. Secondly, the data/information is interpreted. Thirdly, the firm takes action/adapts in relation to changing environment. Thus, firm keeps changing /learning to fit environment.</p> <p>Focus is on creating and capturing value through creativity and innovation for the firm. Suited to incomplete markets where value (profit) is derived from advantage and action. The way this is done is the essence of the firm. Superiority of firm compared to market is through innovation. Success in environment is due to sustainable competitive advantage (SCA).</p> <p>Theory of firm as theory of human action and motivation. Firm seeks to move from less satisfied situation to more satisfied situation. Actions have consequences, results and outcomes. Employees need motivating that leads to improved actions. Thus universal theory links human action (subjects) and firm outcomes.</p>	<p>with judgments. Networks support information and capital flows.</p> <p>Learning starts at the individual level. It becomes organisational learning as information is shared. This translates into goals / objectives. May be dependent on management perspectives of environment (uncertainty/ understanding/ perspectives). Iterative development of goals/ actions in line with environment. Speed and capability to learn impacts performance.</p> <p>Management are focused on developing creative routines. Develop essence of firm through co-specialisation, new combinations and inter-firm alliances. Objective, nature and essence of firm are inseparable. Management need to co-create new bundles/strategies/ markets. Ontologically – what is the principle purpose of the firm?</p> <p>Firm is understood as relations of authority and hierarchy. Motivation is intrinsic/extrinsic and transcendental which leads to actions. Human actions in market and in firm lead to general theory of the firm. Management must create a climate of trust. This understanding calls for an ethical theory of the firm which this thesis responds to.</p>

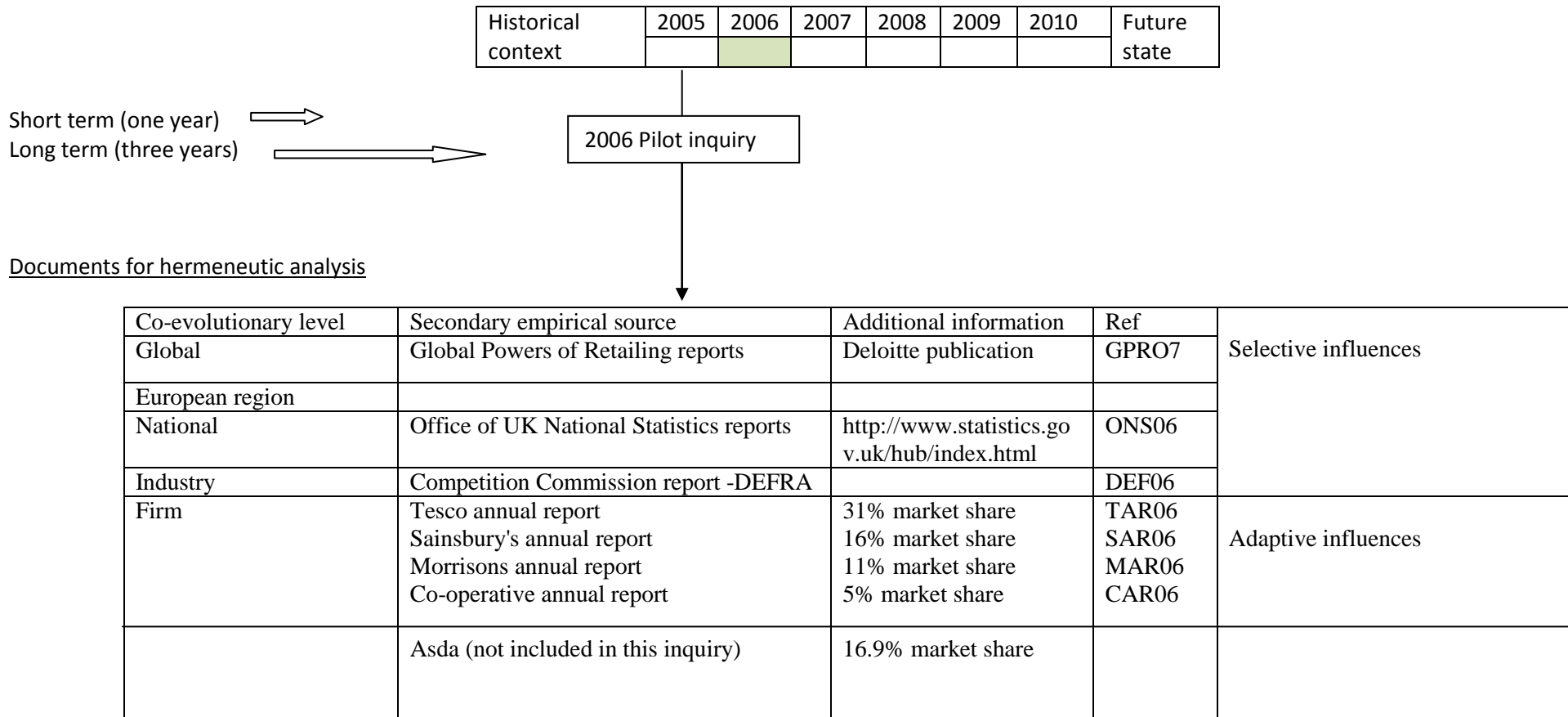
Appendix 3: Scholarly interpretive/hermeneutic inquiries

Author	Title	Focus of inquiry	Hermeneutic method
Arrington and Francis, 1993	Giving economic accounts: Accounting as a cultural practice	Accounting systems as human moral dimensions	Ricoeur / Etzioni
Mercier, 1994	Looking at organisational culture hermeneutically	French organisational institutional frameworks	Historical institutional hermeneutics
Boland et al., 1994	Designing IT to support distributed cognition	IT-distributed cognitive modelling	Hegel/Singerian
Koch, 1995	Interpretive approaches in nursing research: the influence of Husserl and Heidegger	Interpretive approaches to nursing	Husserl/Heidegger phenomenology
Ezzy, 1997	Subjectivity and the labour process: Conceptualising good working	Labour process	Narrative identity Ricoeur
Sköldberg, 1998	Heidegger and organisation: Notes towards a new research programme	Concepts of being for a new organisational research programme	Heidegger
Guoyuan and Xianlong 2003	The Translator's subjectivity: A hermeneutic Exposition	Historical literary translation	Gadamer
Noorderhaven, 2004	Hermeneutic methodology and international business research	Methodological challenges of qualitative	Chapter 4 in The handbook of qualitative research methods (Piekarri and Welch, eds.).
Lavoie, 2005	Economics and hermeneutics	Economics understood through hermeneutics	Critique of various approaches
Pernecky and Jamal, 2010	Hermeneutic phenomenology in tourism studies	Tourism	Heidegger/Husserl
Shionoya, 2010	Hermeneutics and the Heidegger Schumpeter thesis	Economic philosophy	Heideggerian ontology
Newman et al., 2010	A modified hermeneutic phenomenological approach towards individuals who have autism.	Autism	Heidegger Phenomenology
Marsh, 2012	Re-appropriating Psychopathology: A hermeneutic phenomenology of psyche, pathos and logos.	Existential therapy of psychopathology	Heidegger/Aristotle
Gopinath and Prasad, 2012	Towards a critical framework for understanding MNE operations: revisiting Coca Cola exit from India	MNEs in India. Exit of Coca Cola.	Gadamer
Verganti and Oberg, 2013	Interpreting and envisioning: A hermeneutic framework to look at radical innovation for meaning	Radical innovation of product meaning	Hermeneutics
Lindberg, 2015	Lost in a world of technology with and after Heidegger.	Understanding technology as being in the world	Heidegger defence against Idhe and Foucault.

Appendix 4 : An intellectual hermeneutic Justified True Belief – Embodied being

Judaism (1400BC)					
↓					
Greek philosophy					
Characteristics	Being/existence	Philosopher	Real form - being	New knowledge	In this inquiry
Justified	Body and soul exist together in physical world	Aristotle (350 B.C.) Body and soul together	Sensory experience Centripetal- centrifugal (Merleau-Ponty, 1945)	Empiricism functionalism (parts)	Meaning
True	Soul experiences life through vessel - body	Plato (380 B.C.) Independent soul and body	Social actor – being	Interpretivism	Understanding
Belief	Mind existed in heaven before joining body	Socrates (430BC) Abstract ideas World	Abstract reasoning	Intuitive rationalism	Interpretation
Linking Justified True Belief				21st century inquiry paradigm	
<pre> graph TD A["Socratian belief Rationalism (abstract concepts) Doxa (believed)"] --> B["Islamic ontological conceptualisation & generalisation"] A --> C["Platonic understanding (Social actors perspective)"] B --> C C --> D["Rationalising experience"] C --> E["Aristotelian meaning (sensory experience) Episteme (known)"] </pre>				<p>21st century inquiry paradigm</p> <p>Interpretive approach Hermeneutics</p> <p>Heidegger (1927) Dilthey (1986) Mannheim (1936) Merleau-Ponty (1945)</p> <p>Hermeneutic circle is endless and ontologically principled.</p> <p>Humans can understand humans</p> <p>History and bias are recognised</p> <p>Language and literature exist</p>	
Intuitive rationalism ← → Empiricism					
↓					
Christianity (6B.C. – 36AD)					
Islam (600 AD)					
<p>Hermeneutic contributors: Aristotle (384 B.C.-322 B.C.); Thomas Aquinas (1225-1274); Luther (1483-1546); Spinoza (1632-1677); Vico (1668-1744); Schleiermacher (1768-1834); Husserl (1859-1938); Hegel (1770-1831); Dilthey (1833-1911); Ast (1846-1871); Heidegger (1889-1976); Gadamer (1900-2002); Merleau-Ponty (1908-1961); Ricoeur (1913-2005)</p>					

Appendix 5 Secondary Publically Published Data Sources for Pilot Study – 2006



Designed with reference to Volberda and Lewin (2003)

Period	June 2004-June 2005		GLOBAL LEVEL : GLOBAL POWERS OF RETAILING REPORT 2006			
Document	Ref	Level	Event / Description / Observation	Explanation / Significance	Output / Impact / Conflict	Interpreted Central Theme
GPOR06	pg G5	GLOBAL	Deloitte Touche Tohmatsu is a Swiss Verein structured association	Verein is a member based voluntary association legal structure recognised in Swiss law.	Used by multinational professional firms to limit their global accountability or liability to within National boundaries.	De-centralised strategic alliances and global informal networks protect the professional services firm.
	pg G8		Global economy has continued to perform well.	Rising home values contribute to perception of wealth in west.	Rise of exports from East fuelled by strong consumer spending.	Financial liberalisation supports the established supermarket expand domestically and internationally.
	pg G10		Sales of \$2.3billion needed to be top 250	Walmart dominates with \$285bn sales	Top 10 retailers \$817bn sales (28% of total 250)	Oligopoly of top 10 global retailers - same as last year group
	pg G11		Rise of fifty three retailers supported by mergers and acquisition activity.	Consolidation of large retailers at top of retail pyramid.	Restricting competition from new entrants at top of retail pyramid.	Liberal finance structures allow larger retailers to flourish.
	pg G4		Using customer experience as a path to shareholder value	Value creation is understood as loyalty, fulfilment and share metrics (Sales Cube).	Supermarkets collaborative approach to sales strategies - colluding to create market/brand niches.	Improved sales productivity will drive revenue growth and shareholder value.
	pg G5		To capture customer experience it is necessary to reinvent survey process and leverage technology.	Subjective scoring leads to ambiguity. By analysing buyer behaviour sales strategies can enhance shareholder value.	Use of handheld devices in retail location; web surveys; sampling to gather and analyse consumer information at experience points.	Optimising value through understanding and influencing consumer experience.
	pg G5		Improved sales productivity driven by sales process, organisational structure and metrics.	Seeking value in supply chain at a value that consumer is prepared to pay	Pressure on suppliers to improve efficiency and value will compromise quality.	Focus on low quality, high volume supply chains.
	pg G6		In the next two years importance of China's consumer markets will grow.	The significance of China as a rising and important consumer marketplace is recognised.	There are both risks and opportunities for western companies with a presence in China.	Internationalisation of Retail sector into liberalising consumer markets - China.
	pg G12		Worlds largest retail markets are U.S. and Japan.	Both markets have high levels of debt and low levels of savings.	International sales are becoming increasingly important to retailers.	Saturation of consumer demand within neo-liberal markets.
	pg G12		Supermarket format is being squeezed by convenience and hypermarket formats.	Consumers seeking lowest price and fastest and easiest shopping experience.	Adoption of alternative formats and standardised products retains oligopolistic hold on consumer experience.	Consumer lifestyles are increasingly fast paced and individual choice is important, but regardless diverse formats benefit shareholder value.
	pg G49		Technology is influencing mass marketing and communication	Dynamics of buyer seller relationship are shifting to consumer	Online communities; mobile phones; blogs result in increased exchange of information	Building trust with the consumer is critical for retailers

pg G12	REGIONAL	Top 250 retailers in 27 countries	U.S dominates (36%) followed by Japan (16%)	9 out of top 10 retailers sell food ; 102 supermarkets	Food retailers are internationalising - Russia / China, but Walmart dominant
pg G34		Some of the biggest countries in Europe are stagnating.	High unemployment in France and Germany.	To deregulate (neoliberal policies) or maintain social values in Europe.	Neoliberal forces are dividing Europe - France has new government (Neo-liberal). Germany holds status quo.
pg G38		Europeans are living longer, retiring earlier and having fewer children.	Labour force will decline and retirees will increase.	Burden of social costs will potentially rise in future or retirement age will have to rise.	Intensified pressure for employment reform in Europe. Neo-liberal (deregulation; reducing unemployed subsidy) policies will increase retirement age and remove safety net.
pg G35		Huge financial imbalance between U.S. and rest of the world	U.S. has huge current account deficit, whilst China has largest surplus.	Federal government and consumers have increased budget deficits.	Savings in China have risen whereas U.S deficit is a concern indicating global shift.
pg G34		Rise of oil prices impacted by Natural disasters - hurricanes.	Weak U.S dollar means impact of high oil prices is not being felt yet.	U.S interest rates are rising and G7 countries are experiencing increasing inflation.	Oil producing countries becoming stores of wealth.
pg G36		China has become one of the prime influences in the global economy.	Domestic generated growth is beneficial to China.	Economic reforms includes shift to high value added products and services. Possible currency revaluation	Chinese demand for imports rising - fuelling domestic demand and knowledge transfer.
pg G37		India's emergence as an off-shore hub for service function creates buzz.	IT and communications revolution benefits from english speaking educated domestic talent pool.	Globalisation of services to emerging markets supports decline of developed markets.	Intensification of competition for products and services across diverse markets.
pg G40		Latin America economy is a mixed bag.	Growing rapidly but economic environments pose serious risk.	Reforms within domestic markets require governments to adopt market orientated reform.	Lack of legislative infrastructure and market mechanisms are problematic for neo-liberal firms.
pg G39		Japan on verge of economic renewal.	Japan has had 15 years of stagnant growth and deflation.	Employment and wages are rising in Japan and so are retail sales and financial sector markets.	Neo-liberalisation is compelling Japanese to part with little savings, whilst Govt. has huge bad debts.
pg G40		Russia is fastest growing economy in central and eastern europe.	Russia is quite attractive to foreign retail investors.	Local policies are allowing inflow of investment, but indigenous populations are declining.	Lack of immigration and decline of indigenous populations create little investment opportunities.
pg G46		Terrorism is a risk to modern life.	Risk of terrorism increases with globalisation	Increasing disparity between haves and have nots.	Consumer interconnectedness is increasing
pg G10	NATIONAL	UK economy remained strong in 2004, although it has slowed in last year.	Merger and acquisition activity has generated large sales gains for market leaders.	Anglo - american markets are performing better than European markets due to liberalised finance.	Perception of wealth is economic value (Q value) - companies are overvalued or are factoring in potential growth.
pg G11		Tesco climbs to 6th place in Global rankings.	Fast expansion and growth of U.K based firm.	Intensified competition in domestic market.	Brand equity and non-tangible assets are high.

pg G12 pg G18 pg G18		UK has 9.6% of top 250 retailers	Morrisons fastest growing in UK (7th) (M&S; John Lewis; Boots; Somerfield; Dixons also in top 250)	Tesco (5th) \$62.5bn Sales; \$2.5bn profit; 13 countries Sainsburys (27th) \$28bn; \$113m profit; 1 country Morrisons (31st) \$22.6bn; 378m profit; 1 country Co-op (106th) \$13.7bn group - \$6.4bn retail; 1 country (Group profit £365m)	Tesco is only international U.K originating food retailer Morrisons acquired Safeway last year to grow Co-op is part of wider group
pg G5	INDUSTRY	Every important business process converges to create the elements of the customer experience.	Customer experience can be decomposed into key elements of value added by business processes.	Sampling and probability theory can be used to evaluate value and cost of delivery.	Supply chains need to add value to the customer experience.
pg G10		Intensifying competition is exerting downward pressure on prices.	Scale and efficiency improvements in supply chain.	Suppliers are being forced to consolidate and rationalise.	Supermarkets are dominating suppliers.
pg G5		Consumer focused organisations that align brand strategy with sale and operations across the enterprise using metrics based on buyer behaviour will win.	Analytical metrics are being used to understand consumer behaviour and develop sales / brand strategies	Isolation of impact of business processes on consumer experience to evaluate value	Statistical/ economic modelling of product / consumer value added within business process supply chains.
pg G4		In today's competitive marketplace companies choose both high and low value investments.	An inability to measure relative cost and value of competing strategies	Companies are targeting multiple range of consumers and markets under a single brand	Brand presence in diversified markets driving competition
pg G44		Global sourcing results in complex supply chains	risk and complexity of wider sourcing competitive pressure	Health concerns - mad cow; avian flu within supply chain. ISO 22000 food supply chain standard introduced	CSR is becoming more of a priority in gaining trust of public Traceability legislation introduced for batch products
pg G48		Demographics are working against recruitment and retention of young talent	Cost of labour is increasing and supply of skilled workers is low	Talent management in emerging markets	Staff loyalty and skill retention needs to improve in retailing sense of belonging and satisfaction
pg G5	FIRM	Firms have sought to improve financial performance through process improvement performance management and cost cutting programmes.	These programmes have been historically effective but less so at present.	Improved sales processes is driven by Sales productivity and processes.	Strategies to influence consumer behaviour are becoming more sophisticated.
pg G11		Morrisons doubles in size due to acquisition of Safeways PLC.	Monopolies and Mergers Commission approved acquisition.	Five firm concentration of leading supermarkets.	Development of National chain in U.K.
pg G4		Boardroom strategies don't always become part of decisions made on behalf of customers.	Value delivered to customers can fall short of brand aspirations and company expectations.	Effective evaluation of customer investments by looking at customer experience is needed.	Firms need to better understand value drivers that impact decision to purchase.
pg G4		It is an economic truth that customer value leads to shareholder value	Value created needs to be in excess of cost of delivery	Challenge is to choose best investments to meet customer demand	Point of delivery is where value can be understood
pg G4		Customer satisfaction surveys leave companies with incomplete information	Subjectivity is not perceived as of value as a survey method	Metrics for analytical modelling are perceived of value to strategy development	Technological and quantitative analytics are being used for strategic decision making

National		Period	June 2005-June 2006																		
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme															
	ONS	Global	UK is sixth largest economy in world UK is eleventh in terms of income Labour Government in power	Economic growth 1.6%; Int Rates 4.5-5%; Unemployment 5%; Inflation 2%-2.5% weak manufacturing;	GDP Purchasing Power Parity (World Bank, 2006) GDP Purchasing Power Parity per Capital (\$35,486) Financial sector contributing to economy and construction sector doing well.	UK is experiencing positive economic growth Usual cycle of recession was avoided Economic growth since 1992, but trend of rising unemployment Property prices have remained bouyant reflected in consumer confidence.															
	ONS	National	UK Government spending was £492bn	Central Government £360bn Local Government £132bn GDP of £1.2Tn	Government costs and expenditure rising Government debt gradually increasing	Strong £ - UK imports have increased at a greater rate than exports Inflation has facilitated debt increase proportion to remain comparatively low Majority public expense is Pension; Healthcare; Social Security and Education. Central government policies of public purse															
Consumer Spending	ONS		Consumer Spending has risen	High house prices and consumer credit £1.168Tn is owed by UK consumers	Low interest rates and easy access to credit 83% of consumer debt is as mortgages	Property prices fuelling consumer spend High oil prices; consumer banking has confidence in marketplace															
BofE	BofE		Bank of England sets own monetary policy since 1997	Low regulation of banking sector	BofE sets national interest rates Bank of England Act 1998	Liberalised financial structures facilitate easy credit with low deposits BoE independently decides to meet government inflation targets using monetary policy i.e. Interest rate lever															
Balance of Payments	ONS		UK has trade deficit high in August 2005 Government debt was £467bn.	24 EU countries (40%) non EU (60%) trade with UK Government deficits over several years have been eroding national position Balance of Trade deficit @ £3bn	EU membership growing (27 members end of 2006) Trade deficit peak of \$6Tn In 2002 government deficit was lowest at 30% Current Account deficit of £31bn (a trend since 1984 - pre 84 to 1955 was lower deficit).	Regardless of Antwerp-Rotterdam effect UK has trade deficit with EU. Largest export to EU is services (50%). UK pattern of selling to non-EU is increasing. In 1997 government deficit was 43% (£352bn) - reduced to 30% by 2002 - since then has been increasing gradually (37%).Historically the UK has peaked debt during war time. Goods and Services exported have been more in over 40 of last fifty years - reflecting UK value added. UK firms/ residents have been investing in foreign assets since 1990s at a faster rate than foreigners investing in UK - but foreigners asset value in UK has increased more than 40% compared with UK investors FDI (20%). UK stable strong economy.															
	ONS		Inward investment in UK exceeded outward investment for first time in a decade	Trade deficit of 2.5% of GDP	Offset by high inward income of 2.3% of GDP. Surplus with US; Australia; UAE; Saudia Arabia Deficit with China; Norway; Germany; Holland	There is a current attraction of UK companies to foreigners investing in the UK. Trade deficit likely to worsen looking forward. Foreigners hold equity (stock/ shares whereas UK investors own assets abroad. Re-exports contribute to data where EU exports to UK; UK re-exports back to EU. Actual dependency on EU is low.															

40	Labour Force Survey	ONS	Unemployment has been increasing - 7 year high	Number of unemployed is 1.4m	This reached bottom in 2004 and now numbers are creeping up slowly	Rate of unemployment is rising
41				Manufacturing employment decreased to 3m (lowest since records began)	28.9m people are in work	Change of sector towards - financial services dominates London centric
42						Peugeot close Ryton factory - move to Slovakia
43						
44	British Social Attitudes	ONS	Increase of co-habiting couples	Since 2000 the family structure has changed	2.3million couples co-habiting	No. of co-habiting couples to double by 2031
45				Decline in marriage (4% since 1996)	9 out of 10 people seeking reform of family law	Marriages at lowest level since records began
46				43% of children born outside marriage		High percentage of children born outside of marriage in UK
47						
48	Population	ONS	UK population 60.5m - UK is densely populated nation. Population increase of 350,000 on last year.	People are living longer	25% growth in the 75+ age group bracket.	Catering for aging population - rise of Healthcare/Welfare as public expenditure
49				Single person households	Household size is reducing to singles	Types of households and needs - individual housing over family units
50				Growth of Ethnic minorities	Integration into UK society	Range of products diversifying in local market to reflect cultural diversity
51				Increasing divide between rich and poor	Rural housing a problem	Urban / rural concerns; young prefer cities; housing in rural areas remains an issue
52						
53	CIR Planning Commercial/Industrial Retail	ONS	1.2m sq.m of retail space was built in England (2006)	14% decrease on 2005 and half of the 1990 level	26% of the developments are in town centres and 42% within 300m radius of the town centre	Out of town developments have prohibitive restrictions for new stores since 1996. UK land planning system adds cost to retail space where in the 1980s retail space was highly expensive in UK compared with US and continental Europe. Concern of schotastic planning uncertainty and imposed construction taxes on retail developments
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59	Retail Sales	ONS	The Standard Industrial Classifications are 52.1 to 52.70	Retail Sales decline in 2005 but have improved in 2006	Town Centre First Policy (1988) ; PPG6 (1993; 1996); 1971 - 65% retail development in town centres 1996 - 23% retail development in town centres 2003 40% retail development in town centres	Shift of policy in favour of Town Centres vs Out of town supermarkets. Issues include decentralised housing makes distances further; congestion is greater; size of supermarkets in town centre is smaller; logistics of distribution; environmental impact;
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64			27% of households do not use a car	Lone parent households with children (69%)	Location is critical for retail	Location; access; time; budget ; public transport into town centres;
65				Old age pensioners	4 Groups of shoppers have emerged	Convenience vs Cost and older shopper vs younger shopper habits
66				Substantial shoppers unhappy with variety in stores - homogeneity	older people (11%); wealthier shoppers (specialist)	Closure of Post Offices - rural
67					Ethnic shoppers (6%) and Single parents (2.8%)	Quality and Value within stores as differentiation.
68						Loss of Total Productivity Factor (TFP) due to planning restrictions.
69						
70			Competition Commission	Similarities between Stores and Choice Pricing	Competition Commission Report - Investigation Oligopolistic Practices	73% of market controlled by 4 companies Supermarkets are fair according to Commission
71				Decline of independents	Economies of scale driving out competition	Supermarkets have been extending existing stores to add space
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73						
74			Consumer Preferences in Retail	Consumers are brand conscious and becoming CSR conscious	Consumer habits shifting from price towards convenience factor. Battle between own label and consumer brands.	Freshness;Ease of shopping; Range (own+brand); Location; Price Bespoke Portion;Range;Service of Staff;Freshness; Price; Branded vs Supermarket labels; Parking;Range;Local Sourcing; Service;Freshness;Quality Value;Quality; Community;Range; Service; Freshness
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Period	May-06	Industry Level: DEFRA Report 2006 / Competition Commission				
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
DEF06	pg 19	GLOBAL	Farm-gate prices are driven by a range of factors.	Farm gate prices and retail prices are being increasingly scrutinised.	Farm gate factors include - exchange rates; world commodity markets; degree of added value in produce. Retail prices include these along with - degree of processing; packaging; retail efficiencies; energy and regulatory impacts.	Decline of UK farm incomes maybe due to globalisation of supply chains. Wider range of international suppliers are competing for supermarket business. Tradeoff between local and international supply is balance between consumer preferences and retail profitability in a competitive marketplace.
	pg 10	REGIONAL	In many continental countries large buyer groups have arisen.	Retailers collaborate with each other for efficiency gains.	Fewer retailers are able to dominate many suppliers. Development of complexity of supplier agreements which benefit retailers over suppliers.	Additional buying power of larger groups formed developing oligopolistic practices among leading grocery retailers. Globalisation of supply chain shifting control to grocery multiple retailers - high volume economies of scale.
	pg 10	NATIONAL	UK's relatively concentrated grocery market in comparison to Europe.	UK had a more liberal market in terms of planning and competition policies.	U.K had a stock market driven corporate culture that drove new retail strategies and innovation. European differs culturally to UK marketplace	Europe maintained strong culture of specialist shops reflecting consumer awareness combined with continental hypermarkets based on low price. UK developed quality / price package within smaller domestic competitive market. Historical, cultural and institutional differences between UK and Europe.
	pg 21		relatively liberal planning guidance in 1990s facilitated rapid growth of out of town shopping.	France and Germany have imposed tighter restrictions at an early stage.	Revised stricter planning has restricted growth of larger stores in out of town areas.	Larger out of town stores had negative impact on high street and local communities. Planning regulations revised to rejuvenate city centres and community cohesion. Supermarkets promoting cohesion via government schemes; charity sponsorships.
	pg 03/05	INDUSTRY	IDG values retail sales through UK grocery outlets at £120bn in 2005.	The value of sales in UK has increased by 4.2% compared with last year (2004).	102,537 stores in U.K. Convenience (52,085 stores; £24bn)- 20% Traditional (43,874 stores; £8bn) - 7% Supermarkets (6578 stores; £88bn) - 73% Alternatives - negligible	Rise of supermarkets and decline of Co-operatives trend. Supermarket multiples (5403 stores; £84bn) dominate Co-ops (969 stores; £2.8bn). Tesco continues strong profit growth while Morrisons made a loss this year.
	pg 09		UK has one of the more concentrated grocery retail sectors in Europe.	The top 5 UK grocery retailers accounted for 63% of the total grocery market in 2004.	Sweden; Denmark; Switzerland are the only countries with higher 5 firm ratio than U.K.	The U.K. regulators and Competition Commission prefer a five firm concentration ratio. But U.K. has higher concentration of retailers than Europe supported by liberalised finance and low entry barriers for foreign firms into UK market.
	pg 16		Planning restrictions may directly or indirectly impede competition.	Planning can limit the scope of profitable restructuring and efficient expansion.	aspects of planning system and landholding may restrict competition.	Influence of planning on formats - use of space; design; energy; location. Impact on town and city centres; out of town shopping and traffic. Local community cohesion and competitive practices.
	pg 07		Combined marketshare of largest four retailers is 74%	Competition regulatory bodies prefer a four/five firm concentration ratio.	Entry and exit barriers to grocery multiple sector is controlled by leading group and monitored by CC regularly.	The dominance of leading multiples is of concern to consumers which is reflected in rising frequency of regulatory reviews. Regulatory bodies have controlled international competition (Asda 1999) and local consolidation (Safeways 2004).

pg 04	Sale of food and drink account for 65% of the total.	Non-food grocery (toothpaste; soap; health; beauty) and non-grocery (electrical; fuel; home) are becoming increasingly important.	food and drink (£78bn; 65%) tobacco (£12bn; 10%) non-food grocery (£17bn; 14%) non-grocery (£12bn; 10%)	Whilst food and drink remain core category of retailing, non food grocery and non-grocery are growing in value.
pg 04	Traditional retailers only account for 7% of sales in U.K.	Majority of sales are within supermarkets and superstores.	75% of U.K sales are within supermarkets and convenience sectors.	U.K. grocery outlets (all) have £120bn sales which is nearly 50% of all U.K retail sales. 13.1% of U.K. household expenditure is within grocery outlets of some form.
pg 17	Supermarkets have made food more affordable for consumers.	consumers have benefited from competitive food prices and grocery prices.	real food prices have declined 7.3% between 2000 and 2005. Prices on some products are 10% lower.	Large supermarkets are increasingly competitive but may also be oligopolistic as reduced margins extend format to petrol; financial services; household goods; music; books; clothing.
pg 04	The Gross Value Added (GVA) of the food chain (beyond farm gate) was £70.6bn	GVA is difference between input and sales.	Food and drink retailing (£20.1bn) Food and drink manufacturing (£21.3bn) Non-residential catering (£21.8bn) Wholesaling (£7.5bn)	Wholesaling GVA is dropping. Retailing represents 2% of U.K. total GVA. Distribution efficiency is critical to U.K profitability.
pg 14	Competition Commission concluded the industry in broadly competitive.	Excessive prices are not being charged nor are excessive profits being earned.	Typical profit margin for grocery retailers 2-6% Branded food and drink manufacturers 8-12% ROCE branded manufacturers (20-25%) supermarkets are less with Tesco best at 20-22%.	Grocery multiples are developing own label brands and diversifying into aligned areas Sales and profits of grocery multiples are lower than other main retailers (BHS@15%; Next 14%; Boots 10%). Rising costs and competition in grocery multiple sector.
pg 17	Low income consumers have benefited from 'economy' own label brands.	Consumers without cars may have relatively less choice if supermarkets are out of town.	Tesco has been particularly successful is appealing to all social categories.	Social impact of supermarkets on consumers with/ without cars. Tesco locations and ranges appeal to widest cross section of consumers.
pg 04	Employment in food and drink retailing exceeded 1.2 million in Dec 2005.	5% of U.K employees within food and drink retailing.	Over 60% of employees are part time or female. 45% of employees are both P.T. and female.	In U.K. grocery multiples represent significant employment (8-10%) of U.K. workforce. In retailing flexible employment and gender diversity indicates changing lifestyles and work force trends.
pg 05	Retail revolution has been underpinned by socio-economic trends.	one stop grocery shopping rise at the expense of independent and co-operatives	car (weekly / bulk shopping) rather than pedestrian daily shopping routine.	pursuit of economies of scale; mass manufacturing technologies; national brand standardisation and self service (supply factors). Busy consumer lives; rising incomes; rise of household numbers and women working; car ownership; affordable travel; ownership of fridges (demand factors).
pg 06	New technology has allowed retailers to reap further scale economies.	organisation of distribution; logistics; warehousing; purchasing systems.	Wholesale markets have declined.	Independent retailers supply base eroded. Supermarkets growth of power as scale economies give advantage.
pg 06	Larger stores with wider product ranges	consumers make larger but less frequent shopping trips	operational/technological improvements - stock control; checkout scanning; fresh produce; longer shelf life.	Technological and operational efficiencies reduce costs and attract customers in an increasingly competitive marketplace.
pg 13	Larger store formats have become common.	Existing out of town stores have been extended to accommodate non-food items.	Non-food items annual sales growth of 6-25% Food items annual sales growth of 3.5%	Non food items account for 10% of supermarket sales and this is a growing area.

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pg 06	Loyalty card schemes have given retailers new insight	consumer preferences can be understood using data analytics	Retailers actively involved in product development and diversification of ranges / offerings.	Grocery multiples expansion of own label product ranges along with diversification into non-food retailing supported by loyalty scheme knowledge and incentives.
pg 06	Growing investment by major multiples in the convenience sector	average store size of major multiples fell for the first time since 1970 in 2000.	Consumers are prepared to pay premium for convenience as they have more income and leisure time.	Shift of investment by large multiples from larger stores in U.K into developing into the more profitable convenience sector.
pg 13	1.5million households are using internet shopping.	Independent shops are not able to compete nationally with chains.	Consumer growth of internet shopping experience.	National chains have efficiency advantages in internet shopping which is a growing new format for retailing where independents are less competitive.
pg 06/13 pg 23	Slowed trend of average size of store.	During 1980s and 1990s smaller high street outlets were replaced by out of town larger stores.	Growth of investment in convenience stores. Average size stabilised at 18,000 sq. ft rising from 2500 sq. ft in 1970. Largest stores (40K+) grew by 12%.	Consumer trend shifting towards convenience preference rather than bulk shopping. IDG forecasts grocery market growth of £137bn from £120bn is largely attributable to convenience sector (£24bn to £32bn) upto 2010.
pg 09	Convenience retailing is consolidating.	Large multiples are becoming competitive in this sector of retailing.	well sited stores; well stocked stores; transfer of best practices; economies of scale; better profit margins.	The top-up on the move market and convenience factor is preferred by consumers Convenience share by grocery multiples is growing 20% to 24% by 2010. Pre-paid meals are growing fast.
pg 18	Entry of supermarkets into convenience has increased competition and raised standards.	There is increasing pressure on independent stores and their existing suppliers.	Tesco and Sainsburys have notably grown fast into the convenient sector. Market entry into new sector by large retailers.	Association of Convenience Stores (ACA) fears supermarket buyer power will undermine independents and their wholesale distribution networks. There is concern of below cost selling in convenience stores owned by large retailers that maybe distorting competition - 'price flexing' has no conclusive evidence.
pg 18	In 2000 top five supermarkets accounted for 66.5% of UK sales for a large group of suppliers.	Large retailers have dominant market share and strong buying power.	Negotiating power favours supermarkets over suppliers.	Multiple retailers are now the leading influence on the supply chain. Thirty years ago food manufacturers controlled retailers through brand advantage.
pg 07/08	Tesco has a commanding and steadily increasing share of non-convenience UK grocery multiple retailing.	Tesco (30%); Asda (16%); Sainsbury's (16%); Morrisons (11%); Co-op (4.7%) Tesco leads by a few % in many regions by postcode: (T67; A23; S14; M13 - out of 120 postal regions - 56%; 19%; 12%;11%).	Tesco has grown whilst Sainsburys marketshare has fallen since 1990s. Tesco dominates in Milton Keynes (50%) and Inverness (51%)	Largest four grocery multiples have 74% marketshare. There are regional variations of dominance between the major multiples. Overall Tesco is growing and leading Nationally in UK.
pg 08	Morrisons has grown by acquiring Safeway.	Tesco has strong performance (6% margin+ growing marketshare); Sainsburys has declined marketshare and margin (from 5% to 2%).	Morrisons has grown by acquiring Safeway but conversion costs reduce margin from 6% to 3%.	The competitive landscape of grocery multiples shows Tesco has good margin and marketshare. Morrisons has grown marketshare but lost margin. Sainsburys has reduced both margin and marketshare; Asda slightly improves both.
pg 11	Grocery multiples are competing in a mature marketplace in UK.	Large retailers are better placed to manage the supply chain.	Large retailers are gatekeepers to consumers in both own label and private label goods.	Growth of own label branded products within stores. Fierce competition for market share based on price; range and service. Shift to premium products. Enlargement of existing stores and expansion into convenience sector.

pg 11	Price competition between supermarkets is evident.	There is competition from discounter (Lidl; Netto; Aldi). Walmart's acquisition of Asda in 1999 and Saway's acquisition by Morrisons in 2004.	Discounters compete on lower prices /economy brands. Asda's Every day low prices strategy. Retailers promotional offers.	Price is critical in mature competitive marketplace. Low margins (2-6%) and rise of own label brands and ranges by retailers. Sainsbury's have cut 6000 prices since 2004 to try and win back marketshare.
pg 12	Low prices are a key motive for visiting a particular supermarket.	58% of consumers and 68% of loyal shoppers consider price important.	Price-led advertising and promotions by retailers. High volume low margin marketplace.	Fierce competition puts pressure on suppliers to proactively support cost efficiencies. Consumers are price savvy and know what they are willing to pay for products.
pg 12/18	Consumers weigh up quality of product and service seeking value for money.	Discounters have lower share of UK retail market.	Retailer brands (own label) have expanded across ranges to offer multiple price-quality offers.	UK is a European leader in own-label products. (2nd behind Switzerland). Own label brands generally give better margins to retailers and branded manufacturers face increased competition from second tier food manufacturers. UK customer prefers quality/value whereas Europeans buy some fresh (bread) produce from specialist shops and seek lower price from hypermarkets.
pg 13/15	Supermarkets compete hard on fuel sales.	Supermarkets accept lower margins on fuel sales.	Fuel facilitates increased footfall within stores.	Fuel sales are a mechanism to generate custom within stores. Space productivity in stores (T:£23.9/£22.3/£16.9/£16.8).
pg 20	Supermarkets are consciously taking measures to improve transport efficiency	HGV / distribution efficiency has improved.	Better loading of vehicles; fuel efficiency of fleet; location of distribution centres;	Although there are improvements in transport efficiency and logistics the weight of food transported is increasing.
pg 13/15	Emphasis on shopping experience reflects UK consumer preferences	Focus is not just on productivity but on high quality retail environment.	Longer opening hours (Sunday); greater focus on service; investment in shop ambience; navigation; queuing; packaging and labelling;	Foreign retailers are impressed by U.K retail environments. UK consumers prefer quality and price as value in shopping experience.
pg 15	Efficiency is key to retailer's profitability and competitive edge.	Supermarkets use a basket of measures to obtain wider view of their performance.	Employee; financial (margin, ROCE, asset); and space productivity are published in annual reports.	Highly competitive marketplace where oligopolistic practices include fast followers or reaction to changes across the five firm ratio- barrier to entry; regulatory driven innovation rather than disturb status quo.
pg 19	Grocery retailers expand into non grocery.	The intensification of competition within retailing.	High street retailers are having to consolidate and improve efficiencies to compete for business.	High street retailers are facing increased competition with grocery multiples expanding into non grocery market.
pg 13	Premium product lines -particularly prepared meals are growing fast.	Cash rich and time poor consumers choice. Competing with eating out restaurants.	Consumer lifestyles and habits prefer convenience factor.	Process control of food is being passed to grocery retailers from consumers. Grocery multiple retailers are more involved in product development.
pg 19	Decline of independent shops has impacted on localised suppliers.	National market has been opened up to regional and local suppliers.	Centralised distribution systems limit scope for stocking local produce, but growing consumer interest in local produce.	Supermarkets need to open up to local sourcing as consumers are demanding local produce. Potential scope for local suppliers to get involved with National chains.
pg 19/20	Power of supermarkets has encouraged farmers and suppliers to be more competitive and market orientated.	UK farm incomes collapsed in 1990s and there is suspicion that farm-gate prices have been squeezed.	Domestic suppliers have lower distribution costs whereas international suppliers have lower labour costs.	There are concerns that large supermarkets take short term view of supply chain. Few farmers supply directly to supermarkets - supermarkets deal with larger processors and pre-packers. Supply chain local vs international competition.
pg 20	retail power and consumer awareness has increased.	ethical sourcing and behaviour is both an opportunity and threat to supermarkets.	Gangmaster labour; health of domestic agriculture, animal welfare; overseas labour standards growing priority.	Supermarkets signed up to Ethical Trading Initiative. Supermarkets react to BSE scare; GM food concerns - consumer concerns. Traceability and labelling is a source of trust for the consumer.

pg 19		Net employment impacts have been hotly debated.	Specialist shops have closed but new jobs created in non-food.	Net employment in food and drink retailing has increased by 45% between 1993-2005.	Employment rise of 45% in retailing associated to longer opening hours; Sunday trading; non-food development.
pg 21		Changing shopping patterns are an environmental concern.	Growing affluence and car ownership is having a negative impact on environment.	Car miles associated with supermarket travel have increased by one third between 1992 and 2002.	Environmental impact of increased car usage for supermarket travel is growing. Convenience sector or internet shopping may reduce this.
pg 06/09	FIRM	Tesco acquired T&S (1200 stores)	Major multiples expand into convenience retail format.	Convenience share of the total grocery retail market is increasing from 20% to 24% by 2010.	Large multiples have begun to compete strongly in convenience sector (Tesco Express; Sainsbury's local) via acquisition of existing chains - diversity and brand. Convenience sector is consolidating economies of scale; quality sites.
pg 18		Tesco has 2600 suppliers	Negotiating power of retailers is increasing.	Largest supplier of Tesco has 2.6% of business.	Multiple retailers are the leading influence on suppliers.
pg 20		Tesco has improved transport efficiency.	Lorries returning from stores can pick up goods from suppliers.	Tesco increased volume of goods per litre of fuel by 2.5%. Fuel usage down 14% and miles travelled down 23%.	Tesco makes efficiency gains in logistics and distribution. Environmental impact of efficiency and profitability enhanced.
pg 21		Supermarkets are seeking to improve energy efficiency.	Tesco has reduced energy consumption per sq. ft of sales space.	35% reduction between 1997 - 2005. £100m fund announced for energy projects.	Tesco is seeking competitive advantage by investing in energy efficient technologies: wind turbines; solar energy; refrigeration.
pg 16		Recent survey of 2000 consumers	Tesco success is based on efficiency gains and meeting customer demands.	32% agree Tesco has become too powerful 56% accept Tesco is best supermarket to shop at 48% agree that Tesco sells good food at low prices.	Reputation and trust are critical to commercial success in grocery retailing. Tesco's dominance of grocery retailing is noted by consumers, but they are also perceived as a good place to shop. Tesco success = efficiency gains and understanding/meeting customer needs. Sainsburys 1980s; M&S 1990s failures -complacency or abuse of power can lead to downfall.
pg 08/11 pg 19		Walmart's acquisition of Asda in 1999 led to 'Every day low prices'.	Price cuts on every day items eg. Milk; bread; bananas. Asda is focusing on developing local sources supplies.	Margin slightly fallen whilst marketshare slightly improved for Asda. Asda has created a dedicated local sourcing unit that works with 200 local suppliers.	Other major supermarkets react to Asda's lead of reducing prices strategy and local sourcing of produce. Walmart model impact's UK marketplace.
pg 07/08		Morrisons recent takeover of Safeway's in 2004.	Morrisons margin is 6.2% (highest) whereas Safeways margin (0.6%) is lowest out of grocery retailers.	Safeway acquisition for National expansion strategy Morrisons model delivering stronger return.	Morrisons had highest margin and takeover Safeway which had lowest profit margin. Safeways had double the sales of Morrisons - thus larger group being integrated into smaller set up.
pg 08		Iceland operating margins and market share	Iceland struggles as margins fallen (4% to -0.2%) and marketshare is low at 2%.	Speciality store focusing of frozen foods is struggling to maintain margins.	Diversification and growth of grocery multiples eroding specialist retailers.
pg 08		Sainsbury's operating margin and market share	Sainsbury's margin falls from 5% to 2% and market share falls from 17% to 16%.	Traditional southern UK national retailer which comparatively recently commercialised its structure.	Sainsbury's deliberately cut 6000 prices to regain loyalty and market share in a competitive marketplace.
pg 08		M&S / Waitrose	Little movement in marketshare and margins.	Quality driven speciality focused formats.	Speciality focused stores have loyal customer base but no growth.
pg 08		Somerfield marketshare and margin	Margin has improved from -1.5% to +1.5% but marketshare has fallen from 7 to 5%.	Return to profitability but lower marketshare in a highly competitive marketplace.	Not a completely national chain with lower quality and prices struggles against larger multiples - economies of scale.

Feb 05 -Feb 06		FIRM LEVEL: TESCO ANNUAL REPORT 2006			
Ref	Level	Event	Processual Changes	Output Focus	Theme
pg 02/91	Global	From the beginning of the financial year we fully adopted IFRS reporting.	Reporting designed to harmonise accounting / reporting globally for international comparative.	Standardisation of reporting within U.K retail industry. Operating profit and Joint venture profit are reported differently IFRS.	Adoption of E.U. / global reporting practices for accounting and integrating international businesses with U.K. reporting which is making increasing contribution to portfolio.
pg 01		Tesco has a well established and consistent strategy for growth.	Strengthen the core business and expand into new markets.	Tesco has successfully delivered in all four parts of its growth strategy.	Grow the core business ; become a successful international retailer ; to be as strong in non-food as food; to develop retailing services .
pg 02		These results represent good progress across the Group in a challenging year.	Investing to improve the shopping experience for customers around the world to deliver strong sales performance against higher oil related and other external costs.	Group sales increased 16.7% to £43.1bn. (52 week basis = 13.2% growth) Last year £37bn. Group PBT increased by 18% to £2.235bn. (52 week basis = 16.9% growth); Profit increased 13.7% compared to last year. Tesco share price range - 295p -335p (335 in Feb. 2006).	Tesco has performed well across group at a time when oil prices are high and external costs have increased. Focused strategy of growth is delivering strong performance. (U.K. profit £1.7bn; rest of Europe £265m; Asia £200m - total of £2.2bn) Group margin 5.7%; International sales 23% growth; U.K sales growth 10.7%. Share price reflects overall growth (13%) above inflation.
pg 07/4 pg 60		Full year dividend of 8.63p	Exceeded our ROCE employed target five year target set in 2002 of 10.2% - two years early. TSR has increased 45% over last five years compared with 16% of FTSE100.	ROCE employed is 12.2% represents 70% improvement on profit. Increase in dividend is in line with earnings per share growth (14% - 20.06p). TSR growth : FTSES 100 - 45% v 16% (five years); 126%v 80% (three years) 11% v 21% (last year).	Operational improvements in the business have delivered improved results and additionally, benefit of property portfolio. Dividend policy linked to earnings per share growth. TSR has increased 45% in last five years compared with 16% growth of FTSE100. TSR growth strong in previous years, slowing this year comparatively.
AR27		This year we are sharing what we learnt about international sourcing with our colleagues.	Each country will have responsibility of identifying local needs and sourcing products from appropriate suppliers within their countries.	We will source products that are common in all countries as a Group.	Joint sourcing will give opportunity to further reduce cost of goods for customers.
AR27		We have been able to reduce the amount of stock we hold in supply chain.	Working with distribution we have reduced stock holding from 13 weeks to 6 weeks.	The need for storage facilities in U.K to handle stock from overseas suppliers has disappeared which frees up capital for other areas. 100% of Cherokee products are sourced from China, India and Turkey	Global sourcing from overseas suppliers has become efficient with 50%+ reduced lead times and no storage facilities needed in U.K. for international stock. Group buying for common products across all Group and local sourcing from within countries central + decentralised sourcing structure.
pg 86		Group acquired trade and assets of aram-Mart.	South Korean chain of 12 Hypermarkets.	£49m paid for new acquisition to expand within South Korea.	Conversion programme of 12 acquired stores included 9 stores converted to Express format in Korea.
pg 16		Our principle objective is to reduce the effect of exchange rate volatility.	Transactional currency exposures are hedged using forward purchases or sales of forward currencies or currency options.	We hedge the majority of our investments in international subsidiaries via foreign exchange transactions.	Tesco uses hedging and forward buying of currencies to manage risk exposure to currency fluctuations.
pg 102	Regional	Total international sales grew to £10.5bn (last year £7.4bn).	International sales grew 40.7% and contributed £492m profit, up 24% on last year. Rest of Europe sales £5bn; Asia sales; 4.4bn.	Profit from rest of Europe £263m (nearly 200% rise in 4 years) and £229m (rise of over £200m in 4 years) from Asia. International sales growth of 23%.	Rest of Europe growth (Sales 33%; Profit 8%) and Asia (Sales 50%; Profit 49%) indicate rising contribution of Intrnational business to Tesco. International contribution to profit increased from 8% in 2002 to 21.5% this year (growth in Europe and fast growth of Asia).
pg 53/103		Tesco operates in twelve countries and has 2672 stores worldwide.	U.K is core business; Rest of Europe (6 countries); Asia (4 countries) Joint venture with Hymall in China.	1898 stores in U.K (25m sq. ft sales space) ; 774 stores outside U.K. (29m sq. ft sales space). - total 55m sq. ft. Rep. of Ireland; Hungary; Poland; Czech Republic; Slovakia; Turkey; Thailand; South Korea; Malaysia; Japan; joint venture in China; discontinued business in Taiwan being sold.	Average store size in U.K (32,000 sq. ft) - mainly large store format plus convenience stores. Tesco has more floor space outside U.K. then within it. Larger stores outside U.K. Smaller formats are growing fast and performing well.

pg 49 AR pg 08 AR12-15.	Inside Tesco	United Kingdom (1924) Hungary (1994) Poland (1995) Slovakia (1996) Czech Republic (1996) Rep of Ireland (1997) Thailand (1998) South Korea (1999) Malaysia (2001) Japan (2003) Turkey (2003) China (2004)	25.9m sq. ft ; 1898 stores ; 261,142 staff; 4.3m sq. ft ; 87 stores; 15754 staff; 4.8m sq. ft; 105 stores; 20,357 staff; 2.3m sq. ft; 37 stores; 7838 staff; 2.0m sq. ft; 35 stores; 8785 staff; 2.7m sq. ft; 91 stores; 10, 456 staff; 6.8m sq. ft; 219 stores; 27529 staff; 4.1m sq. ft; 62 stores; 10787 staff; 0.9m sq. ft; 13 stores; 4365 staff; 0.3m sq. ft; 111 stores; 3285 staff; 0.6m sq. ft; 8 stores; 2560 staff; 3.5m sq. ft; 39 stores; 16400 staff;	56% of the Group is represented by international operations. Out of 800+ international stores 341 are hypermarkets. We plan to open 396 new stores in the current year adding 6.6m sq. ft of selling area. Tesco are developing a multi-format strategy across international network. With large format established - there is a shift towards smaller hypermarkets/convenience. Express stores operate in six countries outside U.K (139 express stores in Thailand alone). Discount supermarket format in seven countries. Of 419 stores planned to open outside U.K., 338 will be smaller formats. China is joint venture in Guangzhou; Beijing; Shenzhen (£2m profit this year -Tesco share). First Tesco designed store opened with Ting Hsing (JV partner) opened in Sanmen,Shanghai. Smaller countries have smaller formats - Japan has discount convenience supermarkets @ 3000sq.ft.
pg 14/15	Opened new purpose built distribution centres in Poland and Slovakia.	Global sourcing of products is expanding.	161,000 sq. ft depot opened in Poland and similar facility opened in Slovakia.	Emerging European countries appeal as tax efficient hubs for locating depots close to highly developed markets. Diversity and advantage in competitive supply chain.
pg 08	Largest four international businesses are giving 16% return on investment.	60% of our international capital in invested in four countries.	Thailand; Korea; Republic of Ireland and Hungary represent 60% of Tesco's international capital investment.	International model is delivering growth and developing good returns as we build market position in these four countries.
pg 01/ 08 09/ AR 49	We are completing our largest ever programme of new store openings in existing markets.	12 stores aquired in South Korea; 9 stores acquired in Poland; 8 stores acquired in Japan; 27 stores acquired in Czech Republic. New stores opened so far and planned for next year : U.K. (139 / 153); Hungary (18 /30); Poland (27/39); Slovkia (7/10); Czech Rep. (10 / 44); Rep. of Ireland (6/8); Thailand (112/207); South Korea (27/47); Malaysia (7/4); Japan (11/10); Turkey (3/12); China (9/12).	238 stores with 5.4m sq. ft of selling space was opened this year, including 72 hypermarkets. In Asia we opened 3.1m sq. ft; in Rest of Europe we opened 2.3m sq. ft. 19% increase in international store space this year.	International expansion in existing markets through acquisition and integration of smaller chains into Tesco format. In Central Europe Tesco opened more floor space than in U.K. Largest ever new store programme for Tesco near completion.
pg 09	In Japan it was a challenging year.	Sales grew but profits were reduced.	The first trial of Express format launched in Japan.	Cost of integrating newly acquired stores in Japan was high. Japan's market conditions
	In Korea Homeplus made pleasing progress.	Increasing sales and profit growth.	8 new hypermarkets/ compact hypermarkets and 11 Express stores opened.	Store conversion programme completed for new acquisitions - organic growth as planned. Established acceptance by customers
	Thailand had another excellent year.	Successful development across four formats - national chain growth.	219 stores trading - 139 Express; 14 Value; 10 Supermarkets.	Many Express stores and smaller number of larger stores in multi format strategy. Maturity of firm in marketplace
	Czech Republic growth despite competition.	Strong sales and profit in highly competitive market place.	Accelerated new store development 20% rise of sales; 8 compact hypermarkets	New 1K supermarket format (1000sq m) small supermarkets doing well. (C.H = 30K space). New industrialised Country opening up
	Hungary - retail environment challenging.	Strengthened our market leading position.	lower prices; expanding network; 18 new stores - 1 compact hypermarket.	Lower price and increased prescence strategy in difficult economic competitive market Local markets variation.
	Poland has signs of renewed confidence.	Consumer confidence and improved offerings in stores.	Development of 1K; 2K; 3K format and improved offer in store.	Strenthening of sales as market is improving - consumer confidence. Alternative formats in local regions.
	Rep of Ireland strong growth in sales.	Property profit included impacted prior year results.	Six new stores opened and further 8 stores planned this year.	Confidence in consumer market and good economic conditions. Presence in profitable marketplace.
	Slovakia has delivered strong peformance.	Sales and profit significantly up on last year.	Growth of compact hypermarket format (18 stores with 5 more planned).	Central distribution centre fully operational to support compact hypermarket format. Early growth market - new entrant.
	In Turkey, Kipa delivered strong performance.	Sales rose strongly and profit doubled.	New IT suite system to run key functions - supply chain and replenishment	IT implementation model is being rolled out to Japan and China from Turkey. Taking success global

AR26		Cherokee brand goes international	Following success in U.K. brand has been launched internationally Cherokee range is for men; women; kids and babies - extending to footwear; nightwear and accessories.	We launched Cherokee in Czech Republic; Poland; Slovakia in Feb 2006. We plan to launch Cherokee in Hungary.	Cherokee range is being expanded to Central Europe following success in U.K. marketplace. Range of products for men; women; kids and babies appeals to all consumers. Low prices high volume strategy on clothing is doing well. U.K culturally aligned to Europe in clothing tastes and difficult market conditions.
AR27		Our experience of multi-level trading in international markets has benefited U.K.	Extension design for Slough store (100,000 sq. ft) with store on stilts and improved parking was helped by Asian design of stores.	Cross pollination of good ideas is helping the business. New stores designs and ideas are being developed from international experience.	Best practices and ideas from around the world are being integrated across the Group. Before U.K experience was taken international; know reverse flow is happening of ideas too.
pg 01	National	We have sustained good growth in the U.K. despite more competitive conditions.	U.K sales of £32.7bn (£29.5bn last year) and profit of £1.788bn (last year £1.556bn). Deflation of prices overall 0.1% and 1.8% in stores. 1898 stores in U.K.; weekly sales of £25.06.	Operating profit growth of 14.9% (average of @11% growth each year for last four years). Operating profit margin is 6% in U.K. Significant external cost increases due to oil related and local business tax rises.	Cost control and productivity have helped U.K business remain competitive despite rising costs. U.K business contributes 78% to bottom line.
pg 07		KPIs for U.K. operations which represents 76% of Group business	Marginal growth of market share in grocery and non-food sectors within U.K.	20.2% (Grocery) up 1% on last year; 7% (non-food) up 0.5% on last year.	U.K. marketplace is highly competitive and Tesco has grown very little in U.K. this year.
pg 13		Subdued consumer spending in U.K.	U.K consumers are being cautious in their spending habits	Tesco passes lower prices to consumers funded by scale and supply chain efficiency	More direct sourcing of products from Asia allow scale and supply chain efficiency enabling lowering of prices in store.
pg 10	Industry	We submitted a response to Office of Fair Trading on its proposal to refer the sector to Competition Commission.	Competition works well in our industry	It delivers value, innovation and convenience to consumers.	Office of Fair Trading may refer sector to Competition Commission. Tesco believes industry is working well.
pg 07		The number of retailers with international ambitions is shrinking.	Tesco has defined a strategy for international growth which works well.	U.K. sales have grown by 13% but international contribution to Group is growing.	Market entry and management of international operations is approached by using partnerships and joint ventures to enter market usually via locally established retailers. (Is USA exception to this?).
pg 05/81 82-84		Tesco's award winning Pension scheme remains an important priority.	Three yearly valuation completed - small deficit of £153m. Both Company and individual contributions have been increased. Young scheme with 150,000 members and 15,000 pensioners so far. Contribution by company was £309m / individuals £270m	Pension scheme has assets of over £3bn. Scheme is fully funded and asset performance is strong. In 2005 Pension scheme assets appreciated 20%. Next year expected company contribution will be £320m.	Tesco fund strategy for pension is 50% equities; 20% bonds; 10% property and 20% alternative assets (private equities / commodities). Most significant pension scheme portion is U.K, Rep of Ireland and South Korea - cultural or capitalistic environments.
pg 12		We are one of four signatories to the UK Government statutory Supermarket Code of Practice.	Following an earlier review by C.C. - OFT developed Code of Practice for fairer and more predicatable dealings with suppliers.	There was a fear among suppliers of responding to OFT questions and a fear of losing supermarket business.	OFT found an imbalance remains infavour of Supermarket dominance against suppliers. 27 practices by Supermarkets found to be against public interest - Supermarket Code of Practice.
pg 04		Retail industry shares performed less well comapred with others stocks this year.	Oil, gas and mining stocks performed well (21.5% return)	Cost of energy and in particular oil related costs are high.	Difficult market conditions for retail - increasing costs and cautious consumer spending.
AR pg 01	Firm	"Every Little Helps" is fundamental to how we run our business.	Concentrate on giving customers an improved shopping experience along with delivering tangible benefits to shareholders.	Doing little things that really matter for customers and staff in every store, every day - Four part strategy.	Creating value for customers to earn their lifetime loyalty. Every Little Helps - a common philosophy to bind us together.
pg 84/111 AR 48		Shareholding structure of Tesco	Authorised 10.7bn shares @ £535m of which 7.9bn allotted	Corporate (92.4%) employees (1.6%) Other individuals (5.8%) shareholding	Majority shareholders are banks; financial institutions; pension funds - no family ownership involvement.

pg 20/21	Board has four main committees and is reelected every three years.	Executive; Remuneration; Audit; Nominations Committees. Finance committee meet twice a year; Compliance committee in every international business; Corporate Risk Committee reviews SEE.	Internal audit department and PWC are external auditors. Review found board to be highly effective with improvements in culture; dynamics and administrative processes during the year. Board meets 8 times a year.	Board remuneration is tailored for year on year growth - combination of fixed and performance related incentives. Board processes are being improved
pg 22	Every business unit and support function derives its objectives from the five year plan.	Structured internal communications programme for each level.	Five year rolling Group business plan is cascaded to each level.	Company strategy is delivered using a five year rolling business plan. The steering wheel unites group resources around customers; people; operations; finance; and recently added community.
pg 12	Our customers have told us what they want from an "Every Little Helps" shopping trip.	Clubcard data and Customer Question time used to gather feedback from consumers.	12000 people attended the Customer Question Time forum on ideas how we can improve. Clubcard data is used to further analyse consumer behaviour.	Stakeholder forums and relationships are used to gather information and feedback on how to improve. 13m Clubcard members and 12,000 Customer Question Time attendees.
pg 01	Overall sales growth in last five years, but U.K. Sales growth has been decreasing for last three years.	U.K. sales growth of 10.7% this year (11.9% last year). 1m new customers this year in U.K. stores.	U.K. sales growth peaked in 2004 at 16.3% and has been declining since. 1.8% deflation in store prices - price lowering in competitive marketplace.	U.K. sales growth decline maybe due to higher oil prices impacting consumer spending and highly competitive marketplace. International sales performing well in comparison. Lowering prices in competitive marketplace.
pg 13 AR33	Pursuit of our four part strategy has enabled our business to diversify.	Tesco.com sales have grown by 31% to £1bn. In telecoms we are product retailer and operator to customers. Tesco Mobile (JV with O2) has launched new tariff.	Profit from online store up 54% to £56.2m - business has 750,000 regular customers. Telecoms has 1.5m customers. Mobile phones are being sold in 350 stores. Tesco Personal Finance good performance in difficult financial services market.	Online store represents 3% of U.K. sales which continues to grow. Slough store first store to open dedicated Telecoms centre. Partnership with O2 in Telecoms Joint venture in Personal Finance now in 8th year of operation. Mobile club extended to Korea.
pg 01	Tesco group four part strategy was laid down in 1997	Four part strategy is long term.	U.K Food business is core; Non-food includes clothing; stationary; DVDs; Retailing includes Personal finance; telecoms; online store; International strategy targets new geographic markets.	Internationalisation makes Tesco unique in U.K. grocery multiple retailing marketplace and globally a small number of retailers have actively pursued this approach. Managing risk is critical to international expansion.
pg 04 pg 108	Group generated net cash of £165m and gearing was 48%.	Net borrowings £4.5bn (£3.9bn IAS32/39). Group capital expenditure was £2.8bn (£2.4bn last year) excl. acquisitions	smaller rise of trade creditors this year; higher non-food stocks (global sourcing) U.K capital expenditure £1.8bn (760m new stores; £400m extensions/refits) International new store programme (Europe £0.6bn; Asia £0.4bn)	Property joint ventures support raising finance for diversity and internationalisation. Interest 5.4% average on mix of bonds; bank borrowing; medium term notes; commercial paper;
pg 53	UK property related profit was £90m	Europe and Asia property related was a loss.	U.K property sector is performing well. Investment into Europe and Asian markets. U.K has competitive mature property sector.	Domestic strength of property is benefiting investment in international markets
pg 13 AR32	Tesco share of TPF profit is £70m. (finance)	Credit cards and Insurance are core business. In last two years £86m surplus of capital = 37% of original investment returned. TPF offers 21 products and services.	Market conditions were challenging this year. Tesco's net investment in TFP joint venture has reduced to £141m. TPF has 5million customers (1.8m credit cards; 1.4m motor insurance policies). Travel Insurance has 5m customers.	TPF had challenging time this year - financial services market was difficult. TPF is expanding services to travel money and National Savings; Thailand store card extended to Visa card and home; health; travel insurance in Thailand. TPF is Britain's third largest online car insurer.
pg11	Our first Homeplus trial has encouraged us to extend the trial to other stores.	Homeplus format (only non-food store) trial in Manchester.	Trial is being extended to Bristol and Southampton and Telford.	Trial of new non-food Homeplus format in U.K. ongoing.
pg06	We operate a balanced score card. Each business reports quarterly	Performance KPIs are measured using the Steering Wheel across Group. Other performance is monitored as investor return KPIs. Customer/People/Finance/Operations + S.E.E. reporting	Across the group KPIs are set locally with oversight from Directors. We monitor both financial and non-financial performance. Daily operations are judged against principles of "Shopping List".	Each business operates Steering Wheel balanced scorecard. This year Community has been added to Steering Wheel and Corporate Responsibility has been rolled out internationally. Decentralised local responsibility of performance and daily actions which include "Shopping List" for daily operations.

AR19	Our store formats are a way of meeting the different needs of customers where ever they live and how ever they shop.	The shopping experience can be in large stores; supermarkets; small stores or on-line. Extra store in Slough is currently one of highest turnover stores. We are non standardising our Express stores also.	Tesco Extra - great food and low prices in the heart of neighbourhoods Metro offers convenience in town and city centres where people live and work Superstores can find everything for a weekly shopping At Extra stores non-food items can be found and we localise stores eg. Slough store has 900 speciality Asian products; Halal ready meals; Bulk rice; Bollywood DVDs Tesco Express 115 new stores opened in U.K. bringing total to 650 Express stores. Homeplus store being trialed in U.K.	2m sq. ft of new space and store formats. Extra and Express stores are least mature formats - both deliver above average returns and are drivers of growth. Non standardising of product range to suit local customers. In U.K. we opened 18 Extras (mostly by extending existing stores). Extra stores represent 31% of total sales area with good performance. Tesco is growing in the convenience format (Express stores).
pg 10 AR17	Growth in customer numbers was the main driver of Sales in U.K.	Core U.K business grew 10.7% despite deflation in stores. New technology for check-outs to improve queue performance. We have invested in lower prices for customers.	Customer spend rose slightly to £25.06/sq.m/week. 1.5m customers / week in 200 stores use self-scan check outs. Price deflation of 1.8% in stores which includes £10m invested in reducing prices in organic lines.	Strengthened our position as U.K's best value retailer. Use of technology reduces labour cost and improves queuing in stores. Marketplace is highly competitive and price sensitivity is driving factor for consumers. Organic sales grew by 26% and meat/fish/poultry by 30% - consumers willing to pay for organic.
AR18	Give customers broad choice of leading brands and a really good Tesco range.	Number of fresh fruit and vegetables value lines increased.	95 fresh fruit and value lines (85 last year). We have reduced sugar, fat, salt in hundreds of our products. We have introduced sign-post labelling to our own brand range.	Health and fitness is a growing concern for many customers. Improved recipes of ready meals. 2,500 own label brand products with sign-post labelling.
AR18	We continue to lead the way in product development.	Tesco own label has Value to Finest Ranges. Healthy living brand; Kids Healthy range; Wholesale range - target differerent segments of customers and lifestyles.	Finest range has 1500 products across food and non-food. Introduced 200 new products in Finest range. 80 new products in Healthy range; 40 products in new Kids range.	Majority of customers buy finest range - quality at right price. Launch of Kids Healthy range targeting younger generation for healthier living. Wholefoods range of natural snacks has 1m customers every month.
pg 10	Our shelf availability has improved again.	Tesco.com in-store picking is used to monitor shelf availability. We have introduced shelf ready packaging.	Shelf availability has improved a full percentage point. Improved speed of replenishment of products.	Shelf availability is at its highest level ever. Aisles are clearer and shopping is easier.
pg 10 AR20	Record efficiency savings of £330m delivered.	our Step-change programme brought together many initiatives.	Customers can pay for lottery tickets at grocery tills without having to queue twice. Shelf ready packaging is making stock replenishment quicker, easier and cheaper.	First service of combined till in the World - practical innovation. 15000 product lines use shelf ready packaging.
AR20	We have invested more in getting the right product to the right place at the right time.	30 depots throughout the U.K. of which six are dedicated to non-food and clothing.	We opened 370K sq. ft depot in Peterborough. New technology includes paperless picking system. Took over depot from 3rd party in Doncaster and extended it. Davertry (clothing) and Chelmsford (electrical/home) purpose built depots for non-food.	UK distribution network has been developed with new purpose built depots. New paperless technological investment for efficient replenishment. Non-food sector is growing for Tesco - diversified retailing under one roof.
pg 03	Petrol continues to have a significant impact on sales growth.	Contribution in second half of year was lower than first year.	Our efforts to keep petrol prices down.	Tesco sell petrol at competitive prices to get consumers in stores. Oil price inflation impacting U.K. consumers.
AR05	We have come through a period of heavy investment.	we have laid the foundations for a truly international business.	We have followed the customer into big new markets in non-food and services.	Group developed into new international markets; formats; and by offering wider products and services in retailing.
AR22	We have continued to grow our non-food business over the year	U.K. non food business has grown 13% (£6.8bn). Expansion of existing site to Extra format has facilitated expansion of non food. we sold 1m cameras; introduced sat nav into 150 stores; opened up apple shop in Milton Keynes;	Potential remains - Tesco has 7% marketshare of non food and 25% of U.K households can get to a Tesco Extra store (which have non-food items). 578 non food value lines ; 17 different TV ranges; Health and Beauty up 10%; stationary and maazines up 17%; consumer electronics up 34%; Clothing Cherokee	Sourcing products globally from best suppliers (wider choice) gives our customers best deals. Future development looking at alternative format of on-line non-food lines. Expansion of existing stores has facilitated growth of non-food segment. Potential remains in both range and market reach to consumers.

AR22	We have continued to grow our non-food business over the year	U.K. non food business has grown 13% (£6.8bn). Expansion of existing site to Extra format has facilitated expansion of non food. we sold 1m cameras; introduced sat nav into 150 stores; opened up apple shop in Milton Keynes;	Potential remains - Tesco has 7% marketshare of non food and 25% of U.K households can get to a Tesco Extra store (which have non-food items). 578 non food value lines ; 17 different TV ranges; Health and Beauty up 10%; stationary and maazines up 17%; consumer electronics up 34%; Clothing Cherokee brand gaining market share in difficult marketplace.	Sourcing products globally from best suppliers (wider choice) gives our customers best deals. Future development looking at alternative format of on-line non-food lines. Expansion of existing stores has facilitated growth of non-food segment. Potential remains in both range and market reach to consumers.
AR26	making Tesco the third largest clothing retailer in U.K in terms of number of garmets sold.	Sales volumes grew in clothing by 20%-6m mens t-shirts sold; 3m swim wear items sold; marketleader in boys schoolwear; 100K sweaters sold out in 2 weeks;	Total clothing sales in year £750m (up 16%) Florence+Fred; Cherokee range fastest growing in U.K market	Clothing brand is performing well in U.K. High volume low prices strategy for clothing has made Tesco third largest clothing retailer in terms of garments sold.
pg 12/103	With over 389,000 staff in 12 countries.	Total number of employees of full time equivalent staff is 273,042 with main growth in Asia. Group increase of 30,000 on last year.	U.K. full time equivalent (175, 459 up 12K); Rest of Europe (55160 up 3K); Asia (42405 up 10K);	Proportionally Asia staff numbers have increased most by 30% whilst staff numbers in U.K grow gradually @ 6% and 0.5% in rest of Europe.
pg 05/63	We have sought freehold tenure for most of our new selling space.	Freehold property represent 85% book value (increased from 70%). Total property book value is £13.7bn which is actually valued 50% higher (£20bn) at real market value - platform for financing expansion and development programme.	Through capital expenditure we are adding £2bn assets a year. Sale and leaseback programme over next five years - £5bn	Use of property to fund growth of business and property joint ventures. Property as efficient releasing of cash and enhanced return streams. Investment stream for core business activities and diversification strategies.
pg 16/68	We continue to enter into new partnerships and grow existing joint ventures.	Mainly U.K partnerships 50% equity in property; personal finance; mail order; telecoms; data analysis and card services. Total JV £331m (2004) increased to £476m (Feb 2006).	50% retail partnership in China with Hymail; 50% investment in Thailand (property and card services); Dunhumby (53%) owned and Tesco homeshopping (60%) owned. Share of profits from JVs has risen to £82m (£22m in 2002).	Joint ventures have had investment in recent years which should pay back - foundation laid. We choose partners with good reputation and set clear goals in contracts, monitoring performance and governance as we proceed.
pg 08/09 59/69	It has been a challenging few months for the business in Taiwan	Sales grew strongly although losses increased. Agreement with Carrefour to acquire businesses in Czech Rep and Slovakia in a swap for Taiwan business.	Uncertainty regarding asset swap deal with Carrefour Taiwan business made loss of £10m on sales of £134m. Tesco prefers expanding in Central Europe to Taiwan	Asset swap deal on Taiwan business given clearance by Taiwan and Czech Rep. authorities - awaiting Slovakia clearance. Four Carrefour stores in Europe for Taiwan business. Uncertainty causing losses. Carrefour prefers Taiwan to Central Europe.
pg 12	We provide market leading working conditions	Looking after our staff so that they can look after customers is one of ourcore values.	U.K staff are offered market leading pay and benefit packages. Employee Share scheme with 165,000 people participating. Committed to staff training and development to provide the right skills. Computers for Staff scheme operated - three year leases for computers.	Tesco offers market leading packages to employees and has 83% employee retention (staff longer than one year service).
pg 01/04 AR 03	we have announced our intension to enter the United States market in 2007.	Tesco first venture into North America - investment of £250m made to establish operations.	International entry into United States of America announced - looking forward to 2007.	Tesco plans to enter the U.S. market in 2007 using a completely new format for the American consumer.
AR21	One of our core values is to treat people how we like to be treated.	We have training schemes for every stage of career development. We know each member of our team has different demands on time. We offer attractive salaries and share scheme.	7000 staff are on a development programme (out of 261K). 80% of management roles are filled internally. 2000 new management and 4500 Team leaders at check-outs across U.K. flexible working; part time roles; job sharing and shift swapping for staff. 4% reduction in absenteeism resulting in 500K manhours to business.	Improvement in staffing absenteeism has benefitted business. Management level training and development is within Tesco culture. Development of in-store service levels. Internal processes for recruitment of management staff preferred to external. Tesco inward team-looking to the Tesco way of doing business.
AR21	Tesco clubcard celebrates in 10th birthday	Joint venture with Humby facilitates data analysis of consumer behaviour and shopping habits.	13 million active clubcard members. £320m given away in clubcard vouchers. New Deal Scheme introduced where 250 points provide £10 worth of tokens,	Clubcard is world leading loyalty programme. Vouchers are given based on sale in store with growing range of how tokens can be redeemed.

AR12/13 AR14/15	We are flexible adopting a slightly different approach as every market is unique.	We us multi-format to reach across market and have local offering in reponse to local culture; customers; supply and regulations.	<p>Thailand prefer local wet markets rather than hypermarkets - loose/small quantities so we have removed packaging and increased number of staff for more interaction: Talad format launched - 10 stores; 4500-7000 products; 10000sq.ft. There are also 139 Express stores; 10 supermarkets and dedicated distribution centre for Express.</p> <p>In China Tesco are exploring expanding from Yangste Delta to other areas; 500 economy value products introduced and waves of price cuts on 33 staple foods.</p> <p>In Japan new management team is integrating recently acquired eight stores - it has been a challenging year - learning about the market. First Express store format opened We have good pipeline of ne space and increasing sale in Malaysia allowing move to multi-format. Tailored hypermarket range offered in smaller store as larger format is unsustainable. Trailing Expres store in Kuala Lumpur.</p> <p>Express model being adapted for South Korea - first female store manager appointed in our Gajwa hypermarket.</p> <p>Taiwan business is being swapped with Carrefour - insufficient growth for scale.</p> <p>In Czech Republic accelerated new store development adding 20% floor space. New 1K store in Mikulov had 8000 customers on first day (entire town's population) - smaller town format 2,700 products doing well.</p> <p>In Hungary economic and retail environent is challenging - roll out of petrol enabled cheaper fuel. First 3K store opened in Hungary. Overall 22% floorspace increase this year - 30 new stores.</p> <p>Renewed customer confidence in Poland. Economic outlook is improving and convenience small format is very popular. First purpose built food distribution centre opened.</p> <p>Rep of Ireland has benefitted from £50m of price cuts this year. Increased number of line in Tesco ranges - Finest /Value/Cherokee.</p> <p>Slovakia has bnfitted from price promise on 50 items guaranteeing lowest price compared with competitors. Strong performance this year. New fresh food distribution centre opened.</p> <p>In Turkey we serve 250,000 customers a week. Bodrum store was first designed by Tesco. New Kipa value brand launched with 400 product range.</p>	<p>Tesco in Box developed - suite of bespoke systems developed in Turkey that will facilitate improving people;processes and systems in internatonal businesses. It went live in March in Turkey and is being rolled out to Japan and China.</p> <p>Local diversity and cultural sensivity has facilitated performance of international stores.</p> <p>Local JVs and partnerships along with acquisition of local established business as route to growth.</p> <p>Tesco designed stores bring improved aisle layouts and simpler labelling whilst partners are able to design stores more in keeping with local cultures and customs.</p> <p>International transfer of knowledge; formats; scale under the Tesco brand.</p> <p>Focus is on customer experience and service.</p> <p>Open products preferred in Thailand rather than packaged goods.</p> <p>Tesco location in China within Yangste Delta @ 20% China's GDP -economic zone.</p> <p>Market factors have impact on business - local economy and consumer habits on spending.</p> <p>U.K consumers are often trial for international markets due to latest technologies or stable environments or sophisticated shopping habits eg. Slovakia pricing (no ASDA prescence).</p> <p>Tesco swapping Taiwan business - slow growth or maybe political reason / China market is bigger and in dispute with Taiwan.</p> <p>Central Europe seems to have accepted Tesco format- business is doing well but local economic factors make Tesco vulnerable.</p> <p>How are countries selected for market entry and exit.</p>
AR37 pg 07	Our aim is to be the best U.K supermarket for energy use.	<p>Target to reduce energy used in buildings by 50% by 2010.</p> <p>In 2006 target was to reduce energy by 5%.</p> <p>New store in Diss is testbed for environmental and cost savings.</p>	<p>£100m fund set up for use in innovative sustainable environmental technology.</p> <p>phasing out of refrigeration greenhouse gases</p> <p>improving efficiency of distribution fleet</p> <p>This year energy efficiency improved by 5.5%.</p> <p>New store has latest energy saving turbines on roof; large translucent panels for natural light; improved air flow in refridgeration.</p> <p>International businesses are reporting energy; water and waste quarterly - KPIs</p>	<p>Energy costs are increasing and impact competitiveness of business.</p> <p>Government targets for CO2 emmissions have been set.</p> <p>New technologies in Green Industries are emerging.</p> <p>Possibility of European or U.K match funding for Green projects.</p> <p>Diss store has achieved 20% reduction in energy consumption.</p> <p>Steering Wheel / SEE KPIs are being adapted to include energy and waste performance.</p>
AR36	We have invested to make recycling easier and more attractive.	Tesco needs to meet the Government target set for Uks EU packaging recycling targets by 2008.	<p>£600,000 invested in new automated recycling machines in stores in South (Winchester; Portsmouth; Havant; Southampton) extending to more stores.</p> <p>Operational recycling improved from 65% to 71% -26K tonnes less to landfill.</p> <p>Exploring use of food waste for conversion to energy.</p>	<p>Southern customers deemed to be more socially responsible/aware.</p> <p>Tesco pursuing recycling targets by inducing more consumer recycling at stores.</p> <p>Internal operational improvements on-going.</p>
AR 37	New KPI included for supplier relationships.	We conducted a second supplier viewpoint survey to gain anonymous	Over 90% of suppliers have reported Tesco is trstworthy, reliable, consistant, clear,	Supermarket Code of Conduct has been enforced on Supermarkets due to their power and

AR37 pg 07	Our aim is to be the best U.K supermarket for energy use.	Target to reduce energy used in buildings by 50% by 2010. In 2006 target was to reduce energy by 5%. New store in Diss is testbed for environmental and cost savings.	£100m fund set up for use in innovative sustainable environmental technology. phasing out of refrigeration greenhouse gases improving efficiency of distribution fleet This year energy efficiency improved by 5.5%. New store has latest energy saving turbines on roof; large translucent panels for natural light; improved air flow in refrigeration. International businesses are reporting energy; water and waste quarterly - KPIs	Energy costs are increasing and impact competitiveness of business. Government targets for CO2 emissions have been set. New technologies in Green Industries are emerging. Possibility of European or U.K match funding for Green projects. Diss store has achieved 20% reduction in energy consumption. Steering Wheel / SEE KPIs are being adapted to include energy and waste performance.
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AR 37	New KPI included for supplier relationships.	We conducted a second supplier viewpoint survey to gain anonymous feedback.	Over 90% of suppliers have reported Tesco is trustworthy, reliable, consistent, clear, helpful and fair.	Supermarket Code of Conduct has been enforced on Supermarkets due to their power and influence on supply chain.
pg 13	We continue to play an active role in regeneration.	Over the last seven years - 14 regeneration partnerships creating 3500 jobs helping 2,200 long term unemployed.	In 2005/6 two regeneration partnerships schemes were completed in Manchester and Leicester.	Government match funded partnerships for 1) investment in regeneration areas 2) to train long term unemployed - incentivised schemes for supermarkets.
pg 16	The objective is to ensure continuity of funding.	The group finances operations by a combination of retained profit; long term and medium term debt; commercial and bank borrowings.	Tesco Group have an A1 rating from Moody's and an A+ rating from Standard and Poor.	Funding and liquidity planning is critical to growth strategy. Reputational risk in commercial circles is important to Tesco.
AR38	Our charity of the year is Age Concern	Fund raising events in stores - sponsored silence; social evenings; TPF donated 1p everytime cash withdrawn from ATM. 21,000 Tesco staff took part in Race for Life. Computers for Schools programme has been running since 1992. Next year charity will be Whizz Kidz (2006).	£2m raised for Age concern. TPF raised £210K for Age concern. Staff raised £857,000 and Tesco contributed 20% via Trust. £100m worth of computer equipment donated to schools - 57000 computers and 740,000 computer related equipment; 30,000 schools (86%) involved in scheme. Computers for School scheme awarded Mark of Excellence by BITC	Not clear if staff/customers raised and how much company contributed. Corporate Social Responsibility has gained priority in U.K reporting. Fund raising seems to be more staff/consumer contribution than company. Charitable scheme based on sales in store - profit based charitable contribution. BITC are industry based peer review that has given award to charity scheme.
pg 19	Cash donations to charities amounted to £15,047,768.00	Contributions to community projects include Gifts in Kind; Staff time; and Management time.(£41,768,741)	There were no political donations this year - but Group made contribution of £54219 in sponsoring political events (Labour: £13278; Conservative: £7076; Liberal £6286).	Tesco charitable contribution has more than doubled (management time). Political events were sponsored during the year for all main parties. Not clear if cash donations are directly from firm or staff/consumers also.

Period		March 2005-March 2006		FIRM LEVEL REPORT: SAINSBURYS ANNUAL REPORT 2006		
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SAR06	pg 80/pg77	Global	Sainsbury's only operates in 1 country but has international suppliers	Retail group only operates in U.K Sainsbury's bank is U.K based operation and has no international currency risk.	There is comparatively less exposure to currency fluctuation risk but high dependency on U.K domestic market. Rolling forward contracts in respect of overseas trade purchasing.	Commercial retailer remains a U.K operation in highly competitive marketplace open to foreign entrants.
	pg 8	National	In the U.K demand for organic milk outstrips supply	We are working with farmers to convert local supply to organic	Sainsbury's pay the farmer a premium price to contribute towards cost of conversion to organic along with offering a 12 month supply contract.	Investing in supply chain and using longer term contracts to secure exclusive supply from farms. Control and influence of retailers on supply chain - price paid by consumer for organic milk is more expensive.
	pg 80		Pension provision requires £350m contribution and increase in contributions.	£1100m paid this year and £240m to be paid next year.	One off payment plus increase in annual contributions from £18m to £38m.	Pension provision gap suggests a larger issue at national level.
	pg 3	Industry	This has been a year of recovery for Sainsbury's.	Market Share of Sainsburys is 14.7% in U.K.	5.7%Scotland; 6.6% NE; 9% Lanc; 8.4% York;15.1% East Eng; 24.7% London; 20.1% South; 14.8% South west; 11.4% Wales and West; 14.2% NI.	Regional variation on market share - London and South best (20%). Year of Recovery for Sainsburys - "Making Sainsburys Great Again" underpinned by operational efficiency
	pg 33		IFRS- International accounting practice adopted	Change of reporting practices by firm to International	IFRS Reporting - international regulatory framework adopted.	Industry reporting practices adopted for international standardisation / global.
	pg 31		Sainsburys is sensitive to external cost pressures	Increasing rents, rates, wages and energy costs.	Group's fixed energy contract expires and will add £55m to energy costs in 2006/7.	Increasing inflationary and cost pressures within competitive marketplace.
	pg 7		Trans fatty acids have been associated with heart disease	Removing or reducing certain ingredients from within products	Development of own label products to an improved quality and standard.	Supermarket developing Basics (500 products) to Taste the Difference (900 products) range of own label brands to compete with traditional manufacturers.
	pg13		Our customers rate Sainsbury's approach to healthy eating above that of our competitors	Working with Food Standards Authority on labelling of food Focus on fresh food sets us apart	Leading the industry on nutritional labelling with the introduction of traffic light system - 'Wheel of Health'. 1300 products now have the Wheel of Health colour coding - salt; fat; sugar; calories	Working with external agencies (FSA) to develop traffic light nutritional labelling 80% of customers notice it and green sales are more than amber or red. Influencing buyer behaviour and supply chain towards healthy foods
	pg 5		Competition Commission has announced it is going to investigate the UK grocery multiple marketplace.	Set up a dedicated team to minimise disruption of day to day business.	Competition commission interested in key trends, economic activity and competitor behaviour of large grocery multiples.	The size, visibility and influence of grocery multiples is a growing concern. Competition Commission inquiry into grocery multiples
	pg 2	Firm	Sales of £17.3bn; PbT £104m	Sales growth of 5.8% - we are serving 16m customers which is 1.5m more than last year.	Divident of 8p inline with inflation - 0.2p up on last year	Return to profit after loss last year
	pg 4		Fifth consecutive quarter of sales growth.		Target of £2.5bn Sales growth by 2007 (£1.4bn this year's target of which 722m achieved to date)	Sales growth + cost reduction part of 3 year recovery plan (2004-2007) First ever loss of Sainsbury's was declared in 2004 in 135 year history
	pg 51 / 104 pg 38/41		Board Advisors and auditor re-appointment	PwC are the auditors for the accounts Deloitte & Touche are the remuneration committee advisors	Accounting and Reporting procedures are same as Tesco PWC re-appointed as auditor this year	Independence vs Oligopolistic practices in advice to the board
	pg 4		Aim is to generate £1.4bn extra sales from core grocery products	This is by getting the right balance between price and quality	8500 price reductions made on products via instore promotion "Ways to Save". (£722m Sales increase achieved just within	Competitive pricing strategy of grocery deflation (1.5% reduction in selling prices on product promotions and price checking.

C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	
pg 4		Aim is to generate £1.4bn extra sales from core grocery products				This is by getting the right balance between price and quality				8500 price reductions made on products via instore promotion "Ways to Save". (£722m Sales increase achieved just within retail excluding banking and petrol).					Competitive pricing strategy of grocery deflation (1.5% reduction in selling prices on product promotions and price checking.								
pg 4/7		Making Sainsbury's Great Again				In Oct 2004 a three year recovery plan was announced New CEO Justin King joined in March 2004				First ever loss for Sainsbury's in 2004. Half way through recovery plan.					Focus on quality, freshness and pricing (fair value). New CEO with recovery plan.								
pg 2		Sainsbury's comprises of Supermarkets, convenience stores, internet home delivery Banking and Petrol				Britain's longest standing major food retailing chain. Avg. large store has 30,000 products of which 50% are own label Sainsbury's bank is a JV with HBOS. Online home delivery operates from 9 stores Sainsburys report Petrol within Group reporting				26 stores (55000 sq. ft+), 334 stores (25-55,000 sq. ft)121 smaller stores : 455 Supermarkets. 297 Convenience Stores = 752 Stores. Savings, loans, credit card and insurance products in store. 250,000 books, CDs, DVDs, videos, computer games Sainsburys owns 267 petrol stations					Quality food, products and complimentary non-food at fair prices Large percentage of own label products (50%) in store. -Back to basics / Taste the Difference Accessible and easy to manage finance - instore value proposition Online is growing business - range of products being developed. Petrol business reported within Group unlike Tesco								
pg 7		Growing recognition of our commitment to quality.				Strengthened product quality and innovation team. Focus on ingredients, freshness and seasonal products.				Overall quality award at Food and Drinks Award for third year running. 3000 products improved or introduced. Use of free range eggs, British sourced chicken, removal of oil within own label brand.					Improving product range in terms of freshness, ingredients and health benefits. Internal checking of products at depots before accepting from suppliers at point of delivery -supply chain quality enhancement (size, shape, quantity). Fifty percent of customers buy from both basic and premium own label brands.								
pg 16		Relationship between store colleagues and customers can make an enormous difference				Board training facilitated training of 1000 managers from stores and central team, in turn training 9000 managers.				Every store colleague received new customer service training Board colleagues piloted a two day training course on new ways to lead the business. Email free day for store support staff to encourage them to talk to customers and interact.					Top down structure in transferring training from Board to managers. Customer service is a strong focus for Sainsbury's Emphasis on building internal communication between stores and central team along with customers.								
pg 17		Scan bus training across country				Two busses go around country training staff				Bus has travelled around UK and supported 90,000 staff across 500 stores.					Innovative approach to practical training of staff at store locations.								
pg 3/35		High value of our property portfolio				Book Value of Property exceeds £5bn. 127 freehold and leasehold supermarkets				Enabled debt financing of loans (£2.5bn pledged as security)					Property value leveraged to fund long term recovery plan.								
pg 3/ pg 30 pg 33/61/ pg 69/32		In March 2006 we completed a major refinancing - raising £2.07bn.				Property portfolio used to raise additional and longer term funding. Unsecured loans /bonds of £1.7bn were paid back in favour of longer term finance @ 5% interest.				Repayable in 12 and 25 years (£1.2bn by 2018 and £0.9bn by 2031). Additional £400m raised towards recovery plan. Total business transformation and review cost for 2004/5 is £550m					Shift to long term borrowing at better interest rates (One off cost of £38m) Interest saving (reduction in cost of servicing loan) will be £12m /year. £400m raised to finance recovery plan. Use of financial instruments for funding.								
pg 33		Capital expenditure reduced in the year to £525m (2004-£900m).				14stores acquired from Morrison's/Safeway - in 2005. 28 stores out of 131 identified as having little investment for a number of years included in refurbishment programme				Retail capital expenditure £479m - up £22m £133m on new stores - 34 new stores; £53m on extensions; £193m on refurbishments; £100m on IT; supply chain; central management projects.					CapEx inline with recovery plan and on-going activities Previously CEO spent £400m on 4 fully automated depots - IT kept failing daily impacting availability - previous CEO spent £3bn on "Business transformation programme".								
pg 34		Surplus assets were sold in the year generating £164m				Disposing of trading and non trading assets that were deemed surplus to requirements.				Sale of assets generated £1m profit only (£21m last year)					Alignment of asset base to the future needs of the business by disposing of assets surplus to requirements.								
pg 22 CR06 pg 37		Getting the supply chain right has required decisive action. We are working with our 1400 direct suppliers.				Outsourcing of Charlton operation; Closed depots in Rotherham and NorthFleet and re-organised Basingstoke and St. Albans depots.				Restructuring of depots to support Sales growth £400m of cost reduction identified of which £110m delivered to date - primarily in stock loss and central costs.					Distribution capacity and network restructuring to improve logistical efficiencies and stock control. Further £175m of saving expected to be delivered this year. Stock availability in store has improved - right stock in right place - major priority.								

pg 22 / 30 pg 31/ 60	IT 3rd party contract cancelled with Accenture	Insourcing of IT services - 470 staff,assets and third party contracts brought into Sainsburys	Costs involved in ending outsourcing are expected to be recouped within two years (£63m)	Bringing IT services inhouse rather than outsourcing to Accenture.
pg 30 /81 pg 33 CSR pg 16.	Group committed to making a one-off £350m additional contribution to Pension scheme.	Reported deficit in pension scheme forecasting forward. Actuaries assessment indicated £161m deficit (total £542m deficit).	One off payment of £110m paid this year and £240m to be paid next year + annual contribution rising from £18m to £38m.	Deficit in pension provision funded by new long term financing. One off payment + increased contribution towards pension provision.
pg 3/pg. 42	Long term incentive plan introduced to support recovery plan - one off arrangement	Self funded incentive arrangement for Board down to Store managers - aprox. 1000 colleagues received this offer. Bonuses will accrue as shares ans be paid out based on targets.	Performance based incentives to drive recovery - £2.5bn Sales target plus 21% improvement on EPS ratio within 4 years (2005-2009). No reward for failure.	Major sales led recovery in profitability designed to reward growth is sales and profit. Deferred bonus plan for senior staff based on building share value (TSR). TSR -total share return targets
CSR pg 16	Retension of staff has been a concern	In store training and support - investment in stores Recruitment of older staff	8600 fewer non management staff left compared with previous year Increase of older colleague (age 50+) by 21% this year.	Customer facing / non -management staff retension is improving Strategy to recruit older staff members in store - more reliable
pg 2 /26/35	Majority of board appointments are after March 2004.	New CEO Justin King establishing own team after appointment.	Bridget Macaskill is stepping down (2002 appointment).	Different approach to running business by new CEO with his own team.
pg 36	The company does not make political party donations.	Political Party; Elections and Referendum Act 2000	No political donations were made during the year.	No donations made - but Sansbury's family members are politically active as Peers
pg 37/46	Annual General Meeting /Board Remuneration	Board seeking approval of deferred bonus scheme and long term incentive programme and renewal of authority to make political donations as per PPER Act 2000. CEO £700K basic; Total Board basic £1.7m rising to £2.8m Basic of two directors £395K;£261K; all others £50K or less	Board has nine meetings in the year and has met informally during the year. Board held a two day strategy conference Approved IT inhouse migration; pension payment; financial restructuring. Remuneration committee agreed new 'Value Builder' incentive framework for executive directors as review indicated current salaries are low to retain and motivate talent.	Sales led and capital efficiency turnaround strategy performance. New board team driving change Retention of good staff for recovery a priority. Board salaries are below median for industry - new medium - long term incentive framework. (1000 managers)
pg 102	Shareholder / ownership structure	141,000 shareholders with 1.7bn shares. 48,000 employee involved in share ownership scheme	largest stakeholders are banks (54%) and individual shareholders (31%). Sainsbury's family own 35% of business.	Traditional family ownership structure extending to shareholding Family business passed down generations but family not involved in business.
pg 29	First full year of solid recovery	Retail profits improve IT restructuring (63),debt sourcing (38),business review (51) Sainsburys Bank bad debts	Operational gearing and margin improvement by 14% One off cost of £152m incurred £10m loss at bank due to provision for bad debts. £17m profit 2004	Financial improvement due ot operational /supply chain improvement Cost of restructuring failed IT systems in depots ongoing; improving stock availability Bank target to breakeven next year
pg 2	153, 000 people employed	32%FT;68%PT;58%F;42%M : last year 750 staff reduced at H.O and 3000 staff introduced into stores.	High number of Part Time and Femal Staff Focus on improving customer service and stock availability	Shift of focus from centralised HO to increasing staff in stores.
pg 2	Typical Store has 30,000 products	50% are own label products	Basics and Premium "Taste the Difference" range incremental growth	50% of customers buy both Basic and Premium range.
pg 101	Retail sales statistics	Indicate improvement in intensiy of sales and retail space	£16.7 / sq/ ft sales intensity (£16.38 last year); Sales area increased 16737 (16370 last year).	Slight improvement on retail statistics after dissapointing previous year.

pg 20 /30	131 stores identified for investment and upgrade.	37 stores refurbished this year, 10 extended, 14 new stores. Maidenhead getting a 55,000 sq.ft store as part of regeneration. 94 convenience stores refurbished + 20 new opened	9 Stores acquired from Sale of Safeway to Morrisons 367,000 sq.ft of space added = 2.2% inline with annual increase. 5 supermarkets + 4 convenience closed during the year	Safeway Stores are doing 20% better under the Sainsbury's brand sale of fresh produce has increased 100% after refurbishments upgrading stores in a critical activity.
pg 2 / 20	97 stores operate Home Delivery	Internet Ordering Service expanded to new post codes. 79% of UK population covered.	Little marketing activity of this - focus on getting basics right first Sales have improved 25%, website relaunched. Sainsbury's know offers 1 hour delivery slots in 83 stores - up 24%.	Priority to get basics right first for internet home order service website relaunched, service integrated with stores.
pg 19	We have been working on non food ranges which account for 10% of total sales.	Understanding what customers want to find in store New own label TU clothing brand introduced this year 41 pharmacies added to take total number to 169 in stores.	Make the space dedicated to non-food items work harder - sales/sq. ft. Development of range DVDs, greeting cards, clothes Refurbished stores are having more space for non-food items. Non food grew by 8%.	Diversification of instore proposition in building non-food items Testing of new products / features and layouts. Non-food items and diversified services (pharmacy) space increasing.
pg 8/20	Charitable Donation Scheme -Active Kids launched for second consecutive year	Provide schools with activity equipment. 80% of primary and secondary schools involved in scheme. Other community projects.	30,000 schools involved and £700 per school was raised. £17m raised for this scheme (5.6mto other community projects)	CSR profile and community but the scheme is linked to sales in stores - Shoppers receive vouchers depending on spend within Store which can then be given to schools. Other community projects not identified.
pg 4	Availability and Replenishment Issue of stock in stores was cited as number one issue in 2004	Focus on night shift colleagues and new store processes	Replenishment of stock of shelves has improved by 75% and availability within stores is significantly better	Availability/Stock on shelves is know in line with other supermarkets Previously must have been poor
pg 4	Roll out of new hand held stock and sale system.	Investment in technological logistical system	Provides up to the minute sales and supply data to shop floor Stock we have vs stock we need	Respond quicker to stock replenishment - improving availability in stores of products Improve costs and reduce wastage
pg18	Try Something New Today' - new branding campaign	Customers on average purchase 150 products / week and often do not notice the wider 30,000+ products in store.	Get people to try new things rather than 'Sleep shopping'. Supported by Jamie Oliver advertising campaign we gave out tip cards (100million so far).	Whole nutmeg sauce sales increased from 1400 to 6000 per week following Jamie Oliver on tv 7 million customers are collecting 'tip cards' - try something new Changing consumer shopping behaviour to wider product range.
pg 8	New 'Be Good to Yourself' range provides customers low fat and healthier options.	Evolved existing range from 'diet' brand to 'health' brand. Produce bread with higher fibre and 15% less salt.	500 Products in the range, of which 100 are new this year. £2m investment in bread production - same taste, better ingredients.	Product development and innovation with a focus on healthy eating as per govt. guidelines Product brand development and range extension
pg 8	New range of kids products and organic products	First retailer to provide Guideline Daily Amounts (GDAs) for children aged between 5 -10 yrs. old on packaging. First retailer to sell milk from UK organic farms.	Packaging design to include nutritional information of content Organic range has 700 Sainsbury's and branded products. Sale of organic and fresh food is up 20%.	Sourcing products from UK if supplychain solutions can be found Investing in supply chain via premium payment to supplier for product - allowing farms to convert using to organic produce -'Farm Promise'.
pg 7	We encountered problems this year as we expanded our bakery department.	Apprenticeship Scheme for Baking launched as baking skills are dying out. Pilot scheme lauched in North East and London (Govt supported scheme)	Baking skills are best in North East. Two busses will go around the country to different stores and train staff in Stores in baking skills.	12-18 month apprenticeship scheme targetted 16-24year olds to fill gap in bakery department by transferring skill sets from North East to nationwide stores.
CSR pg 17	Launch of reformulated sliced loaves in store	These slices meet FSA salt targets . Reduction of pesticide residues in own label brands.	15% less salt in relaunched loaves.	Working with FSA in own label brand meeting government targets.
pg 8	Local Sourcing of Products	Organic Milk from British Farms - Farm Promise £6bn of British Products sold in store	Supporting supplier to convert to Organic Farming 3500 locally sourced products	Supply chain solutions to facilitate local sourcing of products.

pg 19/31			Our bank had a difficult year making a loss of £10m.	Banking income increased 14% to £330m and customer accounts grew by 8%. Fee and commission products did well. High level of loans given out in early days to new customers.	Consumer credit environment has deteriorated this year. Provision for bad debt rose to £106m (£64m last year) as many consumer loans from 2/3years ago have defaulted.	Tightening of credit policy for loans to consumers New CEO of Bank with target to breakeven next year Move towards commission based products
pg 87/88			Sainsbury's expansion into the convenience segment has been via acquisitions	Acquisitions are 100% subsidiaries in Sainsbury's group. S.L. Shaw Retailers aquired for £6m April 2005 - 1 acquisition of five store in S.E of England -£6m J.B. Beaumont (acq. Nov.2004) Nottingham based convenience 6 stores. Jackson Stores (acq. August 2004) 114 stores in Yorkshire & North Midlands. £78m Bell Stores (acq. Feb 2004) 54 stores in NE England £22m.	Group convenience sector presence has grown to 3%. Acquisitions become 100% subsidiaries of Group Sainsbury's Bank which is 55% owned; 45% HBOS) JV in boutique Sainsburys (food retailing - France) 50% JV in Hedge End Park Ltd (Property investment - UK) 50%	Sainsbury's prefers ownership and control of businesses - 100% subsidiaries mainly Growth by acquisition of established (100 yr. old) convenience groups around U.K following Tesco's acquisition of T&S stores in 2002.
pg. TBC			Sainsbury's sold Shaw supermarkets in U.S. in 2004.	U.S. based retailer sold to concentrate on U.K market	Shaw sold for \$2.5bn to focus investment in U.K. market	Highly competitive price war against Tesco ongoing - Sainsbury's sold international asset to concentrate on U.K. market (consolidation for recovery).
Additions from Corporate Responsibility Report 2006						
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
pg 37/41		Global	Roundtable for Sustainable Palm Oil agreement	Sustainability of Palm Oil is important for developping countries	Working collectively to drive change within Palm Oil industry	Sustainability of Palm Oil is being collectively actioned
CR06	pg 3/pg 9	Industry	This is the third corporate responsibility report	twelve priority areas have been identified which are being progressed within our values	Getting better every day; Great service drives sales; individual responsibility; team delivery; keep it simple; treat every £ as your own - Values	We will exceed customer expectations for healthy, safe, fresh, and tasty food.
	pg 7/8		We work with a number of expert organisations	Meeting and engagement with external agencies and stakeholders groups (NGOs; govt agencies)	Marine Stewardship Council; Carbon Trust; Soil Association; Fair Trade; Woodland trust; British nutritional foundation; Forest Stewardship council; Ethical Trade Initiative; Dow Jones; FTSE4good; Carbon Disclosure; BITC;	Lobbying and non-market strategies for CSR FTSE4Good and DowJones inclusion since they were set up
	pg 37		Sainsbury's is the biggest retailer of Fairtrade in the U.K.	Consumer interest in fairtrade is growing	one third of the value of UK Fairtrade products is through Sainsburys. £2m of sales during Fairtrade fortnight march 2006.	Consumers are ethically aware and chosing to pay for Fairtrade products.
	pg 12	Firm	We will reduce carbon emissions by 5% by 2008 against 2004 baseline	Focus on energy usage within stores.	First retailer to trail CO2 refrigeration system with less impact on environment. Renewed energy contract will ensure 10% of energy is from renewable sources.	Government targets for CO2 emissions need to be met. Cost of energy is increasing making investment in renewable sources attractive.
	pg 12		We are in line with the target of increasing recycling relative to turnover.	Focus on in store recycling facilities such as recycling banks. Reduction of waste being sent to landfill sites.	Increased number of stores catering for recycling from 59 to 80. Recycling banks have led to increase of 13% customers recycling. Launch of organic composite packaging Introduction of recyclable packaging on salad lines	Consumer awareness of wider concerns in growing. Target of 5% reduction in waste for landfill sites by 2010 recyclable packaging being increasingly used

pg 13	Supporting farmers and suppliers	Focus on local British produce	We are on track to source 70% of organic produce from the UK by end of 2006. 70% of eggs are from non-caged birds. We will ensure all eggs we sell are from the UK.	Globally sourced products are measured against UK standard Local British sourcing of organic produce.
pg 14	We reinforced our commitment to Red Nose Day / Comic Relief.	Sainsbury's will be the sole retail partner of Red Nose Day until 2011.	Long term agreement to support National Charitable event while gaining publicity.	Use of CSR to support charity and gain publicity
pg 15	We introduced self service check outs in 57 stores.	Improving customer queuing times at check outs	Reduced cost of employing cashiers in store - self service checkouts	Technological innovation of self service introduced in store.
pg 26	We reduced our road mileage by almost 5%.	Improving efficiencies within vehicle fleet	Target not achieved due to reorganisation of fleet network. Improvements in fuel consumption (2%) reduced mileage (2%) and improved vehicle utilisation (5%).	Transportation efficiencies will be enhanced as fleet of vehicles is renewed gradually. Transport CO2 targets not achieved.
pg 28 /30	We will reduce CO2 emissions by 5%	This is based on 1997/98 baseline.	Our in store bakeries account for 10% of energy consumption. Stores are opening longer at night; night restocking to improve availability	Energy efficiency is difficult as operating hours have changes and night shift has been introduced to improve availability Refrigerators are largest energy cost in stores.
pg 31	We have achieved a steady decline in waste sent to landfill.	Government targets to reduce landfill waste Change of use of packaging; energy and materials	85181 tonnes of waste sent to landfill - a decrease of 9.9% compared with 2004/5. 8400 tonnes of cardboard saved due to use of plastic crates	Landfill waste reduction along with changing materials used in packaging Alternative carrier bags being offered Supermarkets are under mounting pressure to demonstrate their positive
pg 57	Recruitment and Diversity	Improved communication eg. Huddles and monthly meetings in store.	Female 58%; Male 42%; Under 24- 24%, 25-44 36%; 45+ - 30%. Women make up 20% of regional managers Value the experience of mature staff - over 50s recruitment drive	Mature staff are more reliable in store and are being recruited Staff retention has improved Improving communication within stores
pg 59	Health and Safety accident report has improved 9.6% at Corporate level and 15% in Supply Chain Division	Staffing and Health as Safety being taken more seriously	Rehabilitation programme for getting long term sick back to work Working with HSE to improve workplace	Ongoing Health and Safety being improved.

Period	Jan 2005-Jan 2006	FIRM LEVEL REPORT: MORRISONS ANNUAL REPORT 2006							
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme			
Mar-06	pg 08	Global	This is the first annual report required to be prepared under IFRS.	Reporting designed to harmonise accounting / reporting globally for international comparative.	Standardisation of reporting within U.K retail industry.	Adoption of E.U. / Global reporting practices of accounting.			
	pg 13/52 pg 72/76		Morrisons has been transformed into a National operation.	Company purchased Safeways for £3.3bn.	Paid £600m cash + 1,079m shares. Share price fell £2.03 to £1.89 Jan 05 / Jan 06 (4bn shares in circulation).	Inorganic growth through acquisition as Safeways operated in S.E and Scotland - where Morrisons had little or no presence (100% growth in 3 years - doubling market share during integration phase).			
	pg 04	National	Customers were hit, during the year, by the effect of oil price and council tax rises.	Cost of living and inflation is going up.	Consumer spending power is being constrained within U.K. Customer spending down 1.6%.	Disposable income of consumers is being reduced due to rising costs.			
	pg 13/15 pg 81		Company was aware of following shareholders with 3% or more interest.	Largest shareholders are Nominee companies or private individuals.	78% held by nominee companies and 6% held by Ken Morrisons in trust (son of original owner).	Family business with active family control and involvement in business. Total number of shareholders 49,904 of which 22% are private individuals.			
	pg 80		Retail portfolio has 378 stores and 275 petrol stations.	Most number of stores are 25-40 and 15-25 K sq. ft. (300 plus)	0-15(14 stores); 15-25 (158 stores); 25-40 (167 stores); 40+ (39 stores). Disposal programme reduced from 498 stores to 378 (Safeways acquisition)	Average store size 28K sq. ft - local Choice stores or medium size supermarkets are typical format for this retailer. No convenience sector presence.			
	pg 08/09		Tax is a credit as a result of relief available against the loss in the year.	Effective tax rate was 20% for the year.	Safeway conversion and integration costs are deductible for tax purposes.	Government tax incentivisation for investment in upgrading and improving business infrastructure.			
	pg 02	Industry	Core Morrison stores were impacted by the competitive effect of Safeway stores.	Morrisons had to dispose of Safeways stores as they were within Morrisons stores catchment areas. This was Office of Fair Trading condition of acquisition.	50 large Safeway stores had to be disposed off which were purchased by the competition. Morrisons like for like sales in Core stores declined by 3.4%.	Office of Fair Trading conditions of allowing acquisition had a negative impact on Morrisons sales. Core stores are those in catchment area of ex-Safeways stores which OFT forced sale of ex-Safeway stores. Converted stores respond well to removal of Safeway brand and Morrisons format and model.			
	pg 05		Our competitors would respond to looming arrival of Morrisons	Following acquisition of Safeway stores the competition offered deep tactical discounts in stores in the weeks before converted stores opened.	Typically a £10 discount on £40 sale to entice customers away from Morrisona/ Safeways. Converted stores grew despite intensification of competition.	Intense competition in bidding and post sales of Safeways. Competition reacts by offering discounts in areas where old Safeways stores exited.			
	pg 03		The Office of Fair Trading is considering a referral of the grocery market to the Competition Commission	The competitive landscape of grocery multiple retailing is in the spotlight.	Morrisons has written to the OFT to suggest a number of ways the competitive landscape can be improved.	Competition Commission considering referral from OFT with respect to the competitive landscape of grocery multiples in U.K.			
	pg 31		Avoiding generating waste is preferable to recycling it.	we use reuseable baskets where possible. we recover cardboard, plastics, paper along with animal by products	2.5 tonnes of waste per store per week is sent to landfill sites based on industry calculations.	Regulations on waste and recycling are making retailers focus on efficiency gains of energy and environment.			
	pg 01/80	Firm	The results we are presenting today are the outcome of an extremely challenging year for Morrisons	We have built strong foundations for the company's future as a National retailer.	£12bn turnover (up £11m); £61.5m profit before tax and Safeway integration cost (down from £332m last year). Sales per sq. ft £17/ week (£1 up on last year).	Morrisons is going through a period of change as it integrates recently acquired Safeways into the Morrisons business model. Revenue maintained but profit down by £250m on last year.			
	pg 07		Our vision is to be the best grocer in town	By being customer focused, sales led and value driven.	Sales and number of employees more than doubled as a result of acquisition. New plan to take National business forward.	Optimisation plan for next three years is a road map for profit recovery. Delivering improvements store by store and line by line - efficiency.			
	pg 9/42 pg 20		During the year KPMG provided the audit services.	Last year the cost of auditing was £3.9m. New Group finance director authorised five new senior positions including audit /risk.	Cost of auditing has increased to £5m due to forecasting procedure review and regulatory change to IFRS. Non audit fee was unusually high.	Changes in reporting procedures to IFRS and procedural reviews cost £1m extra - auditor KPMG. Strengthening of finance department to ensure audit fees return to normal levels. New top team in finance being established by new finance director.			

pg 14	There are seven executive and five non executive directors for this period.	Executive directors have been with company for long period of time. Non-executive board formed in July 2005.	New non-executive board formed in accordance with Combined Code. Executive Board includes Ken Morrison (Chairman). Board meet 15 times a year.	Long standing executive board with newly formed non-executive board in accordance with Combined Code. formation of internal risk and audit function and finance team.
pg 17/11		Split between Chairman and Chief Executive role not formally defined as yet but will be at next appointment of C.E. Change of finance director - outgoing retained on hourly rate.	K.Morrison was M.D from 1952-1997 (know Chairman). Finance Director stepped down (May 05). Combined board and non-executive costs (£4m)	Creation of Treasury Management function appropriate to governance of size of listed company. Family involvement becoming diluted with commercialisation - ongoing succession planning. Non-executive team has wider commercial background whilst board have internal company experience.
pg 19 / 03	New Nominations Committee formed during the year.	Terms of reference were formalisd for this committee. There is Nominations; Audit and Remuneration Committees. New interim C.E.O appointed March 2005.	C.E.O. Robert Stott interim C.E.O as part of restructure -who has been with company 33 years - search for succession C.E.O is actively taking place for when R.S. retires (age 63).	Formal committees being established for growing firm. Traditional family firm becoming more commercial structure. New Chief Executive actively being searched for - succession planning. New structure as per Combined Code (auditor guidance and fees).
AR02				
pg 19	One member of audit committee should have recent and relevant financial experience (C.3.1)	None of the audit committee meet the criteria.	PwC are supporting the audit committee to balance and provide sufficient support until issue is resolved.	Governance of group is being developed to meet Combined Code requirements. Committees previously met informally, know being formalised and structured.
pg 22	Remuneration committee identified that Directors remuneration packages were not fully competitive. Independent Commission review of Board salaries.	Need to make some adjustments to ensure Directors were retained and motivated. Base salaries are above mid-market benchmark, but total compensation is below mid-market benchmark.	Workloads had increased significantly due to challenges of integration and bigger combined group (Safeways) New incoming finance director paid more due to integration.	Base salaries amended inline with new finance director. Going forward an annual bonus / long term incentive scheme will be put in place. Protect Group in uncertain times and against other companies recruiting key members of the team.
pg 02 / 49 pg 50/ 55	Net debt £1.147bn (slightly below last year)	Morrisons has low debt to asset - conservative risk averse financing £1bn in bonds and £300m short term loans/facilities in place.	3.7p dividend issued. Bank loans are combinatio of bonds and short term borrowing. £50m OD changed to loan facility	Majority of finance is on 3-5 year basis which is renewed - Euro and Sterling bonds. Although Morrisons has low risk approach - cost of finance will be higher due to short term nature.
pg 02/56	The year represented a period of great change and some major achievements.	Integration of Safeway stores into Morrisons following acquisition for £3.3bn (£1.4bn disposal proceeds todate; £600m store conversion and integration costs = actual cost to date £2.5bn).	Integration costs rose from £139m last year to £374m this year. £103m of Goodwill created on acquisition of Safeways has been written off.	Conversion, integration and disposal programme for Safeway stores over last 18 months. Write off of Goodwill has been expensive.
pg 04/39 pg 46	Morrisons is a "Top 10 U.K. property owner	Property portfolio of £6.7bn on balance sheet	92% of store floor space is freehold or long leasehold	Morrisons has a prudent balance sheet as property ownership of stores is high. Property value £6.7bn to Net debt £1.147bn.
pg 02 pg 07	Morrisons has emerged from the acquisition of Safeways as a substantial business.	We are the fourth largest retailer in U.K.	11.8% of the grocery market share (increased from 6.4% in 2004. One in nine people shop at Morrisons. National with 378 stores and 275 petrol stations.	Morrisons growth towards becoming a National retailer via acquisition. Converted Safeways stores demonstrated 8% growth in sales. Acquisition of Safeway increased marketshare by 5.4%.
pg 41/ar03 ar05.	Fuel sales increase by £500m impact profit conversion	Volume of sales increased and the cost of oil is increasing. Profit greater contribution from product sales in stores.	Total sales from petrol rose from £2bn to £2.5bn. Increased fuel sales - reduced margin overall.	Whilst instore turnover fell slightly, petrol sales increased due to rising cost of oil. Fuel is not profitable activity for Morrisons - but to attract customers.
pg 06	Morrisons new Head Office is on course to open in Spring 2006.	The Safeway Headoffice in Middlesex has been closed and sold.	£22m from sale of Safeway H.O; IT moved to Yorkshire and Safeway accounting which was outsourced brought inhouse.	Morrisons new Head Office will house 1600 people in 1 location Consolidation of existiting central functions from multi-locations to 1 site
pg 04 /05	Conversion of Safeway stores to Morrisons.	Conversion of stores had mixed results with 15.8% increase in customer numbers. Whilst majority of customers continue shopping at converted stores -some have gone elsewhere.	160 stores have been converted this year which brings the total to 220 stores. Total cost of conversion programme has bee £623m of £467m spent this year. Cost of store conversion has been £2.8m /store.	High cost of converting stores to Morrisons model with mixed results in capturing market share. Total customer numbers have declined on last year by 12% to 483m, but converted stores report rise of customers by 12%.
pg 6 / 57 pg 51	Disposal programme of stores during the year.	A number of stores that did not fit the Morrisons model or as a condition of OFT were disposed off. Total disposal proceeds £1.4bn funding capital expenditure.	127 stores were sold or closed during the year. Total number of Safeways stores sold is 241. Convenience store joint venture with BP - 61 locations sold for £87m (valued at £67m - profit of £19.3m).	Restructuring of store network across the U.K with mixed results. £460m raised from disposal programme but these stores also accounted for £543m sales. £930m raised from disposal programme last year.
pg 10/48		Currently £128m of non-current assets held for sale.		20 ex-Safeway's stores remain to be sold off. Eight properties disposed post balance sheet event for £45m (pg 16/61). Safeway / BP Joint venture has been dissolved following takeover by Morrisons - petrol stations divided between Morrisons and BP.

pg 06	Integration / consolidation of distribution.	Three Safeway depots closed as they were poorly located	£74m cost of closing three depots, but savings will be £30m per year.	Provision of £21m for impairment disposal cost of 3 ex-Safeway depots - next year sale.
pg 42	Safeway brand not used	The Safeway brand was valued at £40m	Goodwill write off of £40m for Safeway brand	Good will cost of unused brand - 'Safeways'
pg 6/7 AR13	We opened 7 new stores during the year. In distribution we opened a new dedicated distribution centre. Total 15 new stores opened in year.	Given the presumption that Morrisons is perceived as a Northern brand the 36000 sq. ft new Kent store has best ever opening week. Regional Distribution Centre opened in Kettering.	Focus on optimising our existing business in the coming year. 702,000 sq. ft £67m distribution centre opened to service 70 stores in Midlands.	Following completion of conversion programme - New optimisation plan for next three years. Focus on profit recovery. National distribution network expanded.
pg 02/05 pg 80	Team building effort has been substantial.	Integration of Safeway staff into the Morrisons model Run down of Safeway's Headoffice and integration of IT and accounting into Morrisons.	90,000 Safeways staff have been retained. 2500 left after acquisition for which £75m redundancy was paid. Total of 134,000 staff - more than doubled due to acquisition: (57K FT; 77K PT).	Staff retention has been high following integration of Safeways. Staff costs increased by £94m. Two pensions schemes - Safeways / Morrisons being separately administered. Staff number reduced due to store disposal / depot closure after initial acquisition.
pg 07	As we move forward it is vital we become "One Morrisons"	The Group is made up of Morrisons colleagues who have been with us for many years whilst 90,000 colleagues are from Safeways.	Majority of staff have been with Morrisons less than two years.	Integration of people from acquired Safeways will take time : Morrisons values, goals and culture articulated to integrate all staff. Morrisons model has higher ratio of staff to customers compared with Safeways.
pg 41/ 05	Total staffing levels fall from 140,000 to 134,000	Employees in stores and central functions reduced; manufacturing and distribution staffing increased. 11, 000 new recruits in last two years.	8000 staff reduced in stores; 1500 staff increase in manufacturing; 2000 staff increase in distribution; centralised staff reduced by 2500 to 3671.	Staffing levels evolving in line with disposal / integration programme. New manufacturing and distribution facilities began this year. Core 30,000 experienced staff plus 100,000 new / recently integrated staff across group.
pg 10/11 pg 59/73 AR113	The group's pension scheme deficit increased despite improved stock market performance.	Actual return exceeded the expected £165m. Two pension schemes - Morrisons and Safeway held separately.	Discount rate applied to liabilities was reduced by 0.5%. (5.25% to 4.75%) - Actuarial loss for year was £205m.	Changes in discounting method for pensions suggests increasing gap between contribution and value of scheme. Company contribution to pension scheme was £92m this year. Changes in demographic and financial assumptions suggest forecasting risk increasing.
pg 05 /04 pg. 56 AR06	Additional distribution costs amounted to £75m.	In house baking expanded with 80% acquisition of Rathbones New dedicated regional distribution centre in Kettering. Rising cost of fuel contributing to distribution costs.	£9.5m paid to acquire bakery from Rathbones (80%). Second abattoir facility acquired in Scotland. Extended fruit packaging facility in Northamptonshire New vegetable packing facility in Rushden. New distribution centre cost £67M and is 702,000 sq. ft	New distribution centre opened and three ex-Safeway's depots closed to improve distribution. Strengthened and expanded manufacturing and distribution infrastructure - which is Morrison owned. Morrisons owns and operates its own fresh food manufacturing and processing facilities as subsidiaries. It will take six years to recover cost of distribution restructuring @ 67m+74m+21m (£30m savings per year).
pg 04/62	We are a top 5 U.K food processor.	Morrisons owns and controls much of their fresh food supply chain processes.	Supply chain elements such as abattoirs, baking and fresh food packaging are inhouse subsidiaries of Morrisons.	Morrisons model prefers 100% owned subsidiaries and no joint ventures - 8 subsidiaries UK based. Supply chain ownership of food processing and distribution.
pg 05	Increase of energy costs to £35m	Expansion and upgrade of store and new distribution facilities contributing to additional cost of energy.	Energy and refrigeration costs are rising.	Energy efficiency becoming a growing priority in store development and competitiveness.
pg 9	Morrisons and Safeway staff offered same profit sharing scheme for qualifying employees	Two year profit sharing with maintained level as 2004.	Profit sharing amount increased to £34m - a significantly higher amount than normal (£19.7m)	Due to the difficulty of predicting long term future at acquisition stage - share incentives were used to retain and incentivise staff during transitional period.
pg 07	Same prices in all our stores.	There is no regional variation in product prices across the National Chain. Morrisons and Safeways employees offered same incentive scheme.	Integration of Safeways is in a fair way that ensures equal level and fairness. Customers are also treated fairly across regional boundaries.	Morrisons values reflect perception of fairness for customers and staff as part of the Morrisons values.
pg 11	Groups credit bonds issued by Safeways rated by Moodys.	Safeways Ltd was perceived as high risk and had low credit rating.	Moodys downgraded Safeway's bonds from Baa1 to Baa2.	Safeways brand credit rating is low.
pg 15	No political donations were made during the year.	£200K was donated to various charities. £1.7m was raised for charities by customers and staff.	Group policy is not to make political donations.	Group policy is not to make political donations. Group charitable contributions clearly identify direct contribution to charities as different to customers/staff contribution.

pg 15	No political donations were made during the year.	£200K was donated to various charities. £1.7m was raised for charities by customers and staff.	Group policy is not to make political donations.	Group policy is not to make political donations. Group charitable contributions clearly identify direct contribution to charities as different to customers/staff contribution.
pg 03	3,500 colleagues employed in manufacturing.	Over thirty years experience in factory operations.	Most of the fresh food and vegetables we sell are packed ourselves.	Morrisons is the only major food retailer to own and operate fresh food manufacturing and processing plant.
pg 06/57	Disposal of Safeway stores in NI; Channel Islands and Isle of Man.	These stores did not fit the Morrisons model or were required to be sold by OFT.	Sale proceeds from sale of these stores was £49m.	Ex- Safeway stores were sold as subsidiary companies of Morrisons following Safeway acquisition. (Guernsey, Jersey)
pg 47	The fair value of investment properties is £277m	Morrisons holds a portfolio of investmet properties.	£13m generated income from investment properties.	Rental income from portfolio of investment properties.
AR18 / 32	Fund raising for our Charity of the Year - Breast cancer broke all previous records.	Staff and customers raised money for charities with the support of Morrisons contributions too.	£1m donated by staff and customers to Breast Cancer £65,000 donated to Asia Earthquake £197,000 raised for Children in Need	Morrisons Charitable Trust contributions made. Gfits in Kind excluded in these calcaultions. Total of £678,000 donated to national and local community causes.
pg 30	Our aim is to reduce the impact of our business on the environment in which we operate.	Priority areas have been identified as CSR issues.	Product integrity; Supply chain and labour standards; community investment; operational environment; employment policies.	Cross functional steering committee of senior execuives (formerly Business Ethics Working Group) prvide leadership on CSR.
pg 30	we have concentrated our resources for CSR matters on Environmental Management and Product Integrity.	Carbon Emission targets and energy consumption across Group. Refrigeration and lighting costs are a priority. Automatic lighting control system in petrol stations. Store conversion programme.	Total energy used by Group is 764,000 tonnes of CO2. Group has new energy management system - Optima. 8% savings on electricity in first site. 66% savings in 245 petrol stations. Refrigeration systems recommissioned for efficiency gain.	Optima is being used to identify energy savings and consumption trends across business. Working with Carbon Trust on projects. Phased out use of CFCs in refrigeration. Refrigeration accounts for 50% of store energy costs - new energy technologies being explored.
pg 31	We operate a programme to monitor recycling levels.	Our priority has been compliance with changing legislation for waste management.	72% of all store generated waste is recovered for recycling. 329 stores have recycling facilities in partnership with L.A. Use of returnable baskets rather than cardboard boxes.	Waste management developments are focused on meeting government targets. Reduced number of stores have reduced absolute waste volumes by 23% on last year. Cardboard and polythene are largest contributors to waste production in stores.

Period	Jan 2005-Jan 2006	FIRM LEVEL REPORT : CO-OPERATIVE ANNUAL REPORT 2005					
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
C005	Pg 00	Global	First time Co-op is adopting IFRS accounting standards	Reporting designed to harmonise accounting / reporting globally for international comparative.	Standardisation of reporting within U.K retail industry.	Adoption of E.U / Global reporting practices for accounting.	
	pg 01		Group revenue £7.4bn; profit £365m	28% increase on last year; 15% increase in profit Property eighth year of growth; Banking struggling with debt defaults in person banking; Major investment in revitalising Food brand;	Insurance business 56% increase; Banking 3% increase; Food -no increase/loss; Pharmacy 17.5% increase; Funeral 1% increase; Property £60m profit	Property and Insurance businesses doing well; Food business struggled but survives due to operational efficiency improvements.	
	pg 01		Trading Group debt fell by £125m to £246m.	Capital debt same as last year; Trading debt ratio improves from 1.7 to 1.3. Operating loss of discontinued business (£16m) provision for sale (£27m) £100m received from sale of Priory business and property sale.	This year retained profits of £156m helped strengthen financial position Steps being taken to turn business around. Trading loss and exit of businesses cost £39m. £50m loan repayment; £22m distributed to members	Tight financial control and consolidation / efficiency improvements along with disposal of some businesses. Sale of Priory business and Property £100m received. Net debt reduced by £125m	
	pg 05 pg 118		Board performance appraisal developed	Co-op is not subject to combined code - but invited ICSA to analyse board Pension reform - changed from final to average salary scheme (PACE)	Reforms and best practices being implemented in line with changing governance codes and competition laws. PACE members will contribute 6% towards pension	Business renewal and regulatory reform in progress as part of turn around steps.	
	pg 05		Drive for new members	Proposition for members is being renewed	Staff training and brand enhancement across group - 94,000 new members this year But loyalty dividend to members has been reduced to half of last year (£26m to £12m)	Next year drive for new membership Loyalty dividend reduced in 2005 -paid to customers based on in-store purchases	
	pg 16	National	Terrorist attack in London July 2005	London public transport bombings focused businesses on terrorism threat	Individual and business liberties scrutinised - new regulations	Security and terrorism risk increasingly focus of firms and consumers -travelcare business impacted	
	pg 16		New NHS contracts in England and Wales	Community pharmacy contract focused on patient	Changing role of PCT and GP services - radical changes in legislation	De-centralisation of NHS services	
	pg 10		Customer shopping habits are changing	More people are shopping more regularly and more locally	Convenience and health focus by increasingly aware consumers	Convenience and healthy foods at competitive prices consolidation of product lines	
	pg 13		Media endorsement of products	Focus on getting right product ranges - range development and renewal	Focus on fresh and chilled range inline with tv endorsements of fresh quality products	Co-ordinated effort to target products locally at consumers	
	pg 2 pg 87		Co-op is a U.K business	Food retail (£3bn S; £71m P); Specialist retail (£680m S; £23.5m profit) Property (£60m growth in value - up 43% to £106m); Farmcare (£20m S; £1.2m P); Pharmacy (£293m S; £16m P); Funeralcare (£185m S £16m P); Travelcare (£122m S; 0.3m P); Homestores (£7.6m S; £1m loss); Shoefayne (£71m S; £8m loss); Insurance (£66m profit); Banking (£97m P -down on last year £114m). Food retail sales fell by £58m but profit slightly up	3493 outlets and 68,000 people employed across group (32700 FT; 37200 PT) - total £1bn wages Food retail dominates with 1713 outlets; 43963 people Group (£7.4bn S; 365m P) - overall increase of £50m profit on 2004 CIS Profit increases by £24m before sig. items (54m after significant items - £12m in 2004) Bank profit down £28m (IAS32 £16m) due to bad debts £58m significant item - CIS and Group restructuring costs	Diverse member based group of which Food retail is largest by far CIS profit increases by £24m - Group profit up £50m Bank profit down £28m Capital and reserves remain strong at £3bn Property profit increase of £24.5m Restructuring costs were £58m	
	pg 30		Government specialist school scheme	Co-op partners 8 Business and Enterprise colleges through sponsorship	Private sponsorship of public government run schools	Community projects are partnerships between private / public bodies (Match funding; incentivisation)	
	pg 38		Age discrimination legislation being introduced by Government in Oct. 2006	Society is working to ensure all policies and practices are in line with meeting compliance of legislation	Relevant age compliant audits have been carried out and actions are being worked through.	Plans to improve race equality and upgrade flexible working options including maternity and retirement provision.	
	pg 9	Industry	Co-op brand identity is being regenerated	Revising customer offer; Making brand more meaningful and appealing; Developing exclusive member offers	Pilot of Brand run at various locations - positive feedback	Brand project will be expanded Nationally	
	pg 11		Food retail marketplace is intensely competitive	High cost of inflation and deflated retail prices are squeezing profitability	Convenience sector offers higher profitability in competitive market place	Other Supermarkets are a growing presence in the profitable Convenience sector intensifying competition for the Co-op	

	pg 28		CSR report receives ACCA award	member (£25m+) dividend included corporate members (£15m) and individual members (£9.8m).	Political support declared ; Charitable contribution £3.9m ; provision for future growth £300m	Individual members receive less than corporate members as a group Co-op is unusual in that it has 143 corporate members who are from other Co-op societies
	pg 80		Outsourcing of IT project as IT strategy	Intensive integration of Co-op group and CFS and CIS	CFS had signed an IT contract with Xansa for £22m	Outsourcing of IT services to integrate back office and front end operations
AR	pg02	Firm	We set ourselves some key priorities in 2005	We have made real progress on these	Over the last few years we have been on a journey getting the businesses in shape for the future	Focusing on food business; reshaping our portfolio of businesses; reducing costs; building on the engagement of our people; revitalising our customer offer
	pg 37		One third (8 Directors) are subject to re-election next year.	Society Rules are that individual and corporate members democratically elect Board. Board comprises of 28 elected NED -17 individual and 11 Corporate members.Provision for professional 2 NEDs exists but is unfilled.	Elected representatives either hold shares (as individual members) or as Corporate members have shareholdings in the Co-op. Board met 11 times in 2--5 and had two strategy reviews in June and December.	Society Rules internal election of Board by members. Potential conflict of interest
	pg 46		Cash position improved to £90m in non financial businesses	Improved working capital management and Sale of Priory business	Increase of cash from £7m in 2004 to £90m in 2005 in non financial businesses (trading)	Cashflow and management improved in 2005 within non financial (trading) businesses
	pg 4 / 45 pg 86		Long term liabilities insured for a one off £1bn payment	Reinsurance of long term liabilities with Co-operative Insurance Society	Ceded one off payment for CIS insurance	One off £1bn payment for reinsuring long term liabilities - CIS business
	pg 40		Audit and Risk committee meet 4 times a year	There are 8 members on the committee and it follows the Smith report	Risk and audit committee meet with and independently of executive management	Internal committees all comprise of Board members
	pg 42		Performance Committee	Board set up committee to monitor budget performance - newly formed	Performance committee did not meet in 2005 as it is newly formed	Governance committee was disbanded and integrated into other committees
	pg 41		Executive remuneration committee met 11 times	There are 9 members of this committee	Makes recommendations to Board in respect of Director's remunerations and new appointments	35% basic salary + 60% incentivised bonus + personal bonus 5%
	pg 43		Group Risk management committee met 4 times	There are four members of this committee	Identifying key business risks with clearly defined limits	Bonuses only paid in financial sector - other executives did not receive bonuses
	pg 41		Values and Principles committee met 6 times	There are 15 members of this committee	Developing and monitoring Group strategies of membership; CSR and community	New longer 3 year targets introduced for bonuses scheme also
	pg 11		The vision for Food retail is to be the preferred community food retailer	Plans in place represent start of a journey - restructuring of Food retail business	New strategic focus to business with new leadership	Restructuring to focus on value generating activities
	pg 08		Investment in restructuring our business	Investment in new brand pilot programme and integration of businesses Brand piloted in Northampton (South) / Hull (North).	Refit programme for stores- £12m invested across 100 stores; development of own label range new ad campaign; £226m capital and logistics expenditure	Reinvigoration of mission "to be UK's preferred community food retailer" and improve performance - retail business is not performing as well as others Capital investment in business
	pg 11		Appointment of third CEO in food retail within last twelve months	Food business has lacked leadership and experienced much upheaval	Food retail sales down by £58m to £3bn. Second half of year was better than first six months. New CEO started in 2nd quarter.	Lack of leadership erodes market position and bottom line results
	pg 12		Internal cost savings	Portfolio review of businesses to improve performance and dispose of low value assets	Reduction/loss of 600 jobs at Head Office. Selling of some businesses (Priory motors (Reg Vardy) sold; Syncro; department stores in process). Closure of 100 underperforming stores.	Cost cutting and efficiency gains as part of turn around of business
	pg 11		Food marketplace remains intensely competitive	Costs are rising and consumer prices are low reducing profitability.	Other supermarkets are increasingly competing for convenience sector market. Co-op sales in supermarket sector have also declined or been eroded.	Fierce competition is eroding Co-op market share
	pg 12		Distribution network and processes	New purpose built distribution depots to service south of U.K. New EPOS stock control system for stores to manage availability of product and reduce wastage	£226m investment in stores and logistics to develop National chain Improved inbound efficiency of stock from 500 suppliers to reduce stock losses	Infrastructure and logistics investment to integrate and develop National chain
	pg 38		Streamlining supplier efficiency and product range	Supplier terms are individually negotiated (avg. 35 day credit terms) Supplier efficiency based on value	Reducing range of products ; focusing of fresh and quality produce; Developing own label brand	Consolidation of ranges and suppliers to focus on enhancing value and quality
	pg 12		Regional portfolio reviews	Pre and post appraisal of investments at a local level.	Focus on regional and local communities	Regional strategies for local community approach

	pg 10	Back to basics strategy for Food retail launched "Better products; service and execution"	Sales decline in 2005 but profit maintained due to cost efficiencies and closure of low performing stores.	Range strategy encourages regional elements of product; improvement of shelf availability; efficiency and speed at tills; customer service attitudes.	Staff morale and basic attitudes are influenced by leadership - Pride and responsibility at customer end and managing efficiency at supply end.
	pg 12	Integration of "Alldays" stores into Co-op	Acquisition of "Alldays" 775 convenience stores in 2002 struggled due to logistic	New depots to service South of U.K. support improved efficiencies and store management	Integration of acquired convenience business to develop National chain
	pg 12	Raising consumer awareness of family of businesses in Co-op portfolio	Integration of brand across business portfolio; continued diversification into specialist retail sectors - travel care; funeral; pharmacy;	developing a sense of community across business - adding value to business via range of ser	Specialised retail (diversified portfolio) has performed well
	pg 16	Growth of online distribution channel	Rise of direct and online sales across business portfolio.	Resturcturing of travelcare business ; Banking online customers grew by 20%. - Smile	Growth of online sales channels
	pg 18	Property division growth	In last decade property portfolio has returned 20% per annum and record profit of £60m	This is helping funding largest expansion in Group for 150 years	Diversified portfilio has supported major investment in core business activities
AR	pg 22 pg01	CIS (Insurance) business performs well following modernisation programme started in Jul-04	Modernisation programme implemented in July 2004 delivering rise of profits	Operating profit of £60m+ (up from £12m last year); new underwriting system delivers cheaper insurance quotes for customers; new ethical products; closure of district offices to call centre plus admin allowing customer focused roles. CIS profit improves by £24m	Modernisation programme of CIS business has enhanced profits in this business Centralisation of back-office activities to free up time for local customer facing role
	pg 24	Ethical and Community Initiatives	100% degradable carrier bags; banning of MSG ingredients; Farmcare trips for Schools; Green energy projects; local produce; trade justice campaign	Ethical stance differentiates Co-op from competitors	CSR initiatives and ethical recognition as USP of Co-op
	pg 25	Bad debts were significantly higher in consumer banking	Ethical approach to banking and finance - however economic factors impacting all major banks;	Global microfinance loan fund; overseas development projects; Integration of CIS and CFS businesses; Corporate lending increased to £2bn+. Deposits in Bank up 7% to £7bn Average customer retail lending increased 8% to £7.5bn - corporate and mortgage growth	Ethically responsible business awareness is growing amongst consumers but personal debts also increase for consumers - impacting banking sector Corporate lending growing
	pg 25	Bank adopts a cautious approach to lending	conservative approach to lending as consumer bad debts have increased financial products designed for ethical consumers	Monitoring of customer and lending procedures for credit scoring; Chip and Pin cards introduced	Consumer behaviour is liberal where bank is conservative - cautious approach
	pg 72/28	£33,000 paid to the Labour Party and £501,000 paid to Co-operative Party.	Affiliation to member based approach and political party similar to previous year.	In 2005 Labour Party was re-elected with Blair having a reduced majority after Iraq war (Political parties, elections and referendums Act 2000)	Charitable contribution to political parties - lobbying interests
	pg 4	Turning the performance of Retail around	Focus on quality and range of products	Proposition has yet to impact bottom line - results will emerge in 2006	Food retail undergoing restructuring - enhancement of product and range proposition for value.
	pg 4	Farmcare profits down	Farmcare is UK largest farmer and owned by Co-op . 40% decrease in profit. £2m to £1,4m	Supply chain ownership within Co-operative - Farmcare profits down from £2m to £1.2m Potato and onion crops quality suffered and wheat yield low. High fertiliser costs. Potato supply up 50%.	From farm to fork strategy (local produce) All strawberries are labelled Co-op grown - focus on few crops
	pg 04	Funeral business acquires new site in New Forest	Declining death rate for Co-op funeral business	New woodland site acquired - already established and investment in vehicles	Investment in funeralcare business
	pg 30	Highest range of Fairtrade products of any retailer	19 New products have been introduced in the Fairtrade range	Total of 124 products are Fairtrade products	To be a leading ethical sourcer of products is important
	pg 7	CIS and Property did well. Banking and Retail below target;	Sale of businesses justified as "defensible position" is needed to retain business in portfolio	Consolidate and focus on reduced portfolio to build market leading position	Focus on food business; reshaping portfolio; reducing costs; building commitment and revitalising customer offer to build market leading positions of defensible businesses.
	pg 20 pg118	CIS and CFS businesses integration 15th Jan 2006- CFS Ltd formed with 2 subsidiaries CIS and CFS Management Services Ltd	New organisation structure to reflect single customer facing role Core values : openness and honesty; being customer focused; social responsibility being successful and making work fun;	Key measures : profit generation for sustainability; colleague satisfaction; customer satisfaction social responsibility; membership growth	Purposeful values and measures adopted in integrating businesses Use of IT outsourcing to improve back end / front end efficiencies and integrate businesses (SAP etc)
	pg 8	Beginning of a change of emphasis	Shift from strengthening foundations to expanding and new opportunities	National expansion and improvement of Food Business under new vision and leadership	New leadership driving change process in food retail

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pg 10	Store refitting programme	100 stores refitted - expanding in 2006	Fabric and standard of existing stores being upgraded with additional focus on refrigeration	Updating of stores and efficiency of energy usage within stores
pg 12	Improve HR processes to engage and motivate staff	Reduction in staff and store manager turnover rates ; investment in people across businesses	Improved communication and training of staff in stores; people training at customer facing end	Valuing the people within the business at the front end to improve staff loyalty, retention and communication - training and staff provision
pg 5	Work undertaken to make organisation fit for purpose	Performance and value focused approach	Financial position and key ratios improved this year	Financial turnaround and restructuring
pg 33	Physical violence towards retail staff decreased 6% but verbal abuse increased 14%	New Health and Safety contractor BMI brought in to improve Health and Safety record.	3 prohibition notices; 53 improvement notices; 5 fire enforcement notices; 6 noise abatement notices; Of 4068 accidents reported across group, 3700 were in retail	Processes and practices of Health and Safety are being developed. Violence and verbal abuse at front end remains cause of concern.
pg 18	98% of electricity sourced from green sources	Energy efficiency and environmental concern - responsible approach	Property group joint venture with Scottish power and energy efficiency scheme piloted in 800 stores. Pilot scheme delivers 3% reduction in energy savings in 7 months. Head office U.K.s largest ever solar project - photovoltaic panels (181K units of energy) + 19 micro wind turbines on roof.	Co-op prioritising energy efficiency and green energy for electricity savings Reduction in CO2 emissions
pg 29	Gender and diversity of staff and members	Good balance of male : female ratio but ethnic minority representation low Total membership of 1.5m of which 740K traded with us; 194K new members recruited	Staff 40% M; 60% F; Members 40% F; 60% M; Minorities 6% staff; 2% members Member voting only 24% of total active member participation Only 4450 members attend meetings; 24% disabled and 26% members are carers Average of elected member is high - 58	Membership growing but active participation is low Eight regional boards for members across U.K Loyalty dividend to members has been halved this year - average of elected members is high Co-op appeals to Carers and Disabled who are elected members
pg 121	The Society significantly reducing its borrowing during 2005 from £371m to £246m	The principal instrument used against exposure is interest rate swaps at 35-65 of exposure. Derivative financial instruments.	Currently fixed proportion of this has increased to 71% for Trading Group.	Use of financial instruments for financial liability management Trading Group borrowing down by one third in 2005 making debt:earnings 1:3 rather than 1:7 in 2004
pg 138	Regional variation of profitability	South East (-5.7m) and Northern Ireland (-1.6m) made a loss	Scotland (23m) South West (14.8m) Wales and Borders (14.8m) North (7.8m) Central and Eastern (3.7m) and North East (2.4m) made profits	C&E down (£5m); North down (£2m); Scotland down (0.9m) South East down (2.2m) South West and Wales Up (£2m each) on 2004 figures Scotland and South West best profits for Co-op Main change - profit from other businesses up 50m+ to £142m
AR pg 08	Group made community contribution equivalent to 2.8% of pre tax profit	Group using London Benchmarking Group (LGB) model for community as it includes cash and in-kind donations	Loyalty member scheme Community Dividend donations £1.43m paid to 2016 community groups Food discount card helped 92 groups save £9906 on food	Community investment strategy targets self-help community projects Entrepreneurial community groups

Global spheres of Action
Selective corporate retail growth either as internationalisation into stable feudal markets promoting federal democracy. or as diversification within established markets (Consolidation).
Cultural innovations promoting individualism and freedom as the trusted retail lifestyle choice rather than 'free-will' (Hegmonic Conditioning).
Labour and resource supply chain exploitation of diversified markets and products (Productivity).
Networked financial liberalisation of debt and scaled privitised reporting practices as a means to shareholder value (Disparity).
Freedom - choice of options rather than 'free will'.
Networked - elite politician, financiers, business leaders and technologists.
Hegmony - cultural hegemony (invisible dominance).

Regional Spheres of Action
Segregated internationalisation aligned to historic home market regional advantages (bi-lateral corporate co-operative Groups).
Foreign investment by advanced market retailers, particularly into less advanced and highly populated markets (Penetrating resource markets).
Weak regulatory enforcement by National governments shifting focus to Regional governance (Legislative protectionism).
Standardisation of professional corporate practices (Regional competitive intensification).

National Spheres of Action
High non-tangible / brand/ good will values of Companies at a time of high inflation and consumer confidence (Artificial leveraged value).
Divergence in currency is impacting import/export/FDI whilst over dependency on property assets within UK (Narrow credit risk reliance).
UK is Service sector and London centric dominant giving Corporate leaderships a greater leverage in decision making (Oligopolistic traction).
UK governance agenda is supportive of a home-grown oligopolistic supermarkets retail format (Scale for the privitised few).
Cultural liberalisation supportive of non-traditional diversity of families (Pragmatic secular norms).
Privitised - more U.S. rather than European National agenda (rational).

Industry spheres of Action
Rationalised technological modelling increasingly engaged in decision making (Information overload)
Supermarkets extending into non-food and own-label product ranges to compete in saturated marketplace (Diversification quality/price experience)
Regulatory interventions focused on Consumer concerns rather than Corporate practices (Front-end regulatory design for Public Interest)
Operational efficiency, multi-format and online shopping investment support grocery multiple power (Shopping experience of Convenience and margin)
Flexible employment to support Sunday Trading (Instant availability to desire)
Supermarket Code of Conduct - OFT limitations make recommendations and refer to Competition Commission

Spheres of Action Firms level
Increasingly aware consumers and informed retailers contribute to more sophisticated and sensitive touch points (Conscious buyers).
British grocery multiples competing with U.S. and European (German) models of retailing (Diplomatic best practices).
Environmental and packaging regulations driving sustainability mantra (Environment is the Social concern).
Erosion of Specialist retailers that are losing the brand /reputation value against scale (National British Brand).
British retailers competing on price/volume (US) and efficiency (German) models of retailing.

Spheres of Action Tesco
Privitised commercial shareholder owned and board appointed led retailer leads in UK (Privitised performance led value)
Tesco dominant multi-format home market leader that is successfully internationalising (Informed presense investment for return leadership)
Joint ventures and alliance based growth through diversification (Value established staked collaborations)
Discretionary responsibility and de-centralised organisational structures enable faster reponses (Discretionary innovator)
Engagement of leaders that know the local customer / culture and use of adaptable modular systems (Understanding consumer to market mindset)
Staff stability and team-work geared to leading salaries for performance and retention (High achiever satisfaction)
Scoping widely before implementing (Widening of horizons).

Spheres of Action for Sainsburys
CEO critical recovery for part family owned Sainsburys designed on fair value (Family approved leadership change for recovery)
Own-label integrated and renewal into value proposition ranges (Harvesting tangible basics for diversity)
Re-financing timing cycle in good market for Sales led national market share recovery (Financial renewal for home market share value)
Operational efficiency and distributional risk impacted instore availability (Over ambitious technological risk)
Staff retention, communication, training and morale are low due to centralised decision making (Slow relational continuity)

Spheres of Action Morrisons
Organisational leadership restructure integrating Safeways and extending to National chain (Diluted family led business acquires for marketshare)
Strengthening of financial leadership and focus for profit (Corporatising economics of governance)
Infrastructure and brand renewal investment for National Chain of a supply chain and labour intensive retail model (Investing in Morrisons model)
Human resource integration of two different business models from U.S. to U.K. alignment (Transitional mindsets)

Co-op spheres of Action
Membership retail model restructure to focus on greater cohesion and value generating activities (Divergent discretionary leadership)
Less financially focused leadership and structure contributes to difficulty in competing with privatised organisations (Low resilience high erosion)
Cost cutting and consolidation suggest defensive positioning (Performance as marginal value risks marketshare)
Ethics promoted as an outward facing USP but weakly reflected internally as value in organisation structure and culture (Push-pull weakly supported)

Initial List of 120 virtues

Acceptance	Forgiveness	Piety
Accountability	Fortitude	Prudence
Ambition	Friendliness	Punctuality
Assertiveness	Frugality	Purity
Beauty	Generosity	Purposefulness
Benevolence	Gentleness	Reliability
Bravery	Grace	Resoluteness
Caring	Gratitude	Resourcefulness
Charity	Helpfulness	Respect
Chastity	Honesty	Responsibility
Caution	Honour	Restraint
Cleanliness	Hope	Reverence
Commitment	Humbleness	Righteousness
Compassion	Humility	Selflessness
Confidence	Humour	Self-sacrifice
Consideration	Idealism	Service
Contentment	Integrity	Sensitivity
Cooperation	Impartiality	Silence
Courage	Industry	Simplicity
Courtesy	Innocence	Sincerity
Creativity	Joyfulness	Sobriety
Curiosity	Justice	Spontaneity
Defiance	Kindness	Steadfastness
Dependability	Knowledge	Strength
Detachment	Liberality	Tact
Determination	Love	Temperance
Devotion	Loyalty	Thankfulness
Diligence	Magnanimity	Thrift
Discernment	Majesty	Tolerance
Discretion	Meekness	Toughness
Discipline	Mercy	Tranquillity
Eloquence	Moderation	Trust
Empathy	Modesty	Trustworthiness
Enthusiasm	Obedience	Truthfulness
Excellence	Openness	Understanding
Faith	Orderliness	Unity
Faithfulness	Patience	Vitality
Flexibility	Peace	Wisdom
Focus	Perseverance	Wonder
Forbearance	Persistence	Zeal

Disposition (arete) of Character (state of mind in acting)	Level	Behaviour for Growth (Voluntary, Involuntary, Non voluntary)	Virtues and Vices 2005/2006 Interpretation	CONCEPTUALISATION Islamic Ontology	Eudaimonia as a Golden Mean (ontological not axiological)	
Major (Moral Hexis) (Stable habits)	Global	Internationalise or home market	Greed pleonexia	Al-Lail Chapter 92, vs 8 Al-Fajr Chapter 89, vs 19	Liberality	
	Regional	Professional segregation	Uncritical loyalty (over acceptance)	Al-Araf Chapter 7, vs 20-21 Al-Nisa Chapter 4, vs 44	Integrity	
	National	Artificial protectionism of elites	Hubris	Al Baqra Chapter 2, vs 170 Al Tawba Chapter 9 vs 81	Pride megalopsuchia worthy	
	Industry	Rationalised consumer dependency	Cowardice	Al Imran, Chapter 3, vs 122 Al Tawba Chapter 9, vs 38-39 Al-Ahzab Chapter 33, vs 15	Courage	
Minor (Intellectual) (Practices)	Firm	Firms	Informed brand awareness	Vainglory	Sad Chapter 38, vs 2 Al Nisa Chapter 4, vs 36	Magnanimity
		Sainsburys	Reactive re-alignment to competition	Fortitude	Al Baqra Chapter 2, vs 153 Luqman, Chapter 31 vs 17 Al Furqan, Chapter 25 vs 75	Fortitude
	Co-operative	Tesco	Political relations for performance	Cleverness	Al munafuqun Chapter 63, vs 1-3 Al Baqra Chapter 2, vs 6-7 Al Tawba Chapter 9, vs 69	Wisdom (sophia)
		Morrisons	Agency focused acquisition (self decision)	Egoism	Yusuf Chapter 12, vs 53 Al Furqan Chapter 25, vs 43 Al Baqra, Chapter 2, vs 54	Nafs Altruism
			Consolidation to justify growth in low marketshare	Insensibility	Al Baqra, Chapter 2, vs 74 Al Tur- Chapter 52, vs 45	Temperance

Period	June 2005-June 2006	GLOBAL LEVEL : GLOBAL POWERS OF RETAILING REPORT 2007				
Document	Ref	Level	Event / Description / Observation	Explanation / Significance	Output / Impact / Conflict	Interpreted Central Theme
GPOR07	pg05/06	Global	Strong global economy drives gains	Total retail sales of top 250 retailers reached \$3tn (up from \$2.84Tn last year).	Sales growth by region varied: Latin America :20%; US 11%; Asia 10%; Germany : 7.7%; France 2.4%; U.K. 2.1%.	Latin America above average sales growth and profitability Asian consumer spending boom resulted in sales growth but less profitability Europe experienced declining/below average sales
	pg 05/06		Average net profit of 3.5% of Top250.	Top 10 retailers grew faster than rest of the group.	Top 10 retailers outgrew Top250 with average growth of 11%.	Top 10 outperform Top250 and dominate the global retail sector both profitability and growth - oligopolistic behaviour of elites
	pg 06		Only 15 retailers recorded net loss this year	8% of the top 250 retailers reported losses	In 2000 18.5% reported losses; in 2004 9% reported losses; this year 8% reported losses.	Overall pattern since 2000 to-date is that reported losses have reduced by 10% in this group. Healthy gains in consumer spending translated into profitability improvements.
	pg 06		Average profit margin for 188 companies that disclosed income/loss was 3.5%.	Improvement on last year's average profitability of 2.7%.	Major improvement on Top250 margin of 1.7% in 2000.	Overall global profitability has improved over recent years. But mixed regional variation - some signs of economic stress. US inflation; UK and France good margin but slow growth; China India Russia consumer spending boom.
	pg 06		Ten largest retailers continue to capture market share.	Top 10 combined sales of \$885bn.	Top 10 retailers represent 30% of the Top250 retailers in terms of sales concentration.	The 10 largest retailers dominate the Top250 and represent 30% of total sales. These are a relatively stable 6 US and 4 European companies. Home Depot, Tesco, Costco and Schwarz have risen most in ranking over the years.
	pg 09		Top 10 retailers operate primarily in food drugs and mass retail format	FMCG (843bn sales); Hardline and Leisure (272bn) Fashion (139bn) and Diversified retail (119bn).	Grocery multiples dominate product groupings.	53 retailers are (21%) are fashion and hardline lesiure; 47 retailers are Fashion Good; Diversfied retailers are least global with 17 companies. Top 10 FMCG dominate by product and sales.
	pg 10		Growing anti-globalisation sentiment	Top 250 retailers on average operate in 5.9 countries.	Although international sales are becoming more important (rising from 5 countries in 2000) foreign operations still account for only 14% of total sales.	Slow growth in mature markets and opportunities in emerging markets - Russia; China; India 43% of top250 retailers have not ventured beyond national boundaries (107 retailers) plus 35 companies operate in just two - typically contiguous countries eg. US and Canada; Spain and Portugal; Australia and New Zealand.
	pg 10		Level of globalisation by geographic region	Asian, Latin american and North American retailers are less international. Typical US retailer is in 3.7 countries (2 in 1996).	European firms did business in 9.9 countries which generated 28% of their sales from foreign operations. 5 South African companies operated on average in 8.8 countries largely within the African continent - 13% of sales from foreign sales.	European and African retailers are more international. France (15 countries) Germany (12.7 countries) boost European average of 9.9 countries. UK has consolidated from 9 countries last year to 7.6 countries as an average this year. US/Japanese are more home centred - late to internationalise. Biggest increase in sales from foreign opeations has resulted from acquisitions which enabe entry into new markets and more rapid development.

pg 10		Entry point in GPR was \$2.5bn sales	Last year the entry point was \$2.3bn sales	Speciality and diversification of sales grew for retailers	US firms dominate (36%) of top250; France (5%) Germany (8%) Rest of Europe (14%); Japan (14%) UK (9%). 93 US firms in top250 (up from 90) - reverse of US shrinking trend to one of growth and internationalisation
pg 12		135 retailers out of top250 operate formats	Supermarket; hyper market; discount store; convenience; cash and carry formats typical.	Food retailers have dominated GPR with 54% using typical formats, however this has dropped from 60% 10 years ago.	Pattern of erosion of supermarket format dominance towards a pattern of rise in speciality retailers such as ToysRUs; H&M; IKEA. Burgeoning middle classes shifting towards speciality formats - diversified groups perform better.
pg 12/13		Diversified retailers operating across formats enjoyed strongest sales and profit growth.	Speciality stores are performing stronger than FMCG but are much smaller	FMCG companies typically saturate a market before moving on to a new country.	Whilst FMCG dominates Top250 (54%) in terms of sectors FMCG operates in least number of countries compared with Fashion; Hardline and Leisure and Diversified. Diversified specialty sector is most international and FMCG is least international but share of foreign sales to countries is highest.
pg 13		Baugar Group of Iceland was the fastest growing retailer in 2005.	The 50 fastest growing retailers grew 24.3% between 2000-2005.	Fastest growing retailers grew three times faster than the average of the Top250 which was 8.4% growth.	Acquisition and being in sync with key consumer markets has driven rapid growth. 36 of the fastest growing 50 (3/4) operate a single format (consumers; electronics; video games; home improvement; pharmaceuticals; fashion).
pg 05/40	REGIONAL	US housing boom reached its peak	Consumers have easier access to credit US tightens monetary policy	Higher value of assets - homes ; inventory of unsold homes is rising; rising inflation in US.	US consumer spending stimulus is via easy access to credit with support of gearing within established financial markets. Cyclical inflationary pressure in US Consumer boom based on housing market - party coming to an end ; value of dollar is high - but rising interest rates and fiscal retrenchment will slow growth.
pg 40		Retailers can look forward to a good year in Canada.	Canada has benefited from US boom; may slow down due to lower exports to US.	But no housing bubble in Canada; after tax income is high and energy prices are moderate.	Structural differences in Canada/US suggest better prospects for Canada which is countering inflationary pressures internally and is not individual wealth focused in banking - thus no housing bubble.
pg 05/11		Europe and Japan continue to grow	Low inflation markets	Value seeking consumers and price sensitive markets	Europe and Japan are high value low population markets with current low inflation market share competition is intense and lower profitability.
pg 11/40		34 companies based in Japan	Second largest group by country origin	Number of dominant retailers in Japan has fallen from 40 to 34 this year.	Japan is slowly recovering from 1997 crash - very slow pick up (decade) in consumer market. Decline in top250 Japanese representation - typical Japanese retailer is smaller with number of retailers twice as much as sales (14:7%). Japan is export driven market with aging population and protectionist policies.
pg 06		Not every company enjoyed strong growth	49 retailers or 20% of the group experienced declining sales	24 of these companies (50% of the decliners) are within Europe	A spate of demergers and divestments in European retail market contributing to European sales decline. Deflation of goods prices within Europe.

pg 06	Germany market historically has low margin	Average profit margin of 2% since 2000 to-date in retail sector.	German profitability trailed other regions at 2%.	German retailers are typically low margin players with below average steady growth may reflect stakeholder approach to business.
pg 06	Sears and K-Mart made return trips to the Top 10	Sears was 2nd largest in 1996 /1997 K-Mart was among the top 10 in 2002	Sears suffered steady decline to 20th position K-mart decline to 33 position last year	Sears group - consisting of K-mart and Sears are 9th this year experiencing fall and rise pattern.
pg 05	China is world's third largest retail market	China, Russia and India continue to experience consumer boom and economic growth.	Rise of middle classes in highly populated countries of emerging markets.	Shift of population to cities in emerging markets; growth of middle classes and demand for consumables. Emerging markets become attractive to world's leading retailers for investment. Rising investment in China.
pg 05	India too attracted much attention	Government restrictions meant that foreign companies had few opportunities	Indigenous companies are investing in modernisation and expansion of chains to compete with global retailers - home / foreign markets.	Regulatory influence on FDI of retailers - protect local retailers against foreign players - india policies and regulations hinderance to opportunities for foreign players. Govt restrictions on FDI.
pg 08	Top 10 North American retailers are US based	Top 10 North American retailers rank between 1-18.	Walmart (1: \$312bn) - Safeways (18: \$38bn).	Top 10 US retailers are amongst the top 20 global retailers.
pg 08	Top 10 European retailers are based within 4 countries	European elite are amongst the top globally	Carrefour (2: \$92bn) - E.Leclerc (10: \$35bn). Carrefour; Metro; Tesco; Schwarz leaders.	France; Germany; UK and Netherlands dominate European elite players in global retailing. 5 German; 3 French; 1 Dutch; 1 UK retailers. Aldi drops out of top 10. France and Germany are competitive but highly regulated markets and lower home consumer spending.
pg 08/10	Japanese retailers dominate Asia.	7 out of 10 top Asian retailers are Japanese 7 Japanese; 2 Australian; 1 Hong Kong	AEON (20: \$37bn) - Takashimaya (83: \$8.3bn).	Japan retailers are more diversified format groups - smaller country with broader supply chain and market diversifications. Numerous acquisitions and consolidation in market to compete but Japan is insular - low level of internationalisation by Japnese retail firms (2/3 remain in Japan).
pg 08	There are 9 latin american and 5 south african retailers in the top250.	These companies feature in the lower part of the Top250 global retailers.	Latin America and Soth Africa market has been a fast developing marketplace for retailing	North american firms dominate, European second, Asian third and then Latin American and South African firms feature in lower part of top250. Regional markets regulatory and consumer power considerations on retail marketplace.
pg 14	A disproportionate share of fastest growing 50 are from North America; Latin America and South Africa	Relatively few of the fast growing companies hail from Japan or Europe	There is regional variation in the fastest growing companies	Innovation and growth strategies are currently being pursued by North American; Latin American and South African firms more successfully than European or Japanese counterparts.
pg 38	In China investment is 44% of GDP.	Most countries have between 20-35% investment of GDP	Government interference in China's market may be forcing excessive investment.	Excessive investment may lead to excess capacity; declining profits; policy dependency by local firms vs foreign firms. China has comparatively lower consumer spending (a saving culture) - growth has been export dependent - companies prefer to retain earnings than pay dividend; Risk averse culture and approach to doing business. China trying to shift towards domestic demand rather than export - leadership policy.

pg 39		Western Europe is at a difficult crossroads	Individual countries are finding it politically challenging to enact reforms for growth	Slow growth in western Europe	Issues of higher inflation countries which impact exports; or low inflation high interest rate countries (Germany;France). ECB policies maybe harmful. Issues of labour mobility; taxation; regulation; lack of competitive spirit; policy levers mismatch national polices and European nanny state ? Is Scandinavian model viable?
pg 39		New member states of European Union are well positioned.	Market access is enabling growth	Demographics are a worry - emigration is more than immigration into Eastern Europe; political reforms are slow.	Political risk and demographics of Eastern Europe are a risk to EU membership but at the same time there is benefit to membership - new member states are currently attractive for retailers as growth markets.
pg 39		In the US economic expansion on the verge of reversing.	Continued high tax revenue; profits; employment and consumer spending	Skew is income distribution making lower middle class poor -high inflation; spending out growing incomes;	There is nothing happening in US to offset reversal of housing boom and its impact on the economy.
pg 41		Increased stability of emerging markets	FADS have moved from NICs (1980s) to emerging markets.	40% of the global population is in India /China. Singapore has higher per capita income than many European countries	Risk of turmoil in emerging markets is lower - currency; inflation; unstable politics; poor financial regiemes. Mexico, Turkey and Thailand 2nd tier forming Access end markets (Poland, Mexico) Commodity markets (Brazil, Argentina, Chile) Skills market (Czech; Malaysia).
pg 06	National	Among the big five retail economies UK companies led profit margin.	UK market is profitable, stable market but with low growth.	UK profitability was 5.5% - highest overall - above the global average of 3.5% rise in net profitability.	Intensifying competition; enduring inflation and value seeking consumers in UK and France drag down growth in Europe. UK market place profitable but highly competitive and slow growth.
pg 10/11		UK percentage of sales from foreign operations has fallen	UK slow growth but high profitability	Sales from foreign operations decline from 17% to 14% Average number of countries in which UK retailers operate has fallen from 9 to 7.6 countries.	UK trend is one of consolidation rather than globalisation. International sales and number of countries have both declined. Patterns indicate that the more global the retailer the higher the level of sales. Sales growth of single country operators was 7.6% whereas 10 country plus operations grew double this rate. Companies with 25% international operation grow faster than those with less than 25% international sales.
pg 37		UK has Q ratio of 1.14 (Q ratio: market capitalisation to asset value ; over 1 means intangibles have value)	Australia (1.7); Emerging (1.7) and U.S. (1.5) were above average countries (Average 1.3). 167 companies assessed; 84 over 1; 83 below 1.	Eurozone (1.1), U.K. (1.1) and Japan (1.1) had low market capitalisation to value of assets ratio.	Financial markets value non-tangible assets such as brand;differentiation; innovation; customer loyalty more in companies that have demonstated growth. Larger companies have higher Q ratio than smaller companies. fastest growing companies have higher Q ratios due to demonstrated returns and market confidence. Emerging markets demonstrate growth Q performance. US companies had highest Q ratios. In UK Next and Boots have a high Q ratio.
pg 06	Industry	The industry Goliath is bigger than 2nd; 3rd 4th and 5th retailers in Top250	oligopolistic stable group of 10 dominant retailers	Share of top 10 players has risen from 27% to 30% between 2000-2005.	Global retail industry dominated by elite group of 10 retailers - walmart; Carrefour; Home Depot; Metro; Tesco; Kroger; Target; Costco; Sears Holdings; Schwarz.

pg 07		Schwarz group has jumped ahead of Aldi to take tenth spot	Schwarz and Aldi battle for position in global rankings	Hard discounters have growing importance in the global retail arena.	World's largest hard discounters feature within the dominant group along with grocery multiples.
pg 36		Size of a retailer is not a good predictor of future performance	Large size or market capitalisation merely affirms that in the past the firm grew	You can draw any inference about future performance by examining financial information - but with caveats	Historical information about retailers allows to make general inferences with many caveats - there is no fool proof way to predict.
pg 38		Gross savings is 50% of GDP in China.	Household saving rate of 30% disposable income in China.	Contrast in regional consumer habits is trade off between neo-liberal consumerism and desires	Understanding of growth, maturity of market governance and consumers varies regionally - west has culture of debt; East has culture of saving. Privitisation and reforms are a pressure to maintain higher growth rates in emerging markets - is pace too fast?
pg 42		Challenges facing global retailing	Value creation	1996-2003 retail stocks outperformed S&P500 by 135%	Western markets have grown well - but will decline in next five years - lesson is to be in the right place at right time.
			Cash rich investment poor	CEOs are anxious about what to do with cash surpluses	Leadership negative outlooks vs investor pressure for returns will force M&A activity and drive to lower debt.
			Domestic sourcing and supply chains	Reversal of trend from international sourcing towards local sourcing	Gap between leader / supplier nations is closing thus export/import is shifting to local sources to reduce economic and political risks or currency risk.
			Technological platforms levelling stakeholders	Consumers are becoming more aware of supply chain brand, choices.	Consumer and retailer relationship creating a more levelled marketplace - issues of transparency and internet based choice - hostile NGOs could be an issue. Internet sites used by NGOs to engage political activities and influence retailers. Brand mobility into non-traditional products and services will grow,
			Changing face of global consumers	Mature consumers demographics - 50 to 70 age group in developed markets Developing nations - move to mega cities - global middle class of 2billion forecast mostly in developing markets	Western consumer profile towards elderly - healthcare and longevity of life. More difficult to recruit younger people in labour market Developing markets have larger young population fuelling middle class boom in Emerging markets
pg 06	Firm	Walmart alone has \$312bn of retail sales 10% of total GPR	Goliath is bigger than 2nd; 3rd;4th and 5th retailers combined or smallest 97 retailers in the Top 250.	Walmart assumed undisputed global retail leader position in 1990 and continues to pull away from the rest of the pack. Walmart 1, Carrefour 2 since 1996; Home depot 3 since 2002; Metro 4 since 2003; Tesco 5th rising from 18th in 1996.	Despite difficulties abroad (failed German operation and exodus from South Korea); criticism at home - Walmart continues to out perform. Walmart operates in 11 countries : Argentina; Brazil; Canada; China; Germany; Japan; Mexico; Puerto Rico; South Korea; UK along with US.
pg 07		Ahold is no longer in the top 10 elite group.	Ahold was ranked 3rd five years ago.	Ahold fell to 9th last year and continues to decline this year	Retail life cycle requires continued adaptation to market forces and competitive dynamics. Ahold is selling off operations to reduce debt and looking to focus on home market - this may lead to restructuring or break-up.

pg 15	Morrisons is 10th fastest growing firm	Takeover of Safeways in 2004	Sales of \$21.84bn; Next and H&M are also fast growers	Morrisons is growing Natonally rather than international growth - domestic. M&S is in 27 countries but not successful in France or Canada.
pg 17	Tesco is 5th largest retailer	Operates in 13 countries	Teso grown from UK to expand internationally	Tesco is only UK supermarket with international presence.
pg 19	Sainsburys is 27th largest retailer	Operates principally in UK	Sales of \$28bn	UK leading supermarkets amongst global leaders due to market conditions and international comparatively stronger economic market.
pg 26	Co-operative Group is 111th largest retailer	Operates just in UK	UK market offers successful firms a strong base to build on.	UK domestic market is competitively strong in global terms relative to size / geography.

National		Period	June 2006-June 2007			
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
Economic and Labour Market Overview	ONS	Global	UK currency appreciates Inflation is at an 11 year high - 3%	Pound grew stronger against Euro and US dollar	First time since 1992 the Pound reached \$2 in 2007. Interest rates at 5.25% - raised by 0.25% in Jan 2007. RPI reaches 4.4% (highest since 1991).	UK economy performing reasonably well but facing inflationary pressures. The weakening US GDP and dollar value are becoming a focus of attention for ECB and other nations.
		National	GDP growth driven mainly by service and in particular finance sector	Annual growth of 2.9% (down from 3% last year). Annual growth rate of UK has averaged at 2.65% of GDP since 1992 (IMF statistics).	Mining and quarrying industries reversed their decline but manufacturing remains weak. The service/financial sector is strong.	Globally a moderate slowing economy. US and Japan figures show signs of slowing Euro area GDP growth dampened to 0.6% this year (Germany, France, Italy) from 0.9% last year. UK remains resilient to date but reliant on finance sector.
			Tony Blair resigns as PM (10 years) and leader of the Labour Party (13 years) in July 2007	Tony Blair had adopted New Labour policies as distinct from traditional Labour values. Gordon Brown takes over as new leader / PM	40 consecutive quarters of economic growth during 10 years of Tony Blair's government. Iraq war - a political decision that fuelled unpopularity of TB.	Expansion of UK education sector at university level; shift in position with respect to state control of enterprises; privatised firms in public services; less unionism. Welfare, Education and Healthcare budgets grew under new labour. TB steps down.
Consumer Spending	ONS		Wage rate growth and cost of living patterns indicate stress in economy	Cost of living outstrips growth in incomes in first half of 2007	Household budgets and finances are being squeezed and there is an increased reliability on equity in property values.	Combination of rising interest rates, weak take home pay and increased cost of living. Flattened investment/savings (15%) and high consumption (70%) reflect consumers re-financing based on home equity to maintain consumption habits.
Comprehensive Spending Review			In 2007 CSR took place on public finances of UK (October 2007)	The public sector spending has increased from 37% (1999) to 42% (2007).	Review seeks to half rate of growth of public sector from 4% to 2%; reduce public department based agreements from 110 to 30 inter-departmental agreements.	CSP07 reducing public sector growth and consolidating departmental agreements to improve functioning of the public sector in UK. Public sector has been growing at a fast rate in recent years.
Balance of Payments	ONS		Government net debt crossed £500bn in 01/01/2007. Government spending £549bn	Several years of government deficits are pushing up the national debt.	In 2002 government had surplus which has since been eroded to a debt of 38% of GDP (similar to 1999).	Despite economic growth the government has been running a deficit on public spending which may impact badly if there is a downturn.
Labour Force Survey	ONS		Northampton had the highest employment Tower Hamlets had highest unemployment	Central London has highest salaries and job density in UK. Level of unemployment has been rising gradually.	The top 20% of UK earn on average sixteen times that of the lowest 20% of population per year. General attitude towards welfare is changing.	London job density and salaries disproportionately higher than North East of UK Cash benefits make up 61% of income for lowest 20% income in UK and 2% for top earners. Attitudes towards the lowest economic group reflect change in perceptions in UK.
British Social Attitudes	ONS BoFE		UK has debt financed consumption habits.	Debit and credit cards represent the rise in consumer spending in UK for seventh year running.	UK plastic card payments to merchants, retailers and service providers amounted to £354bn (three times the amount in 1997 and 10 percent up on 2006).	The average value of credit card purchase in supermarkets is £34.33. Trend towards cashless society. Plastic cards dominate consumer spending - debit cards more than credit cards - are consumers being cautious or using re-mortgaging to finance consumption habits?

Luxury Goods Market	Mintel Bains	Luxury goods sales grew 9% in 2006 and 6.5% in 2007	10 mature markets contribute 80% to the luxury goods market - the luxury market is and has been booming.	Europe remains top market (38%) for luxury goods Global sales reached 170bn euros. However the rich have become more wealthier compared to lowest income earners in UK in recent years.	Wealthier people's appetite for luxury fuels inflated prices of consumer goods This has increased the divide between have's and have nots. UK consumers are brand conscious and individualistic in their shopping habits.
Population	ONS	Population of England is increasing at a faster rate than other parts of the UK World population reaches 6.6bn this year.	Average age of population in 39.6 and expected to rise to over 42 by 2031. UK population increases to 61m.	Pensioners (11.5m) will out number the number of children (age to 16) in UK. 47% of population increase is attributable to immigration into UK	Demand and pressure on pensions; healthcare; housing is expected to rise in coming years with aging population. South East population rising faster than rest of UK. Migrants are contributing to rise in birth rate in UK.
CIR Planning	ONS	Retailer behaviour perceived as impacting the marketplace and competition.	Retailers have developed portfolio of land which is not being used - but prevents competition from building near to them.	Land holdings and restrictive covenants / third party arrangements / covenants are being used by retailers/ supermarkets to control competition to the stores. UK grocers have increased their retail space by 2m sq. ft. Last year.	Competition commission will investigate supermarket practices - land banks; unused holdings as a restriction to competition near stores. Further supermarkets account for one in four planning applications to local councils in UK. Tesco owns 55% of supermarket sites in UK and is buying land.
Retail Sales	ONS	Consumers are more regularly switching between the major supermarket stores	Increase in choice available to consumers has increased with new stores and lines.	Switching accounts for (£10bn sales - up from £6bn in 2002) trends in supermarket habits. Competition is intensifying.	Tesco argues case with competition commission that supermarkets should be seen as national chains and have define markets based on a radius within 30mins from stores. Customers are doing different types of shopping know.
FairTrade Shopping		Fairtrade sales cross £1bn	42% increase on previous year Fairtrade sales in UK running at £400m (up from £290m last year).	Three out of five adults in UK can recognise the fairtrade label and associate it with better deals for producers in developing countries.	UK is second largest fairtrade market in the world. Cocoa; coffee; tea and bananas trade has been improved in recent years.
Online Retail		UK consumer habits reflect rise in internet shopping	Since 2000 there has been 5000% increase in online shopping Total of 297,850 retail outlets in UK.	Younger consumers driving change to new platform as a mechanism for shopping	Supermarket online presence and range / diversity of products available through online channels has expanded in recent years. Despite rise - this only represents 4% of total retail sales in UK at present.

INDUSTRY June 06-June 07						
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
CC07		GLOBAL				
		REGIONAL	Tesco halted by Slovakia authorities	Tesco swap with Carrefour deal	Tesco's deal with Carrefour to swap stores in Taiwan for stores in Slovakia is being opposed by Slovakian authorities.	Tesco won approval from European authorities but Slovakia antimonopoly commission is opposing the deal as it would give Tesco excessive power in Slovakia. Carrefour sold the stores to property developer and financial advisory firm in June 2007.
	8	NATIONAL	Prompted awareness of FSA continues to rise.	The level of consumer awareness has reached a high.	In 2006 82% of people surveyed knew of the FSA.	Whilst public knows of the FSA, its purpose and function remains unclear. Consumers think FSA - is a check and monitor of Food produce. Most people associate it to being a Government agency rather than being independent. FSA established in 2000 to protect public health from risks and protect consumer interest in relation to food. The Agency provides independent advice to Government and the Industry.
BMP06	2		Rising degree of market concentration in UK Food sector	Recently published CC report findings.	Oligopolistic practices of concern in UK Food grocery multiple sector.	Supermarket Code of Practice (2002) deemed to not be effectively dealing with supplier pressures.
FSA07	7	INDUSTRY	Healthy eating is a concern	Parents should accept responsibility for their children's eating habits.	The amount of salt, fat and sugar is a dominant concern, particularly targeted at children.	Grocery multiples are focused on improving the salt, sugar and fat content of products as these are major concerns expressed by Food Standards Agency which are negatively impacting healthy eating in UK. Whilst responsibility is being targeted at Parents - the variety and content of produce in stores indicates need to modify ingredients and offerings to customers.
	7		Food safety remains a concern	Two thirds of people are worried about meat and poultry.	Dairy produce and meat products are a consumer concern.	The sourcing and contents of meat and poultry products is not made clear to consumers. The safety of raw meat is of particular concern.
	8		Food Standards Agency seen as a reliable source of information.	Consumers rely on Food Standards Agency to ensure Food Safety.	FSA is seen as more reliable source of information than Supermarkets and Manufacturers of Foods.	Although FSA is perceived as a more reliable source of information on healthy food and food scares than Supermarkets and Manufacturers - very few consumers actually use this source less than others.
	8		Food labelling is a key issue	The information is hard to read and difficult to understand.	45% of consumers find it difficult to distinguish healthy foods using the label. But healthy eating is a growing public concern.	Some consumers have requested that FSA should help deliver better food labelling. The current labelling is unclear and confusing rather than helpful in meeting the needs of consumers in identifying healthy choices.

	13	Vast majority use supermarkets for their food shopping	Main shopping is often done in supermarkets and top up shopping in local stores.	Majority of people do main food shopping once a week and top-up three times a week from local smaller stores.	Shopping habits of consumers for food shopping towards larger supermarkets, along with top up shopping from smaller local shops - which can also these days be convenience stores owned by the supermarket chains. Less than one third of people regularly use independent traders.
	13	Women take responsibility of food shopping (77%) in UK	29% of men take responsibility of food shopping in UK.	55% of white males take responsibility of food shopping compared with 35% in non-white households	White ethnic households are generally smaller (less than 4) compared with non-white ethnic households. Women (77%) are more likely to take responsibility of the household shopping, particularly in larger households of non-white ethnic origin.
	25	Majority eat out few times a week	66% of respondents eat out usually once a week.	58% of respondents usually have a take away or pre-prepared packaged meal once a week also.	Demographic influences and time-constraints of working adults influence eating habits. Eating out and prepared meals are common once a week, but at the same time consumers are becoming health conscious and actively making choices about what they eat. 63% claim to eat home prepared meals once a day.
	28	There are differences of opinion between AB shoppers and DE shoppers.	Social grade of shoppers is a differentiating factor in consumer perceptions.	DE shoppers agree less with - you can eat healthy regardless of price. Further they find it harder to find healthy alternative foods.	Whilst majority of all consumers are more aware and concerned about healthy eating, DE social group argue it there is less option at lower end. DE shoppers also are more likely to not understand the food labelling of products.
MH07	2	UK multiple retailers have invested in category management systems	Supply chain relationships and preferred suppliers are having to take greater responsibilities.	Nominated suppliers are having to take responsibility of the whole supply chain whilst retailers are volume sales and profit driven.	Category Management supply chain systems have transferred responsibilities to suppliers away from the retailers themselves. Is risk being put on supplier away from retailer and consumer? Centralised buying hubs reliance on 'super buyers'.
	3	Multiple chains dominate the market for fresh produce	84% of UK fresh produce is directed to multiple chains.	There has been growth in fresh food produce sales in UK	UK growers and suppliers feel price control pressures exerted by retailers is having a profound effect on the industry, survival and future success. Many changes in Fresh Food in last decade - know few large corporations / National players control suppliers. Category management where single supplier is responsible for organising multiple suppliers behind them - thus retailers deal with less number of more powerful group.
DT07/TG07		No frills discount stores are being embraced by UK consumers	All socio-economic groups are shopping at stores such as Aldi and Lidl.	Which magazine survey of 50 of UK's best chains Aldi (7th) and Lidl (8th) scored higher than Sainsburys, (12th), Tesco (20th), Asda (20th) and Morrisons.	Aldi, Lidl and Netto stores are being used by all socio-economic groups and being rated higher than the big four supermarkets. They are much cheaper at a time when food shopping is very expensive due to inflation pressures. Family shop in big 4 over £100 is much cheaper in German discount stores in UK. International competition for middle class Britain has arrived. Aldi /lidl stores 515 in 2000 growing 1200 by 2010.
Guardian	FIRM	Supermarket price wars break out	Tesco and Asda announce tit for tat price reductions of £500m	Price is becoming more important in customers eyes	Tesco, Asda was joined by Morrisons in a price war - at a time when food prices have been rising. However, food prices have been rising for many years and have not fallen.

Feb 06 -Feb 07		FIRM LEVEL: TESCO ANNUAL REPORT 2007			
Ref	Level	Event	Processual Changes	Output Focus	Theme
pg 3/4/6/08/10/16/56/98	Global	Tesco has a well established and consistent strategy for growth	All four parts of the strategy are contributing - growth/strengthen UK core business; become a successful international retailer; strong in non-food as food; develop retailing services.	Group sales of £46.6bn (up 8% from £43bn) - UK 75%; Europe 15%; Asia 10% Underlying profit before tax of £2.5bn (up 16% in U.K; 23% in RoE; 5% in Asia- Group up 11%). Dividend 9.64p (up 11.7%). Group trading margin of 5.8%. Earnings per share rose 22.36p (up 11% from 20.04p last year).	Revenue has grown 8% in U.K., 10% in Rest of Europe and 1% in Asia. Despite some difficult local market trading pressures and external influences (inflation) Tesco overall continues to grow. Strengthen UK core business and drive expansion into new markets. Largest ever expansion of new store openings; difficult conditions in largest markets; non-food expanding despite cautious consumer spending.
pg 16/24		Pursuit of the four part strategy	Pursuit of diversification and growth	Reducing risk in small business areas and saturated markets.	Diversification brings new risks to the business that have to be managed. We work closely with stakeholders: NGOs, customers, suppliers, government to manage performance and strategy. The Group has a five year rolling business plan.
pg 7		Total Shareholder Return has increased.	Percentage increase in share price plus dividend paid out.	Largest value increase in TSR in last decade this year - 36% rise on last year. Over last three years TSR has grown 87% compared with FTSE average 58%.	Fastest percentage growth of Shareholder Return in last three years plus largest growth in ten years. Tesco share outperforming average FTSE100.
pg 04/09/59 99 /AR52		Results represent good progress across the Group	Shareholder return is 36% (was 45% last year) - five year review. Strong TSR performance trend continues.	The number of stores rises to 3263 (591 new stores added to last year) Total sales area increased to 68,189 sq.ft (12,974 sq.ft added to last year) Avg. number of FT employees increases to 318,283 (45,259 staff added globally) Group property profits were £139m (£98m UK; £6m loss in Asia; £47m in JVs). Market capitalisation of £40bn (up £10bn on last year); ROCE 12.6%	Tesco continues to invest in a strategy of expanding its international operations from the home market The performance reflects good cost control as profits in some markets have outgrown revenue. This is a long term strategy that has developed scale, competitiveness and profitability over the last decade. Joint ventures are a mechanism that support growth for Tesco. Market capitalisation reflects healthy growth of business.
pg 06/71 AR22		Joint ventures and Associates share of profit rise	Last year the profits from JVs and Associations was £82m	Share of profits from JVs and Associations has risen to £106m. Tesco Personal Finance - profits of £130m of which £65m is Tesco's; 5m customers and 22 products for TPF. Tesco sold two stores and remains a tenant in them. Internet grocery business sold in U.S. To Safeways for £22m profit.	Profits from property joint ventures rose significantly - sale of two stores for £47m profit this year. TPF profits down as bad debts provision has been absorbed - offering easy credit caused problems in U.K Equity release from stores sold - is it cheaper or better to lease these and why? 38.5% equity in U.S internet business sold for profit to Safeways.
AR22		TPF launch low cost products	Simple low cost products to growing customer base of 5million	Low cost Value Car Insurance and low cost Health Care launched in UK this year by TPF	Diversification of range of products to insurance market as low cost provider. Strategy is first to offer finder service eg. Mortgages (comparatives) then move into the market and offer actual product.
AR42		Once you've put in the networks, its about building the brand.	We are investing in the 'the shopping experience' for customers in our business globally.	Across our 11 markets we have opened 8.2m sq.ft of space which is 4 times the amount added in U.K.	Approach to international retailing is : be flexible; focus on few countries; use multi-formats; develop capability and brand.
AR 32		Every operational decision is judged against the shopping lists'	These lists determine what we strive to achieve every day	Try harder for customers; Treat people as you would like to be treated; Be better for customers, simpler for staff, cheaper for Tesco.	Focus is on simply improving the customers shopping trip - a universal simple message under the notion Every Little Helps
pg 06		Group had net cashout flow of £265m	Net borrowings of £5bn at year end.	Working capital improvement of £11m but borrowing increased by £0.5bn; Gearing 48%	Tesco globally more efficient but at the same time investing in expansion. 484 stores opened globally including 76 hypermarkets.
pg 14/15/26 AR25		Tesco works hard to bring real benefit to the communities we serve	FTSE4Good and DowJones Sustainability Index members.	Fundraising efforts of £43m - staff time; gifts in kind; Charity of Year is Whizz Kids for which staff raised £3.4m. 2007 Charity of the Year is British Red Cross. Schools for Computers scheme has contributed £7.5m worth of equipment to schools this year.	New Community Plan launched as part of Steering Wheel in 2006. Is Tesco a good neighbour, fair, responsible and honest. Schemes and charitable contributions seem to reflect higher gifts in kind or consumer/employee contribution than Tesco contribution? Community Steering Wheel will focus on stakeholder engagement and social / environmental targets. This year Community Plan is being launched internationally in Europe; Thailand; South Korea.

pg 23		New appointee to Board - Miss Lucy Neville Rolfe Board performance and evaluation	The Board consider succession planning and new appointments Conflict of interest in evaluation of board	New Director of Corporate and Legal Affairs submitted for election Review concluded that Board is highly effective	New appointment to Board agreed unanimously. Board regularly reviews its own performance - conflict of interest.
pg 62		Group sold its business operation in Taiwan to Carefour	Carefour Czech business acquired as part of deal.	Tesco asset swap deal Taiwan operation for Czech operation.	Tesco move out of Taiwan in asset swap with Carefour.
pg 05/08/10	Regional	Total international sales grew by 17.9%.	International sales at £11bn represent nearly 25% of total revenue. Rest of Europe Sales £6.3bn; TP £0.3bn (up from £5.3bn; up 17.3%). Asia Sales £4.7bn; TP £246m (up from £4bn ; up from £207m). UK sales grew by 9% to £35.6bn.	International business has contributed £546m to this year's profit (20%). International trading margin is 5.7% (RoE: 5.7%; Asia 5.6%) 1275 stores in International Business. 5.6% growth in UK (of which 5% was volume; 3.4% from new stores)	The number of international hypermarkets has grown to 411 (70 new stores added / year). Profitability has been maintained against the cost of expansion and some difficult local market trading conditions. Strong performances in Korea; Thailand and Malaysia. In Europe Ireland and Turkey well off set by weak economy in Hungary. Seasonal fresh foods prices strong in UK.
pg 03/10		Despite economic challenges and political uncertainty in some of our markets, our interantional business has delivered yet another good performance.	Sales growth in all but one of the international markets (Hungary) Capital expenditure of £3bn - £1.9bn U.K/ £1.1bn international.	We have completed our largest ever opening of international stores. 484 stores with 8.2m sq. Ft of selling space (including 76 new hypermarkets); Rest of Europe 4.7m sq. ft of space opened; Asia 3.5m sq.ft - U.K.	International expansion is greater - mainly through organic growth; joint ventures and acquisitions. UK growth remains comparatively slow compared with international markets. 442 stores planned to be opened during the current year adding 7.6m sq. Ft. Space.
AR41		In ten years we have moved from reliance on a market of 60m (UK) to being able to access 2bn (international).	Our biggest opportunity for growth and improved return is international	Focus remains on profitable growth (ROCE and shareholder value) - income and capital ROCE this year 12.6% - new targets set last year on track.	UK home market is saturated and highly competitive for the market leader. New targets for ROCE set last year are on track.
AR42		Backdrop of political uncertainty and economic problems in our three largest international markets.	Hungary, Thailand and South Korea face difficult consumer environment.	Many retailers are more concerned about retrenchment in their international ambitions Tesco is going against this trend.	Tesco expanding internationally and uses size and momentum to leverage difficult market conditions of some international markets. Tesco is expanding whilst other retailers are consolidating.
pg 10/AR 39		Our in-market acquisitions in Czech Republic, Poland, and Malaysia have added to large organic growth.	Eastern Europe and Far Eastern markets are growing through acquisition organically.	11 Carefour stores acquired in Czech Republic - group swap deal with Edeka (45% space) 146 Leader Price stores acquired in Poland (adding 29% additional floor space) 8 Makro stores acquired in Malaysia (doubling ou space in the market).	25,000 new jobs are being created worldwide during the year ahead. Tesco is investing in growth markets with their store opening programme - range development including non-food; store development; new channel development. 60% of Group sales space is know attributable to International Business.
pg 11/AR10		Our rate of expansion in European markets stepped up	4.7m sq. Ft new space added this year in Europe.	30% growth in Europe in floor space compared with last year. Cherokee clothing range rolled out to Hungary, Poland; Czech Rep; Slovakia	Pan European purchasing of own brands; fresh produce; introduction of Cherokee clothing range - result in enhanced competitiveness in Europe. Customer numbers are up and market share gains.
AR18		Later this year we will open our first store in US	Market research in US and innovative concept developed	Market research : living with American families; observing their habits; inviting people a mock made up store in a warehouse . All Fresh and Easy stores will have energy efficient fridges; \$13m solar panel project for california distribution centre.	Tesco has focused research of consumer with new concept but not considered the competition. Tesco has opted for launch of new brand rather than usual acquisition route in US market.
pg03/05/06/99	National	Significant external cost increases in the year have impacted the UK business.	These arise from higher oil related costs and increase of local business taxation.	UK business represents 75% of Tesco global - Sales £35.5bn ; trading profit £1.9bn; UK margin at 5.9% ; growth of 9% on last year. No of stores in UK stable not increasing in contrast to International. UK growth via extensions. UK weekly sales £25.48/sq/ft	Competitors are recovering in UK market, but Tesco continues to dominate. Increased productivity and expense control have helped growth in UK in a competitive and challenging market. Tesco has absorbed external costs pressures due to increase in local business tax: oil related costs.
pg 07/21		Value release from Properties	Plan announced last year to release cash from properties and return shareholder value.	Series of Joint ventures - British Airways Pension Fund; British Land Company - divestm of 5% of UK stores space - £1bn in net proceeds;	Net book value of Group is £17bn - mostly freehold stores. Current market value maybe 65% above this. £5bn to be divested - part of this used to buy back share and off-set dilution.
pg 15 /AR17		The first retailer to enter into Local Employment partnerships	A new Government initiative announced in the recent budget.	Increase the prospects of local unemployed people - this is inconjunction with regeneration scheme that brings opportunity to deprived areas and long term unempl	Tesco participation in Government schemes offering Tesco incentives to open in deprived areas and employ the long term unemployed. 17 regeneration stores and 4000 long term unemployed offered jobs through scheme.
pg 21/25		Resolution to reappoint PWC as auditors of group.	Proposition will be made at AGM.	PWC is one of the big four UK based accounting firms	Big four auditor of Group.

pg 60		UK Corporation Tax currently @ 30% - Govt. Has proposed reduction to 28% from April. 2008.	£555m tax paid last year; £59m foreign tax paid	£505m tax paid ; £88m foreign tax paid	UK taxes paid has decreased and foreign taxation paid has increased - International growth. UK gov. Reducing UK corporate tax to 28% - potential £31m decrease for Tesco.
pg 06/55	Industry	Finance Act 2006 revision agreed	Pension adjustment for UK benefit scheme.	Reduction of £250m future liability in UK and £8m in Rep. Of Ireland pension contribution by Tesco (£258m gain).	Pension liability reduced for Tesco within UK going forward due Financial Act.
pg 09		UK market share of grocery multiple sector	Previous year grocery market (20.2%) and non-food (7%).	UK grocery market share is up on last year - (21%) and non-food is up (8%).	Tesco has added to marketshare in UK competitive market.
pg 14		In the UK we offer our staff market leading packages and benefits	Employee share ownership scheme and Training and Development	165000 people have a personal stake in Tesco; Staff were awarded shares valued at £50,000 staff participate in save as you earn scheme. Staff can access training and schemes.	UK employee benefits; training and development reflect a leading market position for employees. 84% staff retention rate. UK regulation is more stringent also and competition is fierce in the industry to hold on to good staff.
pg 14		We have a partnership approach to working with our suppliers	Tesco are signatories to the UK statutory Supermarket Code of Practice.	Tesco buyers are trained in understanding and compliance of supplier issues. Code Compliance Officer has been appointed to hear formal complaints.	Trustworthiness; reliability; consistency; clarity and fairness in Tesco supplier relations. New targets set for supplier feedback surveys. Supply chain labour standards and ethical issues becoming a priority.
AR 05 /32	Firm	The essence of Tesco is 'Every little helps'	Universal appeal of slogan to all staff- constantly seek to improve as a common philosophy.	Efficiency savings of £350m delivered this year through our Step Change Programme.	Efficiency savings and working with suppliers to reduce lead times has significantly benefited bottom line profitability.
AR44		For decades food has been a falling share of total consumer spending.	The long term trend of declining spend has stopped.	A fundamental shift in priorities consumers place on food. Health and lifestyle is growing in importance along with competitiveness on price.	Diet; Health; Provenance; Fairtrade; local produce; choice; organics; all represent a shift in the industry. The industry is fundamentally changing to meet new consumer priorities - health vs price competition.
AR 05		We reduced the lead time in our supply chain	Improvement in supply and availability of fresh produce	Tesco reduced leadtime with 100 suppliers to increase accuracy and availability of fresh produce.	Supply chain efficiency gains in fresh produce reduce waste and enhance sales.
pg27/33		We provide incentives for delivering high growth and returns for shareholders	Executive and Director remunerations have been reviewed and rebalanced as short term and long term incentives.	15%-33% short term incentive - 67%-85% longer term (4-7 years) share based incentive for performance related elements. US business added incentive to new start up. Mr Mason relocated to US as CEO of Fresh and Easy.	New Group Business Incentive Plan for longer term development. US CEO has been extended increased short term incentive for delivering performance of new start up. Early stage progress of establishing US business treated differently (150% of salary via PSP scheme)
AR 06		Tesco values are essential to the way we work	Treat people how we would like to be treated	Treated with respect; helpful managers; interest in job; opportunity for development	International development programme - Polish CEO trained by managing 250 stores in North of U.K. Strategy to develop local people with international outlook - skills and talent development
AR 05		Self service check-outs have been introduced.	Self service is being used in 450 stores across the U.K.	3 million customers in U.K. are using self-service - check out promise.	Almost two-thirds of U.K. stores have self-service checkouts to reduce speed of transactions and queues. U.K. is a technologically advanced /highly aware consumer market.
pg 06/13/ AR21		Start up costs for Tesco Direct as extension of Tesco.com	Tesco.com expansion from food to non-food items with launch of Tesco Direct in UK market.	£42m start-up costs to expand online presence to non-food items: electricals; home furnishings; toys; garden; computing; etc. Initially 8000 products on-line and 1500 by catalogue - expanded to 11000 online.	Launch of Tesco Direct to enhance Tesco.com web presence - click and collect plus delivery service with UK. Online format has grown fast and offers greater variety of non-food items direct to customer. Tesco.com sales grew also to £1.2bn in UK (up 29%) with grocery and wine doing best. Tesco.com operates in UK, Ireland and South Korea.
AR21		Tesco.com store opened as a concept in London	Tesco.com is laid out like normal store but is warehouse for pickers to sort for customers and deliveries to drop it off.	1.3m customers use tesco.com; in UK 1860 van drivers across 294 stores; new fully electric fleet of vans to reduce CO2 emissions.	Online shopping is growing in popularity in UK; changing consumer habits and lifestyles serviced by Tesco.com concept.
pg 06/55		Gerrard Cross Tunnel collapsed in June 2005	A Tunnel was being built above Chiltern Trains railway on which a Tesco to be built.	Provision of £35m impairment for on-going complex legal case about collapsed tunnel Gerrards Cross. Local residents; design build contractor; Chiltern railways.	The planned Tesco at Gerrards Cross has taken since 1996. However, issue of collapsed tunnel is on-going UK regulatory and legal process is slow, expensive and difficult - on going claims.
pg 21		There were no political donations during the year	Cash donations to charities £17m; Other GIK; staff costs - £43m	Group did sponsor political events for major political parties in UK and Ireland and Trade Unions.	Non-market strategy for supporting political events for parties in home country along with the Trade Unions.

AR 35/36	United Kingdom - 270,000 staff (9k up)	1988 stores (106 new stores); sales area 27.8m sq.ft	Sales growth of 9% (£35.5bn) and trading profit of £1.9bn (5.9% margin) efficiency savings and new range in competitive market.	3.4% growth from new stores; instore inflation held at 0.2% at a time when competitors are recovering. Strategy of keeping prices low in competitive market; new technology at checkouts; in-store availability is improving but remains a concern for evenings and weekends; fresh food is doing well' Organic range up 40% with 1000 new lines; GDA labelling on packaging. £350m efficiency savings from Step-Change.
pg10-12	Hungary - 17,727 staff (2K up)	101 stores (14 new stores); sales area 4.8m sq.ft	Overall sales grew but profitability is down. Strong market position - strategy of offering lower prices. 14 new stores including 10 hypermarkets.	Effects of Govt. austerity conditions have been severe; consumer spending levels are significantly down; non-food has been particularly impacted. Tesco continue to open new stores and grow in Hungary.
pg 92	Poland -21491 staff (1K up)	280 stores (176 new stores); sales area 6.5m sq.ft	Rising sales, profits and returns; development of 1K,2K,3K store formats store opening programme contributed 37% to space increase.	Conditions of an improving economy and consolidating retail industry. Acquisition of 100% of Leader Price stores from Casino accelerated store opening - store conversion to Tesco resulting in 25% uplift in sales.
	Slovakia - 8061 staff (200 up)	48 stores (11 new stores); sales area 2.5m sq.ft	Compact hypermarket format (25 stores) very successful; smaller 1K stores expanding	Strong economy; organic growth will add 15% this year. New 1K format introduced to Slovakia - 6 trading stores and 9 new planned (1K format).
pg 93/90	Czech Republic -11,786 staff (3K up)	84 stores (49 new stores); sales area 4.1m sq. Ft.	Two thirds growth this year - making us one of the the market leaders; conversion of 1 Carefour stores; integration of Edeka acquisition.	Strong profit growth despite competitive market conditions; expanding via acquisition and organic growth New department store in Brno.
	Rep of Ireland - 11,087 staff (500 up)	95 stores (7 new stores); sales area 2.3m sq.ft	Improved profits and strong sales growth this year; largest ever price cutting programme in Ireland has been well recieved.	New distribution centre in north Dublin 740K sq.ft. New store opening will represent 10% space growth Strategy of price cuts and space expansion in Ireland - gateway to Europe?
	Thailand - 29,538 staff (2K up)	370 stores(151 new stores); sales area 7.5m sq.ft	Tesco lotus has strong market position and performed well; development and roll out smaller stores continues.	Political uncertainty unhelpful to business climate; 75 hypermarkets; 266 Express stores; 29 supermarkets total of 370 stores trading across four formats.
	South Korea - 11932 staff (1K up)	91 stores (30 new stores); sales area 5.1m sq. Ft	Homeplus continues to do well; There are now 40 Express stores; compact hypers; hypermarkets; 29 new stores were opened this year, along with extensions.	More challenging market conditions than last year; Strong development programme of extensions; format of stores; Express convenient format pipeline to double Express business going forward.
pg 91	Malaysia -5820 staff (1K up)	19 stores (9 new stores); sales area 1.9m sq.ft	Became profitable this year; over 50% sales growth this year; Makro acquisition (£73m doubled selling space.	Refit and integration of acquired Makro stores; developing range and layouts is taking 9 or 9 weeks per store. Tesco has good market position in Malaysia.
	Japan -3405 staff (200 up)	109 stores (7 new stores); sales area 0.3m sq. Ft	Modest sales growth; trial Express store developed.	Subdued retail market and modest growth for Tesco. Express format has been refined and plan is to open 35 new stores this year.
	Turkey - 3469 staff (1K up)	30 stores (22 new stores); sales area 1.1m sq. Ft	Kipa business growing strongly - can become a national business; Express format (15) added to existing hypermarkets (15) format	First major distribution centre (400K sq. Ft) to be opened; new management /supply chain IT system. Infrastructure for national business and scaling.
pg 91	China - 17419 staff (1K up)	47 stores mainly hypermarkets (8 new stores); sales area 4.2m sq.ft	Hypermarket format in large regional markets; Hymall sales up 19%; Tesco acquired further 40% stake in Hymall chain for £181m	Higher overheads - investment in China resulted in loss of £6m as a JV share. 1000 Tesco own label brands introduced in China.
pg12	USA - on track to open first store	Fresh and Easy branded store planned for West Coast	150 staff in El Segundo; Riverside distribution centre in LA; acquisition of 10,000 ft store format will be launched in LA, Phoenix, Las Vegas and San Diego.	US start up costs of £65m this year - rising to £250m under Fresh and Easy logo.
pg 90	Carefour deal is part of exchange of assets	Tesco expansion in Czech Rep. And moving out of Taiwan	Carefour swap asset deal Czech Rep for Taiwan market.	Tesco decide to pull out of Taiwan in exchange for greater presence in Czech Republic.
pg 06	UK capital expenditure was £1.9bn (up 0.1bn)	This is slightly up from last year's £1.8bn	£687m was spent on new stores in U.K. ; £295m was spent on extensions and refits of existing stores.	UK space expansion along with investing in international expansion in U.S. £89m of UK cap.ex invested in establishing the U.S. operation. Expected investment in U.S. to increase to £250m this year. U.K. (home country) being to used to finance international expansion in U.S.
pg 06	Total international capital expenditure was £1.1bn	This is slightly up from last year's £1.0bn	£0.4bn was spent in Asia; £0.7bn spent in Rest of Europe.	Group cap. Ex. Is £3bn plus - expanding internationally in Europe and Asia next year group cap.ex forecast at £3.5bn.
AR 06	In the U.K we have appointed 3000 managers	Options programme gives staff the opportunity to develop - including an A level scheme (fast track for non-graduates).	Tesco have invested in increasing the number of people in stores at manager level in the U.K.	Tesco is trying to invest in and retain managerial staff in U.K. - Tesco approach to develop grass roots talent - Options programme for A-level leavers. Retraining of managers in distribution to work alongside shop floor to improve morale.
pg 13	We added 2m sq.ft of space in U.K.	7.4% increase in sales during the year across formats	800K sq.ft. Extensions; 30 new Extra hypermarkets created (Total 147) - store expansion continuing in U.K. - 85 new Express stores.	Store expansion of existing stores as planning regulations may not favour new hypermarket formats. focus on adding space for non-food which is a growing area for Tesco in U.K.
pg 13	Proportion of our sales represented by non-food rose to 25% (excluding petrol)	Group non-food sales grown to £10.4bn (£2.9bn international); £7.6bn UK)	Sales growth of 11.6% in U.K. Non-food. Homeplus format has 6 stores but no decision further expansion (50K sq.ft)-trial non food store.	Volume growth plus benefit of direct sourcing from Asia enables lower prices for non-food competitors Trial of Homeplus vs Extra format.

AR14	Over the last year we have extended 23 stores in UK	We have added 500K ft space for non-food items	Store expansion still has limited benefit as few customers can reach larger stores. Tesco has started Tesco Direct in online format to target customers direct.	Online shopping for non-food items rather than having to expand floor space in UK. UK customers are more online savvy.
pg 15	We have committed to reducing packaging by 25% by 2010	We will also label our products to reflect whether packaging can be recycled or composted.	First environmentally labelled packaging will be on shelves in 2008.	Focus on reducing landfill costs by using recyclable packaging as a priority.
AR13	Link between health, healthy eating and balanced diet	Provenance and choice for customer is becoming important priority.	Roll out of front of pack nutritional labelling to 6600 own label products.	FSA regulations on nutritional labelling and reducing salt, fat have forced Tesco to reformulate recipes for 1300 lines with help of chefs, nutritionists and tasters
AR 09	Tesco in a box	Development of IT systems that talk to each other - stores ; distribution; head office;	Tesco in a box is being rolled out in Czech Rep; Slovakia; Thailand; Malaysia and will be part of the start up operation in United States.	Standardised group suite of IT systems being developed and adapted for local markets to support the functioning of global supply chain and interconnected markets.
pg 09/15/	Energy consumption targets achieved for the year.	Energy consumption target of 12% reduction was set for this year.	Energy consumption reduction of 12.5% was achieved for this year. In UK 9% sales growth; 7% space growth and energy use has been reduced in stores.	Energy consumption reduced 5% last year and 12.5% this year. Energy reduction is a top priority throughout the business - high energy costs impacting business.
AR29	Target of reducing energy consumption by 50% by 2020	Reducing energy consumption is a priority	£100m/year is being invested for next five years in energy efficiency.	All new stores being built have to be energy efficient.
AR10	Our new Tesco Ingredients range is for people who love cooking.	Give the customer the widest possible choice	Tesco Ingredients; Free from; Wholefoods; Organic; Finest Kids -development of Tesco ranges for customers. Organic range sales are up 40%	Many new ranges and widest choices for customers is offered within stores. Organic range no longer in one part of store but organic products sit next to non-organic products to offer choice/option to the customer who can compare the options.
pg 14/AR22 AR45	Telecoms moved into profit during the year	Tesco mobile is JV with O2	1.4m customers and 30% share of new business -fastest growing pay as you go network approaching overall two million customers across mobile services	Tesco is largest UK retailer of branded pay as you go mobile phones. New internet phone service launched.
pg 16/AR26	We are committed to increasing the number of local products in store	Regional roadshows and focus on smaller UK based suppliers that have potential to grow	300 new smaller suppliers and 58 new local produce lines launched in UK. Direct contracts with Dairy Farmers for local choice milk.	UK consumers are demanding local produce. There is low supply for basics such as Dairy - where Tesco is looking to tie in farmers and expand supply at the local level.
pg 14	Our customers have told us what they want	Tesco club card survey	we gave away £340m in Clubcard vouchers to loyal customers.	UK Clubcard is a mechanism for understanding the customer and enhancing loyalty.
pg 93	Group acquired further 31% of Dunhumby Limited	Dunhumby is data analysis group that supports Tesco clubcard services	Dunhumby will be fully integrated into Tesco by 2011.	Minority stakeholders of Dunhumby have agreed to sell out by 2011 to Tesco.

Period	March 2006-March 2007		FIRM LEVEL REPORT: SAINSBURYS ANNUAL REPORT 2007			
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SAR07	pg 04	Global	Right time to look to the next stage of our recovery and to expand the business	New growth targets set beyond MSGA recovery plan with overlap of 1 year between recovery and growth.	New target of £3.5bn of additional sales : 2/3 from grocery and 1/3 from non-food ranges. New plan to run March 2007- March 2010.	New sales growth targets combined sales recovery /growth seeking £5.3bn sales growth in five year period (March 2005-March 2010) Recovery phase (£1.8bn achieved=£3.5bn new target for growth - overlap as recovery is ahead of schedule.
	pg22/23		Financial results upto March 2007 reflect strong progress on the MSGA plan.	Retailing made £429m profit; Bank made £2m profit	6.9% sales growth; 42% increase in profit; 40% increase in earnings per share; 22% dividend growth.	Bank sales declined by 11% but profitability improved. Retailing achieved 7.3% growth in sales. Strong sales performance and improved gearing. Cost savings in supplychain, IT, labour this year - MSGA target of £440m savings on track.
	pg 91		Sales intensity per sq. ft is highest for 5 years	Sales area is 17364 sq. ft with 788 outlets across U.K.	Sales intensity of 17.59 £/week/sq. ft.	Majority of sainsburys stores are either small (below 15K ft) or large (above 25K ft) stores. Sales intensity is best it has been for five years.
	pg 62		Sainsburys principal activities are in U.K.	Sainsburys owns 100% shares in principal operations.	Bells stores; Jackson stores; JS insurance; Sainsburys supermarkets JS information systems; Swan infrastructure holdings.	Principal activities in UK JV investments are 50% : in property fund (UK); Bank with HBOS (UK); and Boutique Sainsburys (retailing in France) alcohol small outlet in Calais (Duty free sales)
	pg 78	Regional	Foreign currency risk	Group has euro and U.S dollar trade creditors.	£12m (£5m last year) euro risk; £5m (£4m last year) U.S. risk	Euro creditors have increased by more than double this year.
	pg 05	National	Customers have become increasingly concerned with eating more healthily	Consumer awareness is becoming an important factor in the product development.	Social and ethical concerns of supply chain and consumer patterns shifting towards healthy foods.	Sainsbury's brand positioned to respond to consumer awareness and choices - product ranges and supply chain developments.
	pg 25		Corporation tax rate is being reduced.	Corporation tax rate has been 30%.	Effective 1st April 2008 corporation tax rate will be 28%.	UK retail properties have a lack of effective tax relief on depreciation which has raised amount of tax payable.
	pg 27		External cost pressures on oil related costs and business rates have impacted the business.	Cost of products are increasing and household disposable income influences sales	Mitigation strategy has been to deliver cost savings and offer customers value for money.	National economic factors are an influence on sales and customer choices. National household disposable incomes and confidence of outlook influence purchasing behaviour.
	pg 03	Industry	Over the past year, Sainsburys strengthened its market position.	Market share of sainsburys increased to 14.9% from 14.7% in UK.	6.1% Scotland; 7.7% North East; 9.3% Lancashire; 9.2% Yorkshire; 9.8% Wales; 15.8% Wales; 14.5% East England; 24.4% London; 20.5% South; 15.3% South West; 15.2% NI.	Market share up slightly in all regions except London. Recovery is ahead of plan and we are moving from recovery to growth. Recovery plan outlined in Oct. 2004 - MSGA (March 2005-March 2008)
	pg 03		U.K. Grocery market was valued at £123bn in 2005/6.	IDG forecast growth of sector to be around 2.8% per year.	Dividend of 9.75p per share represents an increase of 21.9% on last year.	U.K. grocery market forecast to grow from £123bn to £141bn by 2011 which is annual growth of 2.8%. Sainsburys continues strong recovery of sales and profit this year.
	pg 03		The Competition Commission is undertaking an investigation into the supply of groceries by retailers.	Issues of supply chain pressures; competitive collusive behavior within oligopolistic group impacting consumers.	The Competition Commission has stated its intension to report findings in early 2008.	Focus on supply chain pressure and power / influence of grocery multiples and their negative impact on competition / consumers.

pg 07/10		In October 2006 we were voted Supermarket of the year.	Retail industry awards and annual quality awards. National Consumer Council - voted Sainsbury's 'Healthiest Supermarket'	More than half of the awards for quality won by Sainsburys in 25 categories.	Industry recognition for Sainsburys on quality of food - Supermarket of the year at Retail Industry awards.
pg 15		Carbon Management Award in London	London Liveable City Award	Energy efficiency UK award	UK based Carbon award for Energy Efficiency
pg 03 pg 06	Firm	Sales of £18.5bn; Profit before tax £477m Ninth consecutive quarter of sales growth.	Serving 16m customers a week from 490 supermarkets and 298 convenience stores (788 total stores across UK); plus bank	Sales increased by £1bn - ahead of recovery plan. Total recovery has been £1.8bn in two years.	Sainsburys are ahead of sales target in recovery phase (£1.8bn - three year target £2.5bn) Sales growth of 7.3% overall (5.9% like for like) represents sign of progress towards strong improvement. Momentum of growth on growth and improvement.
pg 03 / 19		114 stores provide internet based home deliver service	83% of the UK postcodes are covered by the online operation.	64,000 customers are served each week. Sales in online business have grown 49% this year.	Number of stores operating online service to increase to 200 by March 2010. Sales growth of online business expected to double in next three years.
pg 04/06 pg 10		£400m invested in customer offer in 2006 plus £50m in 2007.	Healthy, safe, fresh and tasty food. Quality, value and innovation in non-food sector.	Delivering great products at fair prices. Improving product quality and price position relative to competitors. 5000 price cuts since January 2007 - total 20,000 price positions taken.	£400m investment was completed in Dec 2006. Competitive price position strategy extended with additional funding into 2007. Product quality + competitive pricing. Strategy of reinvesting buying efficiencies into price and quality.
pg 61		Property, plant and equipment pledged as security	Long term financing was restructured last year.	127 supermarkets (£2.5bn) remain pledged as security for long term loan.	£2.5bn worth of supermarkets pledged as security for long term loans.
pg 04 /05		Overlap between recovery phase and growth phase targets.	New targets set for growth phase leading up to 2010. From recovery to growth plan 2007-2010.	Cost savings of £155m in the next year. Extension of 75 stores by 2010 and development of pipeline of new stores- target of 19m sq. ft sales space = 10% sales space increase over next three years (food : non-food 50:50) Open 30 new stores and 100 convenience stores in next three years. Extend our online home delivery to new areas from 100 to 200 stores.	Growth phase seeking to add 10% to retail space over next three years. Steady rise of new stores plus inroads into convenience sector (100 new stores). Growth of online channel and home delivery business. New ambitious targets of £40m profit for bank which made loss of £10m last year. Positive outlook for Sainsburys reflects ambitious growth targets.
pg 24		Surplus assets were sold during the year.	Sale of surplus properties.	Generated profit of £7m and cash proceeds of £106m	Property sales remain a source of income for business. Next year target of £75m proceeds.
pg 24		Underlying net finance costs decreased.	£12m benefit of refinancing last year. £400m revolving credit facility renewed in Feb 2007.	£2m increase in finance costs plus £26m increase in finance income Last year significant item was pension contribution of £350m	Group net debt £1380m represents reduction of £156m. This year £240m pension contribution made plus £90m to income statement. £93m received from property disposal - overall cash neutral position.
pg 26		Capital expenditure increased in the year.	Rise from £525m last year to £737m this year.	£308m spent on new stores - acquisition of freeholds doubled. £368m spent on extensions and refurbishments.	Major drive to develop property portfolio and space of stores. New growth phase of Sainsburys is emerging. £5.2bn book value of leasehold properties; actual value £8.6bn Group freehold portfolio comprises 286 supermarkets and 6 depots.
pg 05/19/ 24		Performance of Bank has stabilised.	Growth opportunities are expected for Bank as part of growth plan.	Target of £40m profit set for Bank leading up to March 2010. 5% of bank sold to HBOS for £21m in Feb 2007. Bank made £2m profit this year - ambitious target of £40m by 2010.	New joint venture arrangement with HBOS based on 50:50 profit sharing after tax. £10m profit for Sainsburys on 5% sale to establish 50:50 equity. Ambitious profit target set for bank in growth phase (£10m loss last year); profit of £2m this year; £40m by 2010.

pg 07	5000 own brands are new or have been improved.	Many initiatives across brand / product range as part of MSGA recovery.	Improving clear and honest labelling. Leading the way on ingredients standards and sourcing of products. Removal of artificial colouring and hydrogenated fats.	Product improvements included clear labelling and ingredient enhancement (hydrogenated fats and colourings)
pg 07	Customers value quality, fresh and seasonal food.	Development of own label ranges and product sourcing.	relaunched Taste the Difference range with 1400 products. Number of changes to Basics range to enhance healthy choices.	Sainsburys working with suppliers to develop ingredients towards healthier products for own label products. Own range relaunched appealing to healthier choices.
pg 10	We sell more fairtrade bananas than all other major supermarkets in UK combined.	Conversion of product to Fairtrade.	Invested £4m in supply chain - social premium paid to farmers. 1000 bananas sold in our stores every minute.	Fairtrade development by investment in supply chain - bananas case study. Social premium paid to farmers.
pg 07/08	We source all our organic primary from within UK.	Chicken; beef; eggs ;milk; pork; lamb organic ranges sourced within UK.	1000 different types of organic products sold of which 400 products are in the Sainsbury's SO organic range. First ever 100% organic box scheme.	Organic products are an important part of the own label products range within Sainsburys. Sales of organic food continue to grow.
pg 10	New payment management system for suppliers	Easier and quicker for suppliers to access account information.	Trial of supplier system - online accounts; invoices; debit notes; remittance advices and payment dates.	Improved cashflow and supplier payment system - with optional early settlement via third party financial system.
pg 19	We increased our space by 3.8% this year.	Renewed search for locations to introduce Sainsburys into the community.	20 new supermarkets opened during the year. 18 supermarkets were extended. 50 supermarkets have been refurbished 48 stores benefitted from investment in non-food offerings.	Sainsburys format / space being developed to cater for growing non-food sector. New locations are being developed and some stores have benefitted from refurbishment. Start of a major drive for space expansion - target of 10% growth in space over next three years Plan to open 30 new stores; 100 convenience stores; 75 extensions; 190 refurbishments.
pg 24	Pension fund deficit has been reduced.	Over three years large one off payments have been made.	£110m; £350m; £240m one off payments made - reducing deficit of pension to £55m (down from £431m deficit).	Pension one-off payments reflect difficult period for pension management by company. Significant effort made to reduce deficit over 3 years.
pg 19	We are actively managing our property portfolio	Property team is being developed to support location / space development.	Over 50% of current space will be improved and developed by 2010. pipeline of space development towards annual growth of 5%/ year.	Growth phase of Sainsburys is being driven by location; space of stores; to offer wider non-food items; Developing stores is important part of development phase. This includes a major expansion of 100 stores into the Convenience sector.
pg 11	Development of supplier relationships in UK	launch of new 'Supply something new programme'	Managers meet new suppliers in search of high quality, innovative, locally produced foods.	20 New suppliers added through 'Supply something new' programme. Eight events held in the year - regional sourcing programme to extend the current 3000 regionally sourced products - development of UK local supply chain.
pg 19 CR pg 51 CR pg 54	We completed the delivery of leadership training to 9000 managers throughout our business.	We track how engaged our colleagues are with our goals and values.	Improvement on colleague engagement and leadership skills of colleagues on last year. Mentoring programme for duty managers (20%) and store managers (15%) female representation by 2009.	Managerial training of staff was low which impacted their engagement. This has been enhanced with managerial training of colleagues across the business. Proportion of female senior managers rose from 20% to 28%. Quota's for female in UK corporations is a priority; age discrimination over 65s changed with new legislation.
pg 19	We will pay our highest ever bonus payment to colleagues this year.	Sainsburys is showing confidence in rewarding its staff for their hardwork.	118,000 people will share £56m in bonus payments.	Heirarchical structure of bonus payments to staff as incentive / reward. Highest bonus payment ever this year - recovery programme shifting to growth. Total of £145m bonuses paid in last three years (including £56m this year) - recovery phase.

pg 07 CR pg 14	4500 products carry the Wheel of Health MTL labelling.	Multiple Traffic Light system approved by Food Safety Standards Agency.	80% of people prefer MLT labelling to alternative schemes - at a glance information (guideline for daily allowance).	Sainsbury's was the first supermarket to use traffic light labelling developed with FSA. This has become an industry standard and 4500 Sainsbury's products carry the labelling. Multiple traffic light system roll out to all own-label products by Dec. 2007.
pg 11	Sustainable sourcing programmes being developed	Dairy Development Group Lamb Partnership Farm Connections	400 dairy farmers to supply 420 million litres of milk Livestock scheme building on Dairy approach Scheme to provide 700 beef farmers with computer training.	Retailer development of supply chain on high demand locally sourced primary products. Giving computer training to farmers encourages competition amongst them due to growing awareness. Milk supply chain issues due to high demand for organic - increase and lock in suppliers. Industry first initiative working directly with farmers.
pg 18 pg 44 CR pg 47 CR	Our stores are at the heart of the community they serve.	£18m invested in community plus £12m from charity fund raising in stores.	Active Kids programme - voucher based scheme for sports equipment in schools - 85% of schools registered with scheme. Salvation Army Food surplus distribution of Homeless @ £3.4m - 65% of stores are linked to local charities for food donation - 6680 tonnes of food donated. Comic Relief fundraising of £7m.	Flagship Active Kids scheme (£34m invested over 2 years) extended to Scouts and Guides. Food waste to charity reduces waste to landfill sites - why so much? Sainsbury's is the major sponsor of Comic Relief - organic sourcing of T-shirts. Retail sponsor since 1999; renewed commitment for 7 years in 2005; £7.2m raised for Comic Relief and £1.9m raised for Sports Relief - Total £9.1m
pg 14	Our product availability is the best it has been for a number of years.	Depots network has been re-organised in line with increasing sales.	We handle over 1m more cases each week compared with last year.	Improved operational efficiencies facilitate increased supply volume at depots with additional 50m cases/ year handled for same cost as previous year. Product availability is the best it has been.
pg 11	Marine Stewardship Society (MSC) sourcing.	Sourcing cod that is 100% line caught.	None of the fish sold is red rated - working towards all green rating.	Sainsbury's like to be industry first and innovative. First MSC products - taking lead in issues.
pg 11	Development of non-food range	Target of £700m growth as part of MSGA recovery programme	New layouts; fixtures; fittings and ranges have been trailed in 15 stores and expanded to 48 stores.	Additional floor space is critical to balance between developing food and non food range. Non-food range is requiring more floor space as part of extensions etc. 639,000 sq. ft (3.8%) space added this year - 2% incremental space growth forecast.
pg 14	Opening new distribution centre in Northampton later this year.	Development of capacity for growth going forward.	New distribution centre will create 750 jobs. Operational by Christmas and in full use next year.	Existing depot being extended and new facility in Northampton Capacity building for growth of business.
pg 11	Own label TU is a star performer	Own label clothing range uses Fairtrade Cotton.	22 different styles of clothes across men; women; childrens ranges	Sainsbury's seeking to appeal to all types of customers. Development of ranges for universal appeal or different groups of customers. Sainsbury's have inhouse design team for TU clothing.
pg 16	By 2008, 20 percent of vehicles for online deliveries will be made using electric vans.	Gradual shift towards more energy efficient and low carbon vehicles.	Reduced CO2 emissions of 45 Tonnes in first year. Zero emission vehicles for city use - efficiency gains.	On-line business is growing and city transportation efficiency will impact operational efficiency.
pg 15	A big issue for customers is the amount of food packaging in use and its environmental impact.	Sainsbury's is focused on reducing excessive packaging and improved use of recyclable materials.	3550 tonnes of plastics removed from output this year. Plastic trays and bags of ready meals replaced by compostable packaging.	Plastic waste targets is being improved through use of recyclable packaging materials. Plastic replaced cardboard and now compostable packaging is replacing plastic trays Maize; Sugar and starch = compostable.
pg 15	Plastic bags contribute to long term damage to environment.	recyclable carrier bag introduced along with other schemes such as Bag for Life or limited edition recyclable bags.	New recyclable orange carrier bag 1/3 made from recycled material and is further recyclable. 6500 tonnes of plastic savings per year.	Sainsbury's is focused on reducing materials and waste going to landfill sites as cost of landfill is going up. Sainsbury's see compostable recycling as the way forward.

	pg 32		The company made no political donations.	The company makes charitable contributions.	No political donations made.	Reporting of the fact that no political donations were made.
Additions from Corporate Responsibility Report 2007						
Document		Level				
CR07	pg 04	Global	Welcome to our fourth corporate responsibility report	CR report has been published since 2003.	Impact on environment; people; communities have become a priority.	Many things have changed but somethings remain the same - traditional approach focus on healthier lifestyles. Our goal has always been to provide customers with healthy, safe, fresh and tasty food.
	pg 04	Industry	Industry leading multiple traffic light nutritional labelling system.	rolled out to 4000 plus products.	Efforts to remove hydrogenated vegetable oils, flavour enhancers, artificial colours, aspartame and saccharin from foods	Nutritional food labelling to beat government targets on salt reduction
	pg 07/08		To ensure a fully rounded view we meet with a number of cross-industry and multi-stakeholder organisations.	NFU; NGOS; ETI; BITC; London Benchmarking groups which Sainsbury's is actively involved with.	CG structure reflects the prioritisation of issues to inform the business agenda.	CG structure led by key decision makers within CG forums - five dinners : each relating to each of the five CG principles : Food and Health; Sourcing with integrity; Respect for environment; Community; A great place to work. Oligopolisitic forums?
	pg 09		We participate in the carbon disclosure project.	CDP researches into leading greenhouse gas emissions.	211 investors with \$31 trillion sponsored this survey.	Greenhouse gas emissions gaining priority.
	CR pg 17		All British Consortium members signed memorandum of understanding in April 2007	Commitment to put labelling on alcoholic products.	Recommended daily intake on units of alcohol.	All own label products will display information on recommended intake of alcohol by end of 2009
SAR07 CR07	pg21 pg03	Firm	Five principles underpin our activities in corporate responsibility.	Committed to innovating and setting higher standards.	The best of food and health; making a positive difference to your community; sourcing with integrity; a great place to work; respect for environment;	Sainsburys always try to be the first to market in corporate responsibility. Pro-active approach to risk management and activities. Traditional and heritage based approach
	pg 32		Donations made to charitable organisations	Community projects and charities supported. £12m raised by customers and suppliers and staff - beyond company contribution.	£6.6m community projects (2006=£5.6m) and Active Kids scheme donated £17m worth of new equipment to 26000 schools.	Charitable contributions have dual benefit - tax; csr. Projects are incentivised based on sales in store. Actual company contributions are lower than staff; supplier; customer contributions.
	pg 05		Active Kids scheme is in its third year	31,000 schools are involved	Over three years £34m of sports equipment has been put into schools.	Use of Active Kids as a core strategy for making a positive difference to communities. Helping the next generation and tackling child obesity.
	pg 07		We engage with organisations that inform our thinking.	Relationship with customers; suppliers; investors- stakeholders shapes the way we do business.	NGOs; government, charities; trade unions and associations inform changing developments : Greenpeace; MSC; Carbon Trust; Fair Trade; Woodland Trust; Forest Stewardship; Forum for the Future; By engaging we are better able to understand and manage risks that support development of our business.	Use of stakeholder relations to influence business development and manage risks. Measured approach to informed decision making - use of non-market strategies and lobbying as a tool to inform practice of business.

pg 10	Sourcing with integrity	Majority of organic produce is bring sourced within the UK	Eggs; fish and organic produce focusing on UK farmers	Targets are being conveniently met on CR performance. Targets set by Food Standards Authority.
pg 35	Water usage is a growing issue.	Roll out of pilot trials of water saving taps and flushing in stores.	Target of 50% reduction in mains water usage by March 2009. 132 car washes using 75% recycled water.	Targets for water saving based on 2005/6 baseline - saving £1.6m so far on water usage. 50% reduction by 2009.
pg 11 pg38 CR	We will reduce landfill by 5% by March 2009	Targets on environment include waste reduction; packaging; water usage; carrier bags.	Carbon emission and recycling targets are being met. Use of recyclable carrier bags.	Respect for the environment also brings financial benefit of efficiency to the firm. Target of 10% reduction on landfill by 2010 (50% relative to sales). Meeting EU directives and reducing costs which are being passed on to retailers.
pg 11 pg 52	We will continue to reduce colleague turnover	Focus on making work environment more positive for employees	10500 less people left Sainsbury's than did in 2004. Training for staff is improving to support motivation and retention. 10,000 staff attended MSGA leadership programme (up from 1000 in 2005/2006)	People policies are being implemented to enhance staff retention; motivation and engagement. This is area of on-going attention and focus for improvement for Sainsburys. 118,000 staff will recieve bonus of £56m this year.
pg 53	We announced plans to tackle the critically low number of food technologists in our business.	Essential for health and safety; safe and fresh produce.	Drive to recruit staff in partnership with universities - attract critical talent to the company.	Demand for food technologists / science graduates which currently have low representation within the company and are in need.
pg 15	We are keen to ensure healthy eating is affordable.	Basic range of own label products became first to have nutritional labelling.	Relaunched loaves with less salt and added fibre have rising sales. Healthier focus on products to meet FSA targets. Focus on basics and budget customers	Sainsburys uses Ipsos Mori; Net Mums consumer surveys to support CR benefits. Traffic light labelling etc. to influence buyer behaviour. We are communicating that customers on a budget do not need to compromise on health - instore promotions; events; samples.
pg 16	Event held 'New ideas for Health' in Sept. 2006	Contribution to Govt initiative on 'Small change big difference'	Government, Health professionals and food industry working together to influence what families eat. Largest independent survey of 22,000 people across all supermarkets to explore national shopping habits and attitudes to health.	Govt, NHS, retailers and manufacturers working together to influence what families eat. Time is biggest obstacle to healthy diets; only 14% parents follow healthy diet; 10% of respondents identified confused messages and fear (lack of trust) in news on food. Healthy eating is perceived as expensive by parents. Obesity and amongst young is being targetted.
pg 18	Traffic light system is driving reformulation of own-label products	Deliver healthier products to customers by converting red to amber or green.	Working with suppliers to review ingredients and reduce salt; sugar fat contents within own-label brands	We have removed 35Tonnes of salt from baked beans; 145Tonnes from ready meals. What were you doing before? New targets set for soft drinks; crisps. Strategic benefit of product development for own-label vs branded products.
pg 22 (pg 11-AR)	Committed to providing UK sourced produce to customers - supporting British farmers	New contracts for suppliers of local produce in UK.	3500 locally produced products worth £6bn - apples; organic meat; dairy; fruit and vegetables; eggs; - farm promise initiative.	Regional and local sourcing commitment focuses on UK high quality products. These would still be globally competitively placed for retailer.
pg 24-25 (pg 10 -AR)	We expect our fairtrade sales to increase by 150%.	Current fairtrade sales are £53m - target of £130m for this year.	Cotton for sports relief T-shirts sourced from Fairtrade Kenya. £1m a day of sales of fruit and vegetables from Africa.	Report inconjunction with Cranfield University on imported roses finds that Kenyan roses offer lower carbon footprint than Dutch roses that use artificial heating and lighting. Thus Target of 100% Kenyan Roses by April 2008.

pg 26-31	Sustainable sourcing targets for products and ingredients	80% of fish sold is sourced from five species. double the sale of MSC certified fish.	Convert five species to green traffic light by 2010. Largest retailers of cod and haddock using line method rather than trawlers.	Sustainable targets are designed to meet European and UK targets. EU directives are forcing retailers to change towards 3 year targets going forward. Increased call for transparency and ethics in supply chain.
		74% of eggs from non-caged birds	Current UK supply is low compared with demand thus retailers are importing to meet demand.	25% of current suppliers employ 10 people or less. Large vs small suppliers. New target to reduce CO2 emissions by 25% by 2012.
		75% of wood-based products to have Forest Stewardship certification by Dec 2008. Biodiversity and Pesticide projects with partners.	Guide produced for suppliers and training offered towards Sainsbury's sourcing policy.	3.5% energy efficiency savings on last year -refrigeration; lighting; heating of stores; design of stores for enhanced daylight
pg 35		164m km were travelled by fleet vehicles during the year.	Target of reducing mileage of suppliers/own fleet by 5m km over three years.	Re-usable crates; journey routes and times; stacking of produce; return journeys; location of depot- Northampton. Use of electric vehicles for home delivery service by 2010.

Period	Jan 2006-Jan 2007	FIRM LEVEL REPORT: MORRISONS ANNUAL REPORT 2007					
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
Mar-07	pg 0/38	Global	Our business is mainly food and grocery - the weekly shop.	368 stores; 278 petrol stations; 10.5m sq.ft of selling space. Opened 4 new stores (Leyland; Swadlincote; Cardiff; Crowborough) and disposed of 14 small stores. Eight new stores planned for next year. Total sales area down from 12K at Safeways acquisition - shift towards selling smaller stores and expanding to Morrisons model.	UK's fourth largest food retailer - 49 Scotland; 53North; 19 Wales 40 West Midlands; 62 East Midlands; 40 South West; 49 South Central; 56 South East. 9 million customers pass through doors; 114,000 colleagues across business. 1800 suppliers service Morrisons.	Uniqueness of Morrisons is that they source and process most of the fresh produce through thier own manufacturing facilities - close control and provenance over quality. No. of stores slightly lower than last year (368:378) stabilising after sell off of surplus safeway stores First year as national retailer -traditionally Morrisons has had medium/larger stores - Safeway integration added smaller stores into portfolio which have been reduced in number from 78 to 13. (Total 498 reduced to 368 stores but the average store size has increased to 28K sq.ft - Morrisons typical store model is a 35K sq. Ft store - pre acquisition).	
	pg 53/77						
	pg 04		Strong performance of fresh produce	retail sales were up in these lines.	Benefit to manufacturing operations of Morrisons. Morrisons manufacturing operation was towards full capacity this year.	Morrisons benefited from operational integration in fresh produce. Extra demand met by operational inhouse capacity of Morrisons. Subsidiaries are 100% owned by Morrisons; the JV with BP as part of Safeways acquisition was dissolved post takeover.	
	pg 66						
	pg 18 pg 69/78		Dividends growth of 8% on last year.	Last two years dividend was held at 3.7p. Equity shareholder funds £4.2bn consistent with last year. Net assets £4.2bn consistent with last year.	This year's dividend in 4.0p. Share performance £3.01 @ Feb 2007. Market capitalisation of £8bn (same as post acquisition 2005 reflecting little growth since)	Share price has increased 59% compared with last year; comparatively FTSE increased 9%. During the last year the Food and drug retail sector has grown 39%. Morrisons has improved performance in this year compared to previous years - but still lags behind industry. Overall market capitalisation has remained stagnant post acquisition.	
	pg 20		Group generated £704m cash from operations.	This is up from £311m cash from operations last year.	Growth in operating profit; better working capital management; stock reduction contributed £76m to cashflow.	Streamlining of operations / stock management has enhanced cashflow.	
	pg 04	National	Healthy eating and premium quality trend.	Growing from a low base the trends are clear.	Eat Smart range up 47%; Organics up 20%; the Best up 58%. Contrasting sales of carbonated drinks; chocolates; crisps are down.	Consumer trend for healthy eating and premium quality.	
	pg 06		There were reports of inflation again entering the ma	High energy; commodity and business rates costs.	Producers and retailers sought to pass on the costs to the consumer. Fuel sales impacted by high oil prices.	Price rises boost sales but have little impact on profitability. Some sectors like fresh produce did better than others.	
	pg 79		The average per store takings in £541k/week.	Avg. Store size has increased to 28K - smaller stores have been reduced in number / sold off.	FT employees 51K; PT 66K (Total 117K); Steady increase in number of customers per store per week -24K	Moving towards Morrisons model post Safeways acquisition.	
	pg 04	Industry	TNS estimate that the grocery market grew by 3.4% during the year.	Disposal effects limited growth of Morrisons.	Morrisons grew 2% (below industry average) excluding fuel during the year.	Residual activity - legacy of Safeways integration into Morrisons under one brand, common processes and operations - result in below industry average growth.	
	pg 04		It was an unusual year for UK grocery retailers.	Annual pattern of competitive and consumer behaviour began as usual manner - but the surge in sales came later than usual.	Price deflation beginning of year (price competition); Second quarter higher margins. Pro-longed summer enhanced sales of fresh; premium and bevarage lines; Highly competitive leading up to Christmas with late surge in sales end of year.	Competitive and consumer behaviour had an unusual pattern this year. Increasing focus on health, quality, freshness rather than price - consumer tv programmes / national debates on obesity.	
	pg 04		Competition Commission - industry remains highly competitive.	80% of population have a choice of three supermarkets larger than 13,000 sq. ft within 15min drive of home.	Tesco, Asda, Sainsurys and Morrisons account for 66% of the grocery market. Others inclde Co-op; Marks and Spencer; Waitrose;	Morrisons original stores have turned decline into slow growth but remain behind market - have yet to establish a positive trend - the converted stores (Safeways) reflect growth with pace of the market. Market remains highly competitive. Seafood retailer of the Year - Morrisons.	

pg 18		Safeway was taken over in 2004.	Since 2004 to date share price has risen 20%.	FTSE 100 index has risen 39% in last three years; Food and Drug retail sector has risen 55% in same period.	Morrisons growth has been slow compared with industry and FTSE100 industry sector growth over last three years.
pg 02/21 pg 79	Firm	We remain at the early stages of our profit recovery but good foundations have been laid.	Delivering our optimisation plan has seen growth in sales; profit and cash generation.	£12.5bn sales; profit before tax £369m (up from £62m last year); like for like sales (excluding fuel) up 5.2%.	Sales steady growth; profit has normalised after last year's purchase of Safeways. Dividend of 4p will be issued (3.7p last year) Profit after tax of £247m. Group profit is 3.4% of turnover- was 6% pre takeover -work to be done on enhancing profitability. Group optimisation plan outlined this year.
pg 02/06		Original Morrisons stores had been showing decline sales, have turned positive by year end.	Safeway converted stores growth has been at market pace compared with slower growth of original Morrisons stores.	Shift in product mix - fresh produce did well; fish mongery was star performer; health and beauty revitalised following 146 store fixtures and range enhancement.	Fish is a point of difference for Morrisons - Seafood retailer of the Year. Investment in instore fixtures and fittings.
pg 09		We have more people preparing more food in-store than any other retailer.	Emphasis on freshly prepared food reflects a choice to differentiate based on quality rather than quantity.	2200 food products are freshly prepared and every store offers atleast 850 of these products.	Labour intensive model of Morrisons offers in store butchery (1500 butchers); fish mongery (800 fishmongers; and bakery (2000 bakers) -highly trained staff. Morrisons control key parts of the supply chain of fresh produce. Quality niches exist but in other areas eg. Range and removal of salt;sugar - Morrisons is behind competition.
pg 10/ 22		I want to reduce staff turnover in stores.	Above industry average staff turnover rates.	Offering colleagues a discount scheme on shopping. 3m shares issued to employees exercising share options.	Training of the staff in centre (that manage training;development; performance evaluation needs) has been identified. Centre is having negative impact on stores loyalty of staff and retention levels.
pg 07/ 09		We were pleased to deliver the whole of the target in year for our Optimisation plan.	90 basic points for delivery over three years.	Cost savings of £110m - wages; distribution; central function. Full time staff reduced from 93041 to 84653. Profitability enhancement still being developed.	Working with established suppliers as partners during phase of change. Operational efficiency following takeover of Safeways - remove duplication of activities. Profitability is still low and needs improving - seeking solutions from within (evolutionary) rather than from external consultants (revolutionary).
pg 13/14 pg 19		Freshening up our brand	Change of corporate logo first time in many years. Change to stores and distribution fleet signage.	New fresher signage; brighter lighting; new staff uniforms; new advertising campaign.	Previous ad campaign served company for 30 years - 'more reasons to shop at Morrisons' - Branding exercise to revitalise after many years. There is a provision of £35m associated to re-branding in 2007/08.
pg 05		Like for like sales slightly up on last year	strong performance of smaller stores compared with larger stores. Safeway converted stores which were under-performing on takeover grew faster than original Morrison stores this year.	Convenience market is profitable and benefits from labour efficiency and merchandising. Smaller stores (less than 25K) increased sales density by 12%. New store in Erskine will be smallest opened in 20 years - at 24,800 sq. ft.	Small stores cannot carry full range of large stores - but can offer comprehensive range. Range selection; merchandising and labour efficiencies were introduced into smaller stores. Morrisons has confidence and is making progress in small store sector which is outperforming larger stores - whilst profitability is acceptable, better results can be achieved going forward. Smaller stores are new growth area for Morrisons.
pg 06/77/79		After cost of goods, our biggest cost is store wages.	For a number of years wage inflation has been running ahead of food price inflation. Staff costs £1.7bn (this year).	Productivity improvements are required to keep ratio of labour to sales on an improving trend.	Sales per labour has improved this year after having a downward trend in recent years. Morrisons is benefitting from Safeway economies of scale but staff costs to sales is uncompetitive.
pg 06		Excess depot capacity was identified as a cost last year	Good progress has been made in addressing this over capacity issue this year.	Morrisons had industry leading levels of availability of stock during takeover of Safeways. Three large depots have been closed this year.	Distribution costs have fallen this year by £44m. The business no longer has surplus capacity in distribution. More miles are being driven to service some Southern based stores due to geographic location of depots.
pg 11		Most of our core systems have been developed in-house and are up to 30 years old.	We will use best of breed package software from retail systems market.	Three year programme for trading, store, warehousing, distribution; payroll and finance - but not leading edge technology.	Morrisons prefer established IT systems as functional rather than as a competitive advantage. They believe their competitive advantage is in instore service - staff retention issues of ex-Safeway staff? New MS Director has been recruited to lead three year IT programme of change.
pg 06		Despite energy efficiency, there was a high cost of electricity and gas this year.	Energy costs have a business implication within stores and across the business supply chain.	The high cost of gas and electricity in the year had an impact of £25m on results.	High energy costs are beyond simple efficiency savings and have become a priority for long term competitiveness.
pg 06/20		The opening of our new Head Office in Bradford in April	Previously colleagues were housed in different buildings around the city.	This is a purpose built facility for 1400 colleagues in one location (HO plus four stores account for £137m combined investment).	Head Office facility remains embedded within Bradford - reflecting origins of the business. Improved communication and better quality working environment to enhance efficiency. Centralised functional costs reduced this year as duplicate facilities within Safeways were withdrawn also.

pg 01	The new position is to become the 'Food Specialist for everyone' - Business Review.	Fresh new in-store image and corporate identity going forward. Morrisons strategy to do everything in-house as a specialist and offer value food to customers.	£450m investment over three years (above annual cap-ex): £180 in-store improvement; £70m manufacturing business; £90m distribution network; £110m on IT systems	Business review focus maintains labour intensive model and in-house facility development of manufacturing business. Self-sufficiency remains a priority for Morrisons. £400m annual cap.ex + £450m investment in business review seeking £200m annual profit enhancement by 2010. Projected three year investment strategy followed by three year return on investment (5-6 year plan).
pg 27	Modernisation of the IT systems is a priority.	IT needs have been identified for the Group to move forward.	Future control and information needs require IT investment. Existing stock and management systems need to be replaced.	Board has authorised development of a new IT strategy; New MIS Director appointed this year.
pg 10	We must strive to be more efficient, provided we can maintain high levels of service.	Clash between labour intensive model and competitive market pressures for efficiency.	Grow shelf ready products to reduce unpacking; introduce self-service scanning checkouts.	Criteria for development prioritises high level of service first and then efficiency - what is the balance for this at Morrisons? Difficult to position for both factors.
pg 10	Morrisons is a top 5 UK Food Producer	Manufacturing business is an important part of delivering food specialist credentials.	Two abattoirs; six fruit and veg packhouses; three bakeries; food preparation factory. New abattoir acquired in Spalding; maturation and packaging facility being expanded at Colne site. 80% fresh produce; 90% beef is selected and packed in house.	Morrisons believe financially in-house operations are a profit contributor to the Group that justifies capital employed. This is in contrast to competition who maybe more so outsourcing operations for efficiency gains. Full capacity of distribution can be a problem - as some produce is being transported at room temperature. Future distribution needs requires new facility in South.
pg47/70	Staffing levels fall from 134,000 to 117,000.	Staffing levels reduced in stores and in Centre. Manufacturing business staffing up. Distribution staffing down on last year.	Stores down from 120K to 105K; Centre down from 3.6K to 3.2K; Manufacturing has increased again this year from 4K to 4.7K. Distribution staff reduced from 6.3K to 4.7K.	Staff retention has been identified a problem in Centre whilst efficiency gains are sought in stores. Processing of fresh foods in-house is labour intensive with capacity requirements needed for National Retailer. Sale of a distribution centres this year.
pg 13	We need more sophistication in the way we tailor our ranges.	Smaller stores need de-cluttering. Range needs contemporisation and broader options.	Introduce more healthy options and innovative meal solutions. Tailoring of ranges to meet local store catchment needs.	Morrisons have a traditional loyal customer base but at the same time are seeking to appeal to a wider customer base. How to balance traditional with contemporary branding - new logo change after many years.
pg 14	Customers will have more chance to see Morrisons	Extended opening hours are being introduced.	One third of the stores will open for longer.	Morrisons is following the competition with extended opening hours as a late to market in this respect. Still prefers the traditional working hours.
pg 18	An internal tax department was established this year	Previously there was a need to rely on external advisors for compliance	Group is exclusively UK based with simple business model and does not engage in sophisticated tax planning. Earnings per share 9.3p (loss 9.4p in 2006) remain below pre-Safeway acquisition levels - thus profit recovery remains a priority.	New tax department formed in-house to remove reliance on external advisors. Non-sophisticated UK tax model for the business. Treasury and tax depts formed in-house this year. Formalisation of control as part of Optimisation Plan filled five senior Finance positions to build depth in finance function. Audit fees reduced from £5m to £2.3m this year.
pg 20	A newly created treasury management function is now operational.	work on Group taxation and provisions.		
pg 48				
pg 14/19	Net debt is likely to rise in the current year and then again thereafter.	Net debt has fallen this year due to improved profitability and reduced capital expenditure.	Net debt is currently £0.8bn -down £0.35bn from previous year. Total repayment of borrowing was £260m in the year.	Low debt reflects conservative approach to debt financing. Prime component of net debt is bond acquired with Safeway acquisition. Group intends to pay £250m instalment in August - net finance costs £54m (pre-takeover was an income not a cost).
pg 77				
pg 54	Borrowing is based on up to 5 year bonds	Interest rate of upto 6.5% on unsecured bonds.	Majority of non current loans @ 2-5 year bonds; short term obligations @ £250m within a year.	Unsecured borrowing can be more expensive interest rate.
pg 22	Political and Charitable donations	Group policy is not to make political donations.	Charitable contributions of £0.3m plus sponsorship of of charities was £0.9m.	Above £1m donated to charities and no political donations made during the year.
pg 19	Bad debt provision has reduced. (Current assets/liab	Improvement in control following integration of Safeways.	Bad debt reduced from £4.7m to £1.7m	Morrisons integration of Safeways financial systems reflects improved control of cashflow and provisions.

pg 24	Board comprises of Chairman; five executive Directors four non-executive Directors.	Board will comprise of a majority of non-executive Directors. Board met 16 times in the year.	Planned recruitment of two non-executive Directors Recruitment of a new deputy chairman continues. performance based structures have been brought into place to retain and motivate senior executives.	Sir Kenneth Morrisons has announced his intension to retire as Chairman in Jan 2008. New Trading Director appointed; MD replaced by Chief Executive. Executive agency is employed to identify candidates for DC and 2 NED roles. Long term incentivised packages introduced this year.
pg 29	Groups policy on remuneration has changed substantially in recent years.	Committee decided it wished to put in place structure that includes bonus plan and long term incentives.	Total remuneration brought to above mid-market levels Base salaries range £675K to £494K; CEO base salary 700K NEDs receive £45K	New bonus scheme for CEO and Financial Director - competitive packages being introduced for Board. Target based approach which will remain commercially confidential. LTIP scheme is share based incentives in the Group as bonus usually 100% but limited to 300% of salary.
pg 17/7	New Chief Executive joined in September this year	Joined from Heineken (Dutch based company) where he has been for 20 years.	New Chief Executive appointed Marc Bolland (47) brings brand strategy experience. Roger Owen (58) retires.	Selection of Chief Executive reflects strong retail brand and committed long term career experience with one company. European choice contrasts with traditional english board members - desire for change.
pg 22 pg 81	Shareholding interests above 3%	Five financial houses have interests in the company ranging from 11% to 3%. Private shareholders represent 89%; Nominee companies 9%.	Apart from financial houses, two directors - Sir Kenneth Morrisons (8%) and Mr Wilson have interests in the company.	Total of 28% of shares are with finance house; Chairman retains 8% interest in the company. 260 shareholders control 89% of the company.
pg 18 /02	Property transactions accounted for £39m profit this year	Sale of six stores and one depot to Waitrose - post Safeways acquisition Disposal proceeds of £88m on these (£70m on other properties).	£22m profit made on sale of property. Further £16.5m profit on sale of plant; machinery and equipment.	Property profits increased due to sale of surplus assets post Safeways acquisition. Proceeds of £158m on disposal of properties.
pg 53	Non current assets classified as held for sale	Last year property for sale surplus to Safeways acquisition.	This year £16m of property is classified as held for sale - down from £128m.	Group strategy decided to keep five properties (three stores and two distribution centres) that were previously to be sold. Safeway surplus property has been sold or been integrated into Morrisons portfolio.
pg 19/56	Pension liability before deferred tax of £197m has fallen by £218m.	Pension liability was previously £416m. Group has two pension schemes - Morrisons and Safeways.	££41.6m paid into two pension schemes in excess of service costs. Assets held with pension schemes total £1.774bn (68% equities; 12% bonds; 19% commercial property; etc).	Group is satisfied with reduction in pension scheme deficit and will look at prudent underpinning the investment further. Asset value of pensions has risen and net deficit has reduced.
pg 36/37	Reducing our carbon footprint	Groups carbon footprint has been determined. During the year we invested £10m in energy saving technology.	In the past twelve months 6.6% of carbon footprint has been reduced (90,874 tonnes). In the past twelve months 9% reduction in Co2 equivalent from energy (electricity and gas). Improved space utilisation in vehicles; new vehicles with Euro5 engines. Currently 72% of store waste is recovered for recycling.	Using 2005 as a baseline the Group aims to reduce carbon footprint by 36% by 2010. Using 2005 as a baseline the Group aims to reduce energy use by 8% per sq.m by 2010. However, energy costs have impacted the business and remain a challenge (£25m). Aim to save 8% of haulage CO2 emissions by 2010 using 2005 as a base. Aim is to redirect 50% of current landfill waste to recycling by 2010 using 2005 as a base. Reduce our own brand packaging by 15% by 2010. Increase the proportion of recycled plastic used in bags to 25% by 2010.
pg 48	The reported integration cost of Safeway was nil this year	last year the integration conversion cost of Safeways was £374m	Exceptional costs of integration of Safeways are no more.	Safeways is fully integrated into Morrisons model this year.
pg 49/55	Deferred tax liability has increased to £100m+ this year	Last year exceptional costs are no longer applicable. Deferred tax liability is creeping up	Corporation tax @ 30% for current period - £68m (£8m last year) £477m this year (£422m last year)	Acquisition has stabilised towards larger company but also includes larger liabilities eg. PAYE; CT. Low debt and enhanced profitability reflect higher tax liability Reduced assets to be disposed; better cashflow cycle; no more integration costs;
pg 71			Debtors/Creditors of Safeway as a subsidiary high?	Safeways debtor/creditor position reported as subsidiary.
pg 37	We are trialing micro wind turbine for generating electricity.	Pilot project at Leominster store.	Wind turbine installed on roof of store to power refrigeration plant.	Plan is to install renewable energy technology in other stores and at distribution centre.

Jan 2006-Jan 2007		CO-OPERATIVE ANNUAL REPORT 2006					
Ref	Level	Event	Processual Changes	Output Focus	Theme		
pg 0	Global	Our vision is to be the best co-operative business in the world.	Optimise profits from businesses based on co-operative values.	Co-operative values are Self help; self responsibility; democracy; equality; equity; solidarity. Ethical values are honesty; openness; social responsibility; caring for others.	New balanced scorecard for Group is growth focused - similar to Tesco's scorecard. Will values and ethics align with commercial approach to growth or is Co-op becoming commercially orientated?		
pg 01/08		Revenue £7.3bn (down 0.7%); profit £392m (up 29.2%).	Co-operative Food profit was up 29.2% to £93m. Co-operative Pharmacy profit was up 60.9% to £26m. Trading Group profit (non-financial) has increased by £62m.	Food business has improved; Property continues to do well; Farm has improved profits; Financial services business have reduced profits; travel business is loss; Shoefayre continues to be loss making.	Core Food business sales and profits are up 29%. Financial services profits have reduced. Travel and Shoefayre continue as loss making. Overall revenue slightly lower but overall profitability of group has improved.		
pg 01/04		Net debt reduced from £246m to £211m.	Debt has been reduced a further 14%.	Net debt to earnings ratio is 0.8 compared with 1.3 last year.	Continued reduction of net debt for two years - risk averse / prudent culture towards loans and borrowings.		
pg 04 AR04		We are at an advanced stage in bringing about a merger with United Co-operatives.	Co-operative movement has been one of mergers and consolidations in recent years. United Co-operative has grown from a £1.3bn T.O business to a £2.2bn T.O. business with continued growth throughout.	Co-operative Group (T.O £7.3bn) and United Co-operative (T.O. £2.2bn) have been in talks to amalgamate the two groups. Both groups operate in similar market sectors such as Food; funeral; pharmacy; travel; but United Co-op also has computers; bed businesses. United Co-op profit has increased from £34.9m to £62.2m since 2003 to present.	Amalgamation of Co-operative group and United Co-operative will create the largest co-operative in the world with £9bn turn over; 4,500 stores and branches; 87,000 employees; and 2.5m trading members. Both Groups being U.K. groups suggests co-operative approach remains largely a U.K. approach. Special AGM in April for member approval of rule changes to allow amalgamation - expected new Group in July.		
pg 04/24 CSR06: 5		2006 is the year that our brand and membership review reached fruition.	Roll out of revitalised brand throughout family of businesses. £250m investment to support planned growth of membership and customer base across the Group.	New look uniforms being trialed; updating look of livery and fleet; packaging of own-label brands. Membership expansion through new proposition for members. Target of 600,000 new members set for 2007 rising to 1m in 2008 and 2009.	It has been five years since Co-operative wholesale society merged with Co-operative Retail to form Co-operative Group. Constitution review on hold due to amalgamation talks with Co-operative United.		
pg 29		There are now 800 million individual co-operatives worldwide.	These range from housing; food retailing; farming to education.	The values and principles of co-operatives are at the heart of responsible business practices. UK co-operative is unusual in that it has individual and corporate members.	The UK co-operative is unusual in that it has 142 corporate and 1.5m economically active individual members. 133419 recruited since September; 3922 attend meetings; and 19599 votes are cast at elections; 62% elections are contested (48% not) and 23 vacancies remain unfulfilled.		
pg 06		In 2006 we changed emphasis	Food business has improved sales; pharmacy and funeralcare had acquisitions new legal service.	Investments made last year to rebrand and consolidate Group.	2006 is the year we changed from consolidation to expansion.		
pg 02/03 AR01/02	National	Co-op is a U.K business	Co-operative Food - largest independent convenience store operator in U.K. Co-operative Pharmacy - Third largest pharmacy in U.K. Co-operative Funeral Care - Largest funeral director in U.K. Co-operative Travel - Largest independent travel services provider in U.K. Co-operative Legal services - Brand new legal service started. Co-operative Farms - Largest farmer in U.K. Co-operative Bank - Ethical stance to banking in U.K. Co-operative Insurance - Major life insurance business in U.K. Smile - Internet banking service in U.K. Property - Group property portfolio. Shoefayre - Footwear business in U.K.	Outlets: 1659; Employees 43189; Sales £3.03bn (up slightly on last year); Profit £92m (up 29%) Outlets: 431; Employees 3064; Sales £342m (up 16%); Profit £25.9m (up 60% from 16.1m). Outlets: 637; Employees 2753; Sales £196m (up from £185m); Profit £17.7m (up from £16m) Outlets: 331; Employees 1859; Sales £109m (down from £122m); Loss of £6.9m (0.3m last year) Financial services - outlets 116; employees 9855; Profit £134m (down from £175m) Shoefayre - outlets 256; employees 2023 Property profit increased by £14.8m (total return of £61.3m)	Core food business like for like sales growth is 0.5% above IDG grocery market growth whilst profitability has improved by 29%. Property; Farm and Pharmacy businesses performed well with improving contribution. Financial services losses were significantly higher and Travel business continues to make loss. Shoefayre also loss making. New legal services business started this year. Co-op have subsidiary structure with majority or 100% ownership - but operate businesses comparatively independently of each other rather than one-stop format. Reduction of 2000 employees in full time posts - ratio of PT workforce is higher than FT staff		

pg 05		Merger will help secure the co-operative sectors place in U.K. economy.	Co-operative has been losing market share against commercial grocery retailers which have strongly entered convenient sector.	Merger with United-Co op will consolidate position and strengthen membership going forward.	Co-operative formats are consolidating in competitive struggle against larger supermarkets. Co-operative amalgamation to increase membership and marketshare of group.
pg 43		Society has worked to ensure that all policy and practice are compliant with Government's new age discrimination legislation.	Age legislation brought in alongside existing race; sex; disability; sexual orientation; and religious beliefs legislation.	It is unlawful to discriminate against a person on the basis of their age. There is no longer a default retirement age of 65 where employers can force you to retire because of age. Stonewall Survey ranks Co-operative 77th in Equality Index in 2007 (2006:94th).	New legislation paves the way for older people to potentially be economically active. Employers may further benefit with more mature workers but at the same time this may limit chances of younger staff. Work on flexible working options and race equality is underway.
pg 45		Compliance with Combined Code is not mandated for Industrial and Provident Societies.	Society believes it appropriate to comply is so far as the code is applicable to Industrial and Provident Societies.	Controls and risk management of Group businesses adopts and applies main and most of the best practices and principles of good governance.	Range of businesses food retail; farm; pharmacy; travel; and more importantly financial services adopt non compulsory Combined Code of Governance practices.
pg 06/29 pg 17	Industry	We have rejuvenated our brand.	members are placed at the heart of the business with a revised proposition.	Profit sharing scheme introduced for members; brand has integrated businesses under one identity.	The roll out and embedding of Co-op brand continues with a focus on developing a relationship with members. Target of 5million members by 2009 (currently 1.5million) of which 600,000 membership growth target is for 2007.
pg 13/14 pg 89		Period of high inflation	Staff and energy costs have increased during the year.	Despite reduction in full time employees total employee costs for Group are similar to last year. Imperative to maintain strong cost control culture as high inflation impacts all retail businesses.	Inflation due to increasing oil, energy and staff costs impacting competitiveness of Co-op along with other retail businesses.
pg 13		During the year we entered into a buying alliance with Spar.	Buying efficiencies within the convenience sector to compete against larger supermarket entrants.	Own label buying efficiencies in selected grocery areas between established convenience sector companies.	Group buying efficiencies via buying alliances between established convenience sector firms to compete with larger supermarkets- economies of scale.
pg 16		Funeral market gradually stabilising after a decade of steady erosion.	Population of U.K. has been stable, whilst growth, people are living longer.	Fresh approach to building a pre-need market share and a separate business - end of life planning.	Death rate in U.K. has been falling supported by medical advances and longer lifespans.
pg 42		Traffic Light Packaging Introduced in labelling	Implementation of new nutritional signposting system that meets FSA criteria.	Salt; Fat; Additives; Sugar are being targeted for Healthy Living in package labelling.	43% of consumers indicate that packaging is very important source of information. Introduction of traffic light system as per FSA criteria,
pg 04	Firm	We launched our new social goals strategy during 2006	Five themes for social goals are - climate change; social inclusion; good with food; modern co-operation and tackling crime.	Reducing energy consumption by 25% over next five years; reducing packaging in products; fleet and transportation operation; improving refrigeration.	Co-op is following major supermarkets in the pursuit of competitive efficiencies. Adoption of Tesco style steering wheel to drive growth and introduction of social goals which will enhance commercial benefits.
pg06		A great deal of work has been undertaken to improve performance which is now yielding positive results.	2006 is a year where we changed our focus from consolidation to expansion and new business opportunities.	Funeral and Pharmacy businesses expanded due to acquisitions. Food business achieved organic growth. Launch of new legal services business.	Although performance has improved where over last few years less profitable businesses were sold and core-business was invested in - mergers and acquisitions remain a dominant feature of growth in this sector. Industry consolidation - in particular Co-ops consolidating to compete with larger commercial supermarkets.
pg 24 /26		The KPIs of the Trading Group are constructed around elements of strategic direction	Focus is on competitive advantage; commercial success and social goals. Six aims are - Growth of profit; business; colleague engagement; corporate reputation; customer loyalty; engaged membership.	ROCE of 8.8% this year is higher than 7.3% achieved last year. ROCE target of 12% is set for achievement within the 3 year plan from 2006-2009. Colleague engagement - independent company questionnaire; Corporate reputation - survey of customers; profit measures are financial indicators.	Development of Balanced score card as a key tool for tracking progress against strategic objectives - financial and non financial. Three yr plan business planning cycle 2006-2009 seeks 12% ROCE by 2009. Targets for KPI are all yardstick measures - commercialisation of culture towards performance results.
pg 26		The co-operative scores very highly on public responsibility.	Customer survey of competitors and UK companies as part of KPI for corporate reputation.	Although customer reputation scored high, the average score of companies was low. Co-op seeking to improve leadership and reliability going forward.	Consumers see Co-op as better than the competition but there is a general dissatisfaction with Corporations in U.K. This bodes well for Co-operative model. Co-op seek to improve leadership and reliability going forward.
pg 07 AR04		Chief Executive of Group Martin Beaumont is retiring.	Four year strategy has been delivered and Co-op is in a strong position looking forward.	Chief Executive Officer will retire after 15years of service. New Chief executive will be from amalgamation with United Co-operative - Peter Marks.	Leadership planning - long serving CEO of Group is retiring. New leadership from within United Co-op which is smaller group - unusual - will take the business forward as new CEO of amalgamated group.

pg 45	Board met 11 times this year and had two strategic review meetings.	28 elected non executive directors; 17 representing individual members and 11 representing corporate members.	Audit and Risk Committee has 8 members and met times. Performance Committee met 8 times in the year. Risk management committee met 4 times in the year. Group Values and Principles Committee made of regional elected members.	On appointment new directors undergo induction programme. Society uses external consultants to carry out skills assessment of new director from which an individual plan is developed. Group's sustainability, community and membership is via Group Values and Principles Committee (NEDs) which is unusual - but independence and socially stronger. KPMG have been external auditors since 2003.
pg 13	Year of progress for our food business despite intense competition in the marketplace.	Building blocks of recovery were put in place last year.	Decline in 2005 turned into 4% growth in 2006. Sales growth outperformed market and profits increased 29%. Highest ever sales on 23rd December 2006 - £17m. Like for like sales increase of 5% in last three quarters.	Significant progress has been made in delivering against strategy - Better shops; better products; better service; better execution. Main focus was driving sales over summer months and during World Cup.
pg 13	Operating profit in Food retail increased by 29% to £92m.	Sales growth coupled with tight cost controls in a period of high inflation.	4% increase in sales in Food retail. Smaller stores performed particularly well delivering growth of 7.9%. Key areas of growth were beers, wines, spirits (9%) and prepared food (6%).	Prepared foods and alcohol sales lead in growth of retail food for Co-operative. Maybe pull of consumers to Co-op from more expensive larger retailers in a period of high inflation.
pg 13	Over 1000 products were redesigned and relaunched during 2006.	New range of products introduced in Simply range with emphasis on quality and freshness with no additives.	10% of food core business products were relaunched with a focus on premium ethical and healthy ranges. During Christmas, the own label premium brands increased to 25% of total range. Growth of Fairtrade business with increasing awareness amongst consumers.	The relaunch of 10% of product range; new healthier range; growth of own label range have improved sales in the food retail sector. Consumer awareness for Fairtrade products and willingness to pay reflected in increasing sales.
pg 13	There was significant investment in the fabric of stores.	Brand programme trialled in 16 stores (Hull and Northampton) is being rolled out across stores in a three year plan.	180 refits have been completed to retail stores this year. Fabric of stores has included upgrade and replacement of refrigeration	Significant uplift in refitted stores (13%) - consumers like upgrade; smaller stores did particularly well. Co-op fighting back in the convenience sector with better stores; branding and improved product ranges - particularly own label.
pg 13/132	33 new stores were acquired during the year.	Small chains acquired in Northern Ireland and South West England.	Co-op is building a national chain of smaller / convenience stores. Regional sales were marginally up nationwide however profitability has improved considerably: Central and East (£13.5m v £9.6m); North East (£5.9m v £4m); North (£9.1m v £7.8m); Northern Ireland (£1.3m loss v £1.4m loss); Scotland (£31m v £26m); South East (£6.5m v £0.3m); South West (£15.4m v £14.4m); Wales (£19.4m v £13.7m).	Profitability improved across all regions - but particularly in Wales and South East. Sales only slightly up but efficiency gains have benefitted business. Acquisition in Northern Ireland despite current losses - strengthening position in N.I.
pg 13/94 AR09	87 store closures during the year	Underperforming stores were closed during the year. Group sold Syncro and completed sale of Priory motors.	Two home stores closed in Perth and Tunbridge Wells. Seven department stores were sold to Anglia Regional Society.	Following sale of Priory last year assets held for sale have reduced to £67m. This year's discontinued operations relate to Department and Home stores which we announced in Oct 2005 will close by Feb. 2007. Stores closed ready for disposal - closure was complicated but completed (may reflect employee reductions).
pg 13	Business launched a 'focus stores' initiative at the beginning of 2006.	First 250 stores participated in the initiative then 250 more stores were added. Buddying scheme between one Head Office person and one store.	The aim was to deliver improved performance - sales; customer service; colleague engagement and training. Improved support to stores and engagement between HO and stores to better understand the issues.	Focus stores initiative has been a great success in resolving many issues and improving performance of stores. Communication between HO and stores and understanding of issues improved with HO staff also working in stores over Christmas.
pg 14	New national distribution centre in Coventry opened last year.	There is extra 25% capacity across the National network.	Product availability in store has improved considerably. New composite regional distribution centre opened in Thurrock in May - realigned distribution in South East.	Efficiency and effectiveness of logistics has benefitted from new distribution centres, particularly in South East. Overall in store availability of produce and profitability of stores has improved.
pg 14	New Thurrock distribution centre has won an award at Property awards.	Regional Distribution Centre was the first purpose built centre in the estate.	Design of store aims to reduce impact on environment which has won the top award at London property ceremony.	Designed and purpose built distribution centre has been critical to success of Co-op in the South East particularly, but has benefited whole business and won an award.
pg 14	New warehouse management system has been installed at Thurrock.	Management system will be rolled out to National network.	State of the art voice picking and radio frequency technology has improved productivity, accuracy and service levels.	Handling of product ranges and delivery schedules have improved as a result of new state of the art distribution technology being installed at Thurrock.
pg 14	We expect momentum gained in 2006 to continue forward as we strive to achieve growth on growth	Continued focus on product development; rolling out new brand; refit programme will drive ambitious sales plan supported by TV ad campaign in which Fairtrade will be emphasised in 'Good with Food' campaign.	Development of interactive internal brand training programme; 250 stores to be refitted next year; raising awareness of social goals and environment;	Managing efficiencies and progressing with brand and refit programme along with supporting colleagues in store - looking forward to 2007.

pg 16	Pharmacy business enjoyed a successful year.	Changes to community pharmacy market - merger of Boots and Allied Chemists and development of NHS contracts which account for 85% of Co-op business.	Sales in pharmacy grew by £48m (16%) and a record 27.5 million prescriptions were dispensed. Number of pharmacies has increased to 431 driven by an acquisition programme. 40 stores rebranded as part of the rebranding programme.	Acquisition and branding programme have driven pharmacy business forward. Business know supplying services to PCT trusts. Investment in EPOS systems and people.
pg 16 AR06	Funeralcare delivered good result	New head of funeralcare business - David Hendry. Co-op funeralcare employs 2500 people ; Fairways is fourth largest funeralcare business and employs 250 people.	Acquisition of Fairways funeral provider Funeralcare has 650 funeral homes and conducted 81000 funerals last year. Fairways has 49 funeral homes located in South and conducted 5400 funerals. Funeralcare business sales increased 6% despite falling death rate.	Funeralcare business growth by acquisition of Fairways business. Development of end of life planning an attempt to create demand in a consolidating marketplace. Funeralcare business expanding into National chain. Funeralcare tragetting multi-faith funerals (15% growth) - different religious needs.
pg 63				
pg 16	Co-op Travel experienced a difficult and challenging year.	There is a slow decline in popularity of holiday packages; reduced commissions in industry, terrorism concerns of consumers.	Decline in sales by 10% and operating loss of £6.9m. An extensive change programme is currently underway - rebranding; developing e-commerce and online market; develop own tour operator capacity.	Downturn in the fortunes of travel business suggest consumers maybe booking holidays online more or prefer alternative packages. Co-op struggling in this sector.
pg 16	Launch of Legal services in April recorded a loss of £0.6m	Start up of new legal services offering advisory, personal injury claims; writing probate.	Co-op following trend of growth in personal injury claims market and legal services.	Co-op diversification into Legal services follows trend for commercialisation of personal injury claims; legal services to consumer market.
pg 16	Shoefayne still faces massive challenges.	Major change programme includes new sales organisation; development of range and price positioning.	Reduced loss of £6.3m (£1.7m less than last year) -closure of a numbe of loss making stores.	Shoefayne business struggles and faces many challenges.
pg AR09	Co-operative Farms delivered a good result.	Co-operative farms know enjoy a closer relationship with our food business.	Product control and delivery has improved between farm and food retail. Operating profit rose from £1.2m to £3m this year.	Business process improvements and better relationships across supply chain have enhanced profitability of Farms.
pg 21	We made significant progress with our plans to create a single customer focused financial services business.	Investment made in modernising and restructuring the business.	Operating profit is lower than last year £134m v £175m and profit is down from £159m to £146m. General insurance has had investment in operations, processes and systems. Life and savings business has reduced number of new policies - insurance sales restructuring Difficult market conditions in retail banking sector - increases in bad consumer debt stabilising.	A three change plan has been agreed for the financial business. Significant people and operational changes within the business as Co-op tries to reduce loss making aspects and restructure internal teams. We are in the first year of a ten year journey to become the U.K.s most admired financial services business - vision.
pg19/AR9	Capital appreciation of investment portfolio was £44.8m - Property Group Division.	Main investment is in commerical and retail property.	Portfolio is valued at £227m and delivers additional net income of £14.4m Total return of 23.7%;	Co-operative property portfolio delivering above industry returns as capital and income continues to rise. Property division developing into three areas : Property business returns; via cost reductions and energy efficiencies; planning and estate management; becoming best in class.
pg 22	We would like the most satisfied customers.	satisfaction levels of current account customers is higher than high street banks.	New branches opened; new concept layout piloted; expansion of corporate banking : number of corporate centres increased from 11 to 22; network of financial advisors; reduction of regional office in insurance from 18 to 4 with new technology introduced.	Co-operative Finance customer are more satisfied than high street banks. However, the financial services business continues to make a loss whilst major investment and restructuring is ongoing. Products have won awards - 'Best specialist mortgage' ; 'Best student account' ; but major loss suggests a deeper problem - maybe talent / people related.
pg 23/25 pg 27	Colleague engagement rate is on an improving path.	Colleague survey and smaller assessments of colleague satisfaction taken during the year. Talkback Survey is an independent survey conducted annually since 2004.	Employee development programme has been well received. This includes a strategic leadership programme. Independent survey uses composite measure of work commitment and motivation. In 2005 Group score was 69 out 100; 2006 - 74 out of 100; Target of 76 set for 2007. Staff satisfaction is at 49% compared with 40% last year.	Employee satisfaction is improving however this does not reflect whether current skills of staff are meeting business needs satisfactorily. The independent survey will be taken quarterly in 2007 - increased focus on colleague engagement. Colleague engagement (76%) is different to colleague satisfaction (49%) - gap.
pg 23/27	Co-operative bank placed first in the BitC Corporate Social Responsibility Index.	CFS uses two measures of social responsibility.	Independent survey of 1000 members of general public. Voluntary survey of 122 businesses - BitC survey.	Bank ranked first in BitC survey and CFS ranked 10th. Within financial sector Co-op reputation for prudence, ethics and social responsibility is recognised.
pg 32	Ethical Policy Unit screens potential opportunities to ensure these fit in with values - ethical financial Co-operative Group.	The social, ethical and environmental impact of investments is a priority for Co-operative Group.	In 2006, 300 financial opportunities were assessed by the bank. 29 were found to be in conflict with bank's ethical policy and were rejected.	The products and investments made by banking are ethically vetted by the Ethical Committee Encouraging the highest standards of value based decisions on doing business.

pg 26	Growing customer loyalty	This is the first time that a Group wide customer satisfaction survey is being under taken.	Previously customer loyalty has been judged within individual businesses based on number of complaints.	Co-op is standardising and integrating feedback into group level for the first time as part of branding strategy. First results of customer survey due later in the year.
pg 29	Social goal performance is central to the concept of business success.	Co-operative values along with Social Economic and Environmental indicators shape non- financial as well as sustainable financial performance as business success.	A separate sustainability report is published that details social goals. The governance of social goals is through the Group values and principles committee. Day to day management of agendas resides with Ethics/Sustainability and Community/ Campaigns team - Corporate level.	There are 10 key social and co-operative indicators across the group for reporting and accounting. The Sustainability report reflects social goals and KPIs of the Group.
pg 30	A Group wide community and campaigns strategy was launched in 2006.	Resouces and energy directed to - climate change; social inclusion; tackling crime; good with food; modern co-operation - all underpinned by education.	£2.1m of funding to 27 community programmes as part of this strategy. The Group contributed £7.2m (GfK + cash) which is equivalent to 2.2% pre-tax profit. £900,000 spent on social inclusion projects further. Community fund which comprises of members dividends distributed £1.1m to community projects. Co-operative Farms launched food education programme 'Farm to fork'. Corporate Literature and Packaging is available in Braille.	Co-operative contributes more than commercial organisations to community programmes. Social responsibility and social inclusion is growing as the USP for Co-operative. 2.2% to 27 programmes plus other initiatives were undertaken during the year. Primary schools visit Farm in Leicester - 36 visits this year. In 2006 650 own labelled products had braille packaging. Technological investment for operational efficiency within banking.
pg 30	Co-operative ranked highest amongst retailers as committed to being green; being ethical; being part of the community;	Survey of 2000 shoppers by an independent survey on CSR of multiples. A more comprehensive survey by Gallup in 1994/2004 of 30,000 consumers is being used to take social responsibility forward by Co-operative.	Issues identified for addressing in social responsibility include : sound sourcing; animal welfare; food integrity; health; labelling of products;	A range of non-financial issues have been identified for taking the Social responsibility strategy forward based on five areas (use of consumer surveys to identify these). In 2007 a large scale stakeholder engagement exercise will be undertaken to develop a mandate for Food Ethical Policy.
pg 30 pg 32	The co-operative has over 500 Tier one suppliers globally.	The majority of these suppliers have been traded with for more than five years. Since 1999, Sound sourcing Code of conduct issued to suppliers outlining minimum acceptable standard of working conditions in supply chain. Group has been a big supporter of Fair trade.	159 Supplier site visits and 619 appraisals were undertaken during the year. Co-op submitted this to ETI of which it is a founder member. Co-op offers Fairtrade bananas in more stores than any other retailer. Sales of Fairtrade goods were £20.5m (up from £17.4m last year)	Review of supply chain working conditions and code of conduct as part of Ethical Trade Initiative (ETI) of which co-op is a founder member. Total of 147 products are know Fairtrade products - up from 110 at start of year (Fairtrade established 1992). Co-op represents 7% of all Fairtrade sales in U.K. (Total £290m in 2006). 85 own-label brands of Co-op are Fairtrade goods - 15,000 Fairtrade educational packs distributed to schools in U.K.
pg 31 pg 37	In 2006 the Group stocked the largest selection of Freedom Food accredited products in U.K.	Co-operative food operates stringent non-animal testing policy and animal welfare are part of Ethical policies. These ethical policies translate to other areas of the business - banking and insurance.	All of co-operative fresh beef is sourced within the U.K. and Ireland (increased from 95% to 100%). All fresh pork and turkey is sourced from within U.K. (previously 50% and 88%). 47 product lines were sold in 2006 under RSPCA Freedom Food -£17.2m Egg sales accounted for 63% of Freedom Food Sales.	Co-operative is able to offer security of provenance through its supply chain (with advantage of farms to fork) and is actively sourcing from U.K. in dairy and meat products. Animal welfare provisions and transportation are of industry leading standards. Eggs 100% UK; Milk 100% U.K; Lamb 50% UK/New Zealand; Poultry 100% UK; Pig 45% U.K. 55% Holland/Denmark. Beef 95% U.K. 5% EU
pg 31	The Simply range was launched in September 2006	Offering customers ready meals; soups; vegetables - the dishes have no preservatives, artificial colours and meet FSA salt targets.	Co-operative is working with Food Standards Agency to meet its salt targets across all own-label brand products by the end of 2009. Healthy Living range relaunched with 114 products across three choice levels.	Food Standards Agency is working with Co-operative to improve ingredients of products. Salt ;sugar; fat content within products - push for healthier products.
pg 31	Food business introduced traffic light labelling.	FSA priority products are being updated with new traffic light labelling for fat; sugar and salt content.	Where new products are launched or packaging updated the new traffic light labelling is being introduced onto packaging to better inform consumers.	Traffic Light system developed by Sainsbury's is being promoted within the industry on labelling of products -salt; sugar; fat. Food Standards Agency dissemination of best practices.
pg 32	The Group is vigorously pursuing ecological sustainability.	The issues of climate change; waste and packaging; biodiversity are being pursued as part of the environmental strategy.	Climate Change -renewable energy consumption and generation; carbon offsetting; Energy target of 20% energy saving by 2010 and 25% energy saving by 2012 - as per Kyoto targets. CO2 emission have been reduced by 57% since 2004 (144K tonnes v 337K tonnes in 2004). Group has seen 20% reduction in KWh of 20% between 2003-2005. Group is seeking to design out packaging waste by 2008 - Courtauld Commitment. Packaging waste reduction and recycling needs to improve. 39,000 tonnes of waste sent to landfill and 31,000 tonnes (44%) recycled.	Co-operative is seeking to improve accountability of waste within its processes. a priority is to improve accounting systems for waste streams across the Group. Government targets and regulatory targets are guiding retailers towards improving efficiencies and reduced waste. Energy efficiency is improving but waste / packaging remains a longer term issue to be resolved.

pg 33	Fire Safety Reform Order of 2005 new legislation came into force October 2006.	Revision of Group fire risk assessment policies and procedures where necessary.	Legislative change drives Group to review procedures and policies rather than pro-active development.	Legislation and regulation seem to be driving change as necessary condition rather than change as pro-active improvement condition.
pg 33	A new Business Continuity Manager was recruited in Jan 2007.	Restructure within Group - new manager will work within the Group to deliver Business Continuity Programme.	Critical preparedness for minimising risks and unplanned incidents to maintain operations. Management of meeting regulatory changes across the Group and meeting legal requirements.	Risks identified to be managed include - changing trends in markets / consumer spending; competitive regulation and behaviour; rising operating costs; operational disruptions; Business Continuity team formed to embed best practices and manage continuity across the Group.
pg 35/54	Group merged its three pension schemes during the year.	A single defined benefit scheme based on career earnings is in place (PACE).	Group has addressed pension investments and continues to assess risks and assumptions to Pension schemes. Currently there is a surplus of £295m.	Prudent approach of Co-op to pension has ensured Group pension scheme is in surplus. Ethical approach to investments in contrast to other companies.
pg 43/ 77	In 2006, the Group made contributions of £464,900 (£550K last year) to Co-operative Party.	Group incurred expenditure at regional Labour party activity. Group had corporate presence at Labour; Conservative; Liberal party conferences	£464,900 Co-operative Party; £4523 Labour regional level activity; £64,000 three parties conferences.	The majority on expenditure declared is towards Labour party or Co-operative Party. Attendance at Party conferences of all three parties - Labour in power (lobbying).
pg 85	Intangible assets increase in value	Acquisition of Fairways adds to existing non tangible assets.	Alldays £99m; Somerfield, £22m; Conveco £20m; Co-op Food business. Fairways £19.7m funeralcare goodwill value.	Goodwill value is considerable considering it has little actual tangible value.

ve Sustainability Report 2006

Jan 2006-Jan 2007 CO-OPERATIVE SUSTAINABILITY ANNUAL REPORT 2006

Ref	Level	Event	Processual Changes	Output Focus	Theme
pg 0	Global	Sustainability report has been prepared in accordance with Global Reporting Initiative	GRI provides companies with global reporting framework that promotes economic, environmental and social sustainability.	In 2006 GRI launched G3 reporting guidelines which boosted use of the framework. This is the fourth annual Co-operative Sustainability report.	GRI was founded in 1997 and Co-operative has been using this format for four years know. Previously G2 guidelines which have been upgraded to G3 guidelines. New Social goals as KPIs on Balanced Scorecard.
pg 89		Globally three quarters of fish are stocks are over exploited.	90% of stocks of largely predatory fish have disappeared. In U.K. £1.8bn worth of seafood sold every year. Co-operative rated seventh out of ten is MCS (slipping from 5th) is Supermarket Seafood sustainable table - Co-op does not have fresh fish counters.	United Nations Food and Agriculture has indicated fish stocks need to be rebuilt. Half the world's edible fish comes from fish farms up from 9% in 1980. In 2006 48% of trout sold in co-operative was organically farmed. Salmon is sourced from a single farm in South of England.	90% of UK seafood is sold through supermarkets but sharp rise in fish farms rather than fresh water fish - Fish stocks need to be rebuilt urgently. Co-operative is a supporter of Marine Stewardship Council. Co-operative sources salmon and trout from UK farms. Low ranking in sustainability due to not having fresh fish counters like larger supermarkets.
pg 36	Regional	The Quality Assurance team undertook additional meat and poultry inspections.	Product traceability was undertaken back to Denmark, Germany, Holland and U.K. sources.	49 inspections were carried out which focused on quality, safety, animal welfare. Two German plants were found inadequate and were removed from the Supply Chain.	Traceability inspections found German processing plants unacceptable to Co-operative standards. Audit and compliance of supply chain and processing plants should be before starting trade - do suppliers change / cut corners once approved.
pg 04	National	In a year where climate change dominated the media and political spotlight.	Co-operative is taking a responsible stakeholder perspective as being part of a global community.	Regulatory and consumer perceptions are changing making social and environmental factors increasingly important.	Influence of media and politics on corporate agendas.

pg 13	New Enhanced Business review regulations	From October 2007 content requirements for business review in directors' reports is changing.	The inclusion of information on environmental, employment, social and community issues.	Content requirements of Corporate reporting for quoted companies is changing to include information on environmental and social aspects.
pg 22	Government specialist school scheme	Co-operative partners ten Business and Enterprise colleges through sponsorship	Number of school involved has increased from 8 to 10. Co-op is getting involved in sponsoring curriculum development in citizenship.	Community project is being extended and progressed between public / co-op partnership. (Match funding from Govt)
pg 61	Women account for 46% of the UK workforce	Office of National Statistics Labour Market Trends Report	Co-operative businesses vary employment of women (Travel 80%; Pharmacy 29%)	Whilst as a Group employment of women is acceptable, there is uneven balance across businesses.
pg 62	25% of economicall active people in UK are over 50.	Office of National Statistics Labour Market Trends Report	Co-operative businesses 22% of Trading Group and 15% of CFS are over 50 years old.	Co-operative is commended for adopting good employment practice in relation to age diversity.
pg 83	Each year UK produces 70 million tonnes of Industrial and Commercial Waste and 35million tonnes of municiple waste.	The retail sector is the largest contributor. Growing public awareness of Waste issues.	Retail sector generates 13million tonnes of I&C waste. In additon 4.3 million tonnes of packaging waste is produced. In 2006 74255 tonnes of waste : 45K tonnes landfill; 29K recycled - rise on last year due to improved accounting systems.	Retail contributes over 1/7th to landfill and over 1/8th to municipal waste. Cost of landfill has increased by £3 per tonne from £21 to £24. From next year cost of Landfill is set to increase £8/year every year. Co-operative recycles 39% of waste at present - performance accounting systems still being developed.
pg 105	Health Act of 2006 is being enacted across U.K.	The provision for creation of ban of smoking in enclosed public spaces. Changes in National Health Service costings and pharmacy procedures.	From 1st July 2007 a ban on smoking within enclosed spaces with public access will come into force. The age of purchasing tobacco is being increased from 16 to 18. Provision for the control and supervision of drugs in pharmacies; Provision for recovery of National Health costs.	New legislation on smoking is impacting work environments across U.K. Pharmacy procedures and National Health recover of costs also impacted.
pg 79	White goods and domestic lighting account for 56% of all domestic electricity in U.K.	Co-op is stocking white good with only A energy rating.	12 models of white goods have been removed from the ranges being offered.	Domestic lighting and refrigeration industries are shifting towards energy efficiencies directed by new legislations.
pg 25	Industry	Consumer research undertaken by Co-operative	Extensive research has been underatken in Food retail and Financial Services	Performance with respect to non fnancial issues are an increasing priority for consumers
pg 47	Co-operative Group ranked 5th in Health Responsibility Index.	The index is designed to show how customers shop, cook and eat their meat no healthily through price promotions, labelling, advice.	Co-operative Food has fallen from 1st place to 5th place in this 8 supermarket ranking. Despite commitment to do so, the nutritional labelling has not been rolled out yet.	Co-operative has fallen in National Health Ranking from 1st to 5th as roll out of nutritional labelling has not been implemented.
pg 76	Decision taken to specify entirely new refrigeration system	Legislation requires that HCFCs refrigeration is phased out by 1 January 2010	Co-op have budgeted £24m per year for four years to upgrade refrigeration into HFC units. HFC refrigeration could create efficiency savings of between 5-10% (£1m). New flagship store opened with carbon dioxide as refrigerant.	Montreal Protocol regulation (EC/1005/2009) provides legislative framework to halt damage to ozone layer. Co-op having to comply with legislation are planning to upgrade refrigeration by Jan 2010.
pg 02	Firm	Co-operative Group included Retail and Financial Services	CFS (£134m profit); Property (£105m profit); Food (£92.5m profit); Other (£52m profit); Pharmacy (£25.9m profit); Funeralcare (£17.7m profit); Farms (£3m profit)	Operating losses were made by Co-operative travel (£6.9m loss); Co-operative Legal (£0.3m loss) Co-operative Shoe fayre (£6.9m loss).
pg 03	Vision - to be the best co-operative in the world.	Co-operative is taking a global perspective rather than national perspective.	Aims: to strive for world class levels of business performance; to be open, responsible and rewarding; putting co-operative values and principles into everyday practice; to enhance the lives of other people, members, customers and communities; to work for the longer term success of the co-operative sector.	Co-operative values distinguish it from the commercial retailers in it is aims. Co-operative perceives a responsibility towards other businesses in the co-operative sector against commercial firms. How many Co-op suppliers are co-ops?
pg 8/9	There are 57 indicators of Social and Environmental performance.	Governance (8); Social Responsibility (20); Ecological sustainability (17); Employees and Customers (8).	Indicators have been derived from stakeholders; business strategy of Group and CFS; Ethical sustainable standards and Co-op guidelines.	Sustainability reporting adopts 57 indicators this year. Whilst Governance (8); Ecological sustainability (17) are standard indicators - Social responsibility (20) and Employee / Customer (9) are more straety and stakeholder derived. 68 targets have been identified for 2007

pg 05 pg 32 pg 50	This is the first year that sustainability reporting of Retail has been brought together with reporting of Financial Services.	We have made significant progress with our plans to create a single customer focused business.	The result is the most holistic review of our key social, environmental and ethical issues across the diverse range of businesses. Ethical policy cost Co-operative £11.7m in income foregone as a result of ethical screening. between 2000-2005. 44000 people responded to Ethical questionnaire in Insurance. In 2006 £2.9m of bank business refused on ethical grounds	Financial services is leading BiTC already in first year of ten year vision to be U.Ks most admired financial services company; Bank has groundbreaking customer led ethical policy; Ethical Policy is unique in British Banking sector. Many customers bank with Co-op for ethical reasons - justification for opportunity cost of commercial profits lost eg. £1.5m in gross income declined in 98 finance opportunities due to ethical reasons. 6 human rights and development; 8 animal welfare; 10 ecological; 1 diversity; 4 financial reasons for decline of banking business. Ethical Policy launched in Insurance Business in June 2005.
pg 05	Co-operative Insurance Ethical Investment fund best performer.	The Co-operative fund leads ahead of 324 other unit trusts from across all sectors of the U.K.	Co-operative Insurance fund is the first ethical fund to ever top the investmet performance tables.	Co-operative's ethical approach to investing in unit trusts has gained National recognition as a leading performer - more ethical investments may offer longer ter stable returns.
pg 05	We plan to reduce our annualised operational costs by £100m by June 2008.	Whilst economic and efficiency in processes offers tangible benefits, the inevitability of job losses will also include operational cost reduction.	The plan is to reduce the workforce by another 1000 people by end of 2007. Joblosses are regrettably unavoidable.	The amalgamation of Co-operative Group and United Co-opertive will bring 1000 job losses as operational efficiency is introduced to the combined single company.
pg 06 pg 33	The Co-operative recognises the need to manage business in a sustainabe manner.	Earth has limited resources and business activities that exceed these limits are unsustainable - minimum conditions for ecological sustainability.	Ecological sustainability is known but socially responsible business practices are less clear. Co-operative will be undertake stakeholder dialogue to better understand and implement social responsibility.	The Co-operative Group seeks to deliver value in an ecologically sustainable and socially responsible manner. Sustainable manner - business development that meets the need of present without compromising the ability of future generations to meet their own needs. Whist ecological is undertood - social responsibility of the firm is unclear and will be informed by dialogue with stakeholder - customers; employees; suppliers; members; communities; co-operatives; Human Rights and Labour standards refusal of business includes- Mexican clothing; Chinese electrical; Middle Eastern hotel; Defense company offering software (BAE); Banking facilities to Nuclear Weapons programme.
pg 11	In 2006 a new Group-wide social goals strategy was developed within the new Balanced Scorecard	No business can lead in every aspect of sustainable development. Issues need to be prioritised and resources focused.	The environment has been singled out as a primary issue and within this reduction of solid waste is seen as a priority.	Underpinning sustainable development is an increasingly robust governance and accounting system. Waste reduction as part of Environment is also a government target. Environment has been singled out as the primary issue in social goals.
pg 13	Day to day management of Group's social goals strategy.	The Ethics and Sustainability and Community and Campaigns Teams within the Group Corporate Affairs and Social Goals are responsible for delivering results.	The Ethics and Sustainability team (15 staff) and Community and Campaigns (11 staff) hae been brought together in Spring 2006	Group Marketing Director has executive responsibility for Community and Environment strategy. The newly formed Group Corporate Affairs and Social Goals department (26 people) are responsible for day to day management of SocialGoals.
pg 13/14 pg 25/26 pg 25	Co-operative reporting recognised by a number of awards	The Groups sustainability efforts have been reported and benchmarked by different bodies. Consumer surveys and member feedback endorse Co-operative policy towards ethical business.	Queens Award for Enterprise in the Sustainable Development Category. BiTC Leader in Annual Corportate Responsibility Index - Platinum (leading) Group. ACCA U.K. sustainability reporting awards. United Nations Environment Programme Global Benchmarking. 2007 Study on Business Ethics finds Co-operative Group as most ethical brand.	Co-operative reporting has received awards from a number of bodies and is perceived as a good benchmark by a cross section of independent groups. National Consumer Council found that Co-operative was the most trusted business in U.K. with key differentiation in honesty, environment; and treatment of people.
pg 14	Retail Food's Ethical policy has been developed	Project was initiated to to develop an analgous member mandated Ethical polic	Focus groups and one to one discussions were followed by 1.2m questionnaires distributed to members.	The revised Co-operative Ethical Policy has been developed for Food Retail which will be launched in early 2008.- suite of bespoke member mandated polices.
pg 21	Members have raised concerns from the area committees	Co-opertive ATMs currently charge for cash withdrawl. Potential offensive covers of magazines on shelves	The Board approved a move to non charging ATMs - particularly to support rural areas and people on low income. The Business is taking several steps to tone down adult content on shelves.	Members are able to raise concerns via regional boards. Ethical justifications reflect that members have strong ethical foundations.
pg 21	Membership Diversity Group	The diversity representation is still some way off reflecting truly representative structure.	Only 2% of elected members are from ethnic minorities and female representation has been 39% for last four years.	Values and Principles Committee has been asked to include two diversity priorities for each region - 2007 action plan.
pg 60/61	Employee Diversity ranges across businesses	Proportion of female employees vays significantly across businesses.	Diversity ranges across group: 63% of women employees; 54% managers. In Trading Group 10% are from Ethnic Minorities whilst in Finance only 2.5% are Minorities.	In Co-operative travel 80% employees are women whereas in Pharmacy only 29% are women. Co-op need to improve Ethnic minority recruitment, particularly in Finance Business

pg 23	Appointment of online Co-operative Affairs Officer	Groups online membership community is growing.	Members have access to e-learning modules; web chats and live web casts of meetings.	New appointment to facilitate and manage on-line presence / resources for members.
pg 22 pg 57	Co-operation amongst co-operatives	through partnership with other co-operatives the Group seeks to work for the long term success of Co-operative movement.	Co-opertive seeks to actively promote co-operation across Co-operatives. Bank has invested £900K in IT to facilitate the pilot launch of Credit Union accounts	The Group actively promotes co-operation with the wider Co-operative community. Co-operative approach to competitive behaviour is different to commercial retailers. Co-op Bank provides facility to 60% of UK Credit Union (financial co-operatives that offer loans to members) who are unwilling to use traditional banking.
pg 25	Co-operative Bank Ethical Purchasing Index findings.	Ethical consumerism is growing within the U.K. and consumers are actively taking interest and increasing awareness.	Ethical consumerism grew 11% in 2005 to £30bn. Half of U.K. consumers state that they will deliberately avoid goods and services provided by companies which are unethical.	Alongside growing consumer interest and active rejection of unethical products/services in U.K. marketplace (Ethical products/services is £30bn industry up 11%) research suggests that companies have better staff retention and motivation as benefits of ethics.
pg 28	The management of product sourcing is one of the most significant challenges especially for Food retail.	Co-operative has an extensive supply chain and global network.	Sound sourcing is being progressed - documentation compliance; refined risk; improvements in range and availability.	Co-operative is a strong supporter of UK Trade Justice Movement. Recruitment of a new Ethical Trade and Sustainability Officer is on-going. Sound sourcing issues are being worked through. Ethical Policy have human rights and Supply chain issues along with labour standards in supply chain in consideration.
pg 28	Co-operative Food provides 42% of revenue for the Group.	Out of this 42% of the revenue within Co-opertive Food is derived from own label brand products.	Co-opertive Food is a significant core contributor to revenue and profit. Within this own-label brand products have grown in contribution to performance.	Co-operative Food and own label brands are important contributors to performance of the Group.
pg 29/30	Code of Conduct in Supply Chain	Assessment of Sound Sourcing in supply chain identified 388 major non conformances out of total of 861 issues.	61% of non conformance issues have been resolved on Sound Sourcing This year there were resource constraints on assessment of Suppliers which has been resolved. 112 Site inspections - 77 (69%) in U.K; 14 in China; 13 in South East Asia; 4 in Africa; 2 in India 1 in South America of which 88% were connected with Fresh produce. 62 issues (16%) relate to businesses that are being de-listed on the basis of lack of progress in compliance.	Issues include exploitation of labour; collective bargaining; safe and hygenic working environments; child labour; living wages; excessive working hours; discrimination; regular employment terms; No harsh or inhumane treatment. New Ethical Trading Manager is being recruited to Food Retail to enhance monitoring and performance. Global inspections were largely connected with Fresh Food produce. Disproportionate number of non-conformance issues are outside of Europe. Three suppliers account for 40% of unresolved issues - 1 supplier is being delisted; one is refusing to engage; dialogue with the third supplier is on-going.
pg 36	Food production and farm assurances	Co-operative sells 750 own brand fresh and 100 own brand frozen meat and poultry products.	Red Tractor Mark is industry standard for animal welfare. £5.3bn of retail value for Red Tractor Mark. 60% of own label fresh foods from 78000 farmers are accredited in U.K.	Co-operative Food Quality assurance team stipulate compliane with National standards. The problem is that Red Tractor Mark assurance does not extend outside the U.K, Farm assurance standards stipulated for frozen food but cooked meat; ready meals do not fall into this standard.
pg 28	The Trading Group has a Sound Sourcing Code of Conduct.	Co-operative benchmarks using international standards and industry initiatives as a base for establishing its own conditions.	International Labour Organisation conventions and Ethical Trade Initiative was engaged to develop Sound Sourcing Code.	Sound sourcing code is issued to own-label suppliers - Co-op will adopt Sedex to monitor suppliers. International and industry mechanisms to develop internal controls.
pg 56	Co-operative is committed to maintaining high street and neighbourhood stores.	Co-opertive model seeks sites within developed areas and providing community with local services.	14% of Co-operative Food and 28% of Pharmacy outlets are located within deprived areas. There are 200 Post Offices located within Co-op stores around U.K.	Co-operative strategy is for high street and community services. Local approach to delivering services - but high street in U.K. is under threat. Location is critical to access.
pg 57	A 68% increase in number of cashminder bank account in 2006.	In total there were 6.7 million operational bank accounts in U.K. with basic functionality.	In 2005 there were 47628 co-op basic bank accounts which has increased to 80,231.	Pioneering work is being done on a project to enable prisoners to open bank accounts whilst still in prison. Facilitate housing and employment as key to reduction in re-offending. Co-op targets lower income individuals as part of inclusive approach to community.
pg 68	Co-operative Charity of the Year is The Children's Society.	92,000 members and employees voted to nominate the Charity.	60,000 children in local projects are being supported.	In 2006 the Charity of the year was Shelter (£1m cheque). Activities will seek to raise £1m for this year's voted charity also (Children's Society).

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pg 72	The Groups approach to addressing Climate Change is five fold.	Climate Change focus included energy efficiency, renewable energy consumption and generation; carbon offsetting.	There is additional provision for finance and public policy lobbying in the issue of Climate Change	Public policy lobbying is included within Climate Change approach by Co-operative.
pg 73	During 2006 energy consumption across the Group increased by 1% compared with 2005	9% electricity usage increase and there was 22% decrease in gas usage. Co-operative gets 98% of its electricity from Green sources.	Working with Carbon Trust - Co-operative has committed to reducing energy consumption by 25% by 2012 and to generating 15% of its energy from renewable sources. Co-op Group is one of the largest purchasers of Green electricity in the world. Co-op has the largest ever solar power installation.	Energy reduction initiatives capital expenditure of £7m will support a 2007 retrofit programme. First trials in six stores identified seeking 14% energy reduction to save £2m per year. Installation of fridge cabinet blinds seeking 7% reduction in Group energy; use of energy efficient light bulbs 2% savings; enhanced heating and ventilation (5%) reduction. Solar Tower project completed in May 2006 at a cost of £5.5m. micro-wind project on Manchester HeadOffice.
pg108	Customer Relations is open seven days a week 11 hours per day.	This is the first point of contact for consumers	There were 145,752 calls and 38,652 emails received (slightly more than 1st year) of which 97% were responded to within 3 days.	There were 55 categories of inquiries into customer services of which 25 were SEE related.
pg 105	Employee absence is reported across the whole group for the first time.	Employee absence ranges from 2.9% in Corporate to 5.2% in funeralcare.	Stomach upsets are the most common cause of cited absence across the Group. This represents 12.7% of total absence. In Financial services stress, depression and gastric pro	Based on benchmark of CIPD Co-operative has slightly above average absence compared with industry averages. Retail and wholesale 4% v 3.5%; financial sector 3.6% v 2.4%.
pg 101	Employee turnover varies across businesses	CFS has gone through considerable change last year where there were a number of redundancies.	Co-op Farms and Funeralcare have lowest turnover (7 and 13%) whilst Travel and Food have higher turnover (27% and 34%). CFS had turnover rate of 43% last year which has reduced by to 30% this year however avoidable turnover increased.	CFS staff satisfaction and retention is a concern. The CFS business has gone through integration last year. Staff turnover in customer contact centres was in Insurance was high.
pg 77/78	The Group is still developing evidence to support mileage and CO2 impact.	Co-operative Group conversion factors are 90% complete.	In 2006 there were 137m miles and 118,252 tonnes of CO2 emissions.	Co-op has raised concerns about measuring of CO2 emissions and Food miles. These measurements argued by Co-op give counter intuitive results when whole supply chain is considered. £7m/day goes to African countries from supermarket sales to 1m Africans which is not considered.
pg 85	Total packaging waste handled by Co-operative Group is 120,000 tonnes.	The amount of packaging waste has remained stable despite increase in sales turnover.	The use of glass has increased by 20% and use of paper has decreased by 32%.	In 2006 glass accounted for 48% packaging waste by weight and is a priority for reduction. In 2006 CFS donated 3690 items of IT equipment to charities @64 tonnes were donated. 94% of cardboard and polythene is recycled. Co-operative Food had filled 34,000 tonnes of waste which represents 75% of Group total. Material substitution and biodegradable packaging is being developed.

Global Spheres of Action	
	Liberalisation of Asian and African consumer markets along with increasing international retailer presence (Regional liberalisation of higher savings and populated markets).
	Premier league of retail sector includes Speciality (profit) and One-stop shop (volume) formats within which advanced nation firms retain capitalisation and stability advantage (Portfolio restructure fostering contiguous relations for a single agenda).
	Saturated and inflationary advanced markets risk artificial ownership value contrasted with emerging markets ethical dilemmas (De-coupling in media of corporate outliers - mask of standardising for conformance)
	Economising of a social and sustainability media agenda retains shareholder focus (Communitarian by name but not by nature).
	Pace and purpose of corporatising shifts (JVs and interactions for self- competitive advantage)
	CA - smaller firms more innovative but deliberately cotailed by regulatory political design

Regional Spheres of Action	
	Consolidation into too-big to fail Grocery Multiples (Narrowing at the top and higher dependency on volume supply chains)
	Intense competition in higher value debt driven economies (Debt vulnerability distinguishing Anglo-American governance stresses)
	Urbanisation and regulatory stabilities fueling consumerism cycle (Cities contributing to wider internal national gini indexes)
	Counter regional blocks emrenging resulting in political national consolidation of retailers to compete with foreign new entrants or with capacity to internationalise (Consumerism internationalisation and firm technological innovation)
	Diversification to individual level (Personalisation of choice and lifestyles).

National Spheres of Action												
Slower growth and competitive consolidation for profitability (Political transition and competitive saturation)												
Imbalance of public/private sectors, employment/income, internal/external trade, pace/investment (Contrasting meeting of risks)												
Media too close to privatised agenda not reflective of realities of societal stakeholders (Stakeholder priorities)												
Regulatory and monitoring bodies limitations and weak implementation of consumer concerns (Accountability of societal responsibility)												
Skewed positioning amongst leading food retailers (Density diversity of players)												

Industry Spheres of Action												
Historical industry trend is in conflict with oligopolistic subtle strategic forecasting (Closed subtle timing of leadership knows)												
Faster pace of global mobilisation of resources (Shorter investment mega-waves)												
Currency and brand segmentation (In-tangible revolution)												
Manipulation of profiles consumer/retailer tustle -material, manufacture, distribute, retail, consumer (Agency and information effects)												
Demographic and cultural influences of globalisation - travel for work and youth/elderly (Migration and generation)												

Firms Spheres of Action

One-stop retailers age of resource and population markets (Rise of volume markets - low income/high population)

USP from consumer lens - invest in diversity or specialise , preserve home market or new market growth (Traditonal verses aggressive leaders)

Tesco Spheres of Action

Tesco entry into US marketplace using a completely new brand (Fast follower based player entering innovator market)

Supplier efficiency and consumer demands have shifted (Adaptability for value generation)

Financial and technological efficiency focus in home market and tactical JV internationalisation programme (Modular commercialisation strategy)

Active non-market strategic competency investment (In-house expert-team development and pace advantage)

Aggressive internationalisation leadership of dominant homemarket player (Volume market return pursuit)

Sainsburys Spheres of Action

Strong renewal focused recovery with recapitalisation and tight financial performance (Recovery through renewal in home market)

Diversification of offerings (own label/convenience) and into financial sector through Joint Venture (Diversification of brand to wider customers)

Ambitious value seeking within saturated and competitive marketplace (Portfolio and brand's cultural placement)

Focus on freshness and healthy offerings inline with consumer/regulatory demands (Home market innovator)

Shift of people /staff training in family focused approach (Slower but more caring culture)

Morrisons Spheres of Action	
	Integration of acquired Safeways into Labour intensive Morrisons retail model (Optimisation towards National chain)
	Regulatory and innovative distance is behind /greater to market leaders (Family owned /led leadership style slower than commercial pace)
	Smaller supermarket/range format as niche and trusted /integral supplier focus (Conservative bounded stakeholder approach)
	Northern cultural prominence of an increasingly national chain with a deeply rooted Northern Head-office (Lack of bottom-up and cosmopolitan discretionary diversity)
	Morrisons leadership change preferring European rather than U.S. value proposition (Northern values closer to Europe rather than U.S.)

Co-operative Spheres of Action	
	Co-operatives are consolidating for larger membership model to compete with commercial privatised organisations (Scale erosion)
	Ethical and societal value of Co-operative has historical gravitas in difficult times which lacks momentum in progressive economies (Compromising ethical values for competitive performance)
	Reinvigoration programme of Co-op brand and consumer perception (Social business model more economic driven than socially clear)
	Despite slower innovation, continuity demonstrates loyal consumer base and sensible pricing policy (Structural misalignment of firm to market)
	Different type of customer but diversification value not being achieved with current business model (Adaptability to complexity)
	Confused leadership of amalgamation impacting staff skill set requirements for business needs (Skills gap)
	Co-op internationally recognised for Ethical sustainability reporting but not engaged with wider industry (Socially engaged leadership missing industry stakeholder support - Isolation effect)

Initial List of 120 virtues

Acceptance	Forgiveness	Piety
Accountability	Fortitude	Prudence
Ambition	Friendliness	Punctuality
Assertiveness	Frugality	Purity
Beauty	Generosity	Purposefulness
Benevolence	Gentleness	Reliability
Bravery	Grace	Resoluteness
Caring	Gratitude	Resourcefulness
Charity	Helpfulness	Respect
Chastity	Honesty	Responsibility
Caution	Honour	Restraint
Cleanliness	Hope	Reverence
Commitment	Humbleness	Righteousness
Compassion	Humility	Selflessness
Confidence	Humour	Self-sacrifice
Consideration	Idealism	Service
Contentment	Integrity	Sensitivity
Cooperation	Impartiality	Silence
Courage	Industry	Simplicity
Courtesy	Innocence	Sincerity
Creativity	Joyfulness	Sobriety
Curiosity	Justice	Spontaneity
Defiance	Kindness	Steadfastness
Dependability	Knowledge	Strength
Detachment	Liberality	Tact
Determination	Love	Temperance
Devotion	Loyalty	Thankfulness
Diligence	Magnanimity	Thrift
Discernment	Majesty	Tolerance
Discretion	Meekness	Toughness
Discipline	Mercy	Tranquillity
Eloquence	Moderation	Trust
Empathy	Modesty	Trustworthiness
Enthusiasm	Obedience	Truthfulness
Excellence	Openness	Understanding
Faith	Orderliness	Unity
Faithfulness	Patience	Vitality
Flexibility	Peace	Wisdom
Focus	Perseverance	Wonder
Forbearance	Persistence	Zeal

2006/2007 - Deeper Understanding						
Disposition (arete) of Character (state of mind in acting)	Level	Action for Growth (Voluntary, In voluntary, Non voluntary)	Patterns of Behaviour 2006/2007 Interpretation	CONCEPTUALISATION Islamic Ontology	Eudaimonia as a Golden Mean (ontological not axiological)	
Major (Moral Hexis)	Global	Aggressive leadership led shift to mass markets impacting social relations and conduct	Cantankerousness	Al Mahidah, Chapter 5, vs 64 Al Baqra, chapter 2, vs 11-12 Muhammad, chapter 47, vs 22-24	Friendliness philia through eunoia (friendship through good will)	
(Stable habits)	Regional	Polarisation within and between communities	Anger	Al Araf, chapter 7, vs 154	Gentleness praotês (tempered)	
Can be habit?	National	Imbalance decision making and narrow judgements with greater risks -pace and access to knowlegde	Partiality	Al Hajj, chapter 22, vs 25	Justice dikaosoune	
	Industry	Segmentation and manipulation of realities to dilberately divide	Spitefulness		Righteousness indignation	
Minor (Intellectual) (Practices)	Firm	Firms	A clear choice for firms to position themselves	Resoluteness	Al Furqan Chapter 25, vs 52	Resoluteness
		Sainsburys	Investment with a purpose in competitive market	Ambitious	Taha Chapter 20, vs 131	Ambitious
Can be taught?		Tesco	Decision to enter U.S. and technological modularisation of the business model for efficiency	Over-confidence	Al Tawba, Chapter 9, vs 25	Confidence
		Morrisons	Independent localised approach and slower traditional way of business	Discretion	Al Kahf, Chapter 18, vs 29 Al Baqra, Chapter 2, vs 35 Al Insaan, Chapter 76, vs 3 Al Imran, Chapter 3, vs 182	Co-operation
		Co-operative	Lack of leadership skills driving confused ethical position against a shrinking position in a commercial market	Lack of Discernment	Al Hajurat, Chapter 49, v6 Al Furqan, Chapter 25, vs 1 Al Baqra, Chapter 2, vs 4-7 Al Imran, Chapter 3, vs 19	Discernment

Period		GLOBAL LEVEL : GLOBAL POWERS OF RETAILING REPORT 2008				
Document	Ref	Level	Event / Description / Observation	Explanation / Significance	Output / Impact / Conflict	Interpreted Central Theme
GPOR08	7	Global	Global economy was strong	Global GDP rising at an astounding rate.	Global GDP was 5.4%, one of the fastest rates ever. Economic expansion in disparate locations - China, UK, Argentina, Russia, India	Elevated property prices have added to consumer wealth stimulating expanded spending. Consumers were flush with cash.
	7		Strong consumer spending.	Healthy growth for the industry's Top 250 retailers.	Total retail sales rose for the Top 250 Global Powers to \$3.25 Tn, up 8% from last year.	Top Global retailers have grown at a fast rate in the last year in many different markets around the world.
	7		Entry point to Top250 was \$2.72bn	Entry point last year was \$2.5bn	Average retail sales volume was \$13bn this year.	The trend of rising entry point into this Top250 Group suggests rise of super-elite Group and distancing of Top250 from other retailers.
	26		Top 10 continue to inch up.	Combined sales of \$978.5 bn in 2006 for Top 10.	With a healthy 10.2% rise from last year, the Top 10 Global retailers captured 30.1% of Top250 sales.	The same group of companies remain in the Top 10 as last year and have increased their share of Top250 sales representation to over 30%.
	27		Average number of countries was 6.2 for Top 250.	Africa/Middle East has smallest number of companies (4) but they are in most number of countries (11.3)	North America (104) and U.S. (93) has most number of companies but they are only in 3.6, 3.9 countries.	The emerging retailers are more widely spread internationally compared with U.S. retailers that are dominant in their home / few advanced markets.
	31		Fashion Goods sector enjoys healthy return of 5.2%	FMCG sector is highly competitive with low margin returns 2.7%	FMCG (Walmart); Hardline Lesiure (Home Depot); Fashion (Federated Dept Store); Target (Diversified retailer) - Top of Top 10s by segment.	The FMCG sector is most diversified and competes on volume and price whereas the specialty and fashion sectors have higher margins and greater degree of standardised products available more internationally. Fashion ranks are more volatile to change than FMCG.
	32		Changes in ranking worth noting	34 companies ascended by more than 10 places. 40 companies dropped by more than 10 places. 2 companies fell by more than 100 places - Albertson and Saks.	A number of mergers and acquisitions have fuelled rise of lower firms into the higher rankings. 15 of the 40 firms that dropped are from Japan. Two companies sold parts of their businesses.	Despite the rise and fall of companies into the Top250 rankings, the top 10 elite group remain unchanged. The more narrower sector firms seem volatile to change than the increasingly diversified FMCG firms. Mergers and Acquisitions have fuelled changes more than new entrants.
	33		For the first time Global Powers includes retailers from China and Russia.	Chinese entrants were Bailian (101); Suning (216), GOME (218) and Dalian (224). X5 Retail Group (191) and Euroset (229) are the Russian entrants to Top250. Migros Turk (236) new entrant from Turkey.	Bailian has a complex structure. It is many companies operating together - formed in 2003 Shanghai municipal govt. merged with retail groups to compete with likes of foreign entrants in Chinese marketplace - Wal-mart, Carrefour. Suning and GOME share 20% of Chinese electronics goods market. X5 formed from merger in 2006 -largest multi-format retailer in Russia, Kazakhstan and Ukraine.	Highest new entrant was 67 - rest of the 17 new entrants were ranked 100-250. Chinese and Russian chains have formed to compete with international retailers that are entering their markets. Some of the larger companies in these markets can be privately owned or government supported. Internationalisation of retail reaches saturated market companies looking at new horizons and large populus country retailers merging to form National chains.

40	Medium term direction of global economy will be largely set by China and U.S.	These two economies account for sizeable share of economic growth, import and export thereby stimulating rest of world.	Financial imbalance between US and China has had serious consequences for growth, exchange rate and interest rates.	Importantly there is likely 'more to follow' on imbalance between China and US as stated in this report. Global economy is going through transition from one era of economic expansion to another. Transition brought on by bursting of property bubble in U.S. - yet bubbles don't emerge randomly . This report blames China for the property bubble liquidity flow from China to US (pg40).
41	Starting in October 2007 the world found itself in the midst of a 'panic' .	The good news is that unlike in the past - 1930s	there are clever and powerful central banks that have the capacity to add liquidity to the financial system.	Cleverness cannot erase systemic failure - losses remain and nor can they erase risk. Such consequences are being experienced today and will probably persist for a while.
41	Problems in credit market are reflected in solvency of banks.	Historically securitisation has dispersed risk.	A new kind of risk has been created - lack of information, transparency is creating uncertainty.	Seizing up of credit markets, much of the risks reside within Banks themselves that should be the vehicle to reduce it. We don't know where the risk resides and why is tax payer money being used (govt forced to intervene, securitisation has taken on new dimension). Development of exotic derivative financial instruments for which there is not a substantial liquid market.
41	As of this writing (Nov. 2007) the high degree of uncertainty	Length and depth of credit crunch makes it difficult to offer a short term forecast.	The important question is how will global growth be affected by the turmoil in financial markets.	Substantial re-pricing of risk and too much of a good thing - high yield bonds, inter bank lending, bank write offs. The impact has been trans-atlantic. Assets sold in global markets resulted in adverse effect in Europe.
41	The most likely scenario is mild recession and slowdown in Europe.	possibility exists that this could become prolonged due to economic contagion.	Two issues emerging - length and lack of transparency of the depth of this issue.	Following the crunch that began in Aug 2007, Fed reversed course - increasing liquidity and lowering interest rates. Result maybe no change in growth and only the financial sector being affected. Current consensus seems to be in denial of scale scope of this downturn Nov. 2007.
42	Why has the price of oil jumped five fold in the past five years?	Significant proportion of demand attributed to China and India energy needs.	Global economy in the last decade has grown faster than any other time in history.	Capacity to produce oil requires long term investment. Demand for oil from emerging markets fuelled higher price. Increased risk of war in an oil producing country - political and social turmoil - consider Iraq and Nigeria. Price of oil in future will be result of several factors - not easy to say. Period of high oil prices.
43	Why is inflation on the rebound?	Global economy has been growing at an exceptional rate - pressure on commodities.	Many countries have experienced dramatic and rapid growth of money supply and US dollar has been declining	Central banks may face a more challenging environment to control inflation. The favourable impact of globalisation on inflation has been temporary. Rise of labour market from highly populated countries - global pool of labour.
44	Relatively affluent consumers in affluent countries are increasingly concerned about impact of companies on Society.	Impact on physical environment, labour in supply chain and impact products have on consumers themselves.	Consumer awareness rising supported by mass media. Consumers willing to pay price premium for a case of Social Responsibility.	Governments are providing tax incentives to go green rather than taxing for environmental infringement. Growing concern about international supply chain especially in food and perishable goods. Speed to market will be a competitive focus and perceived brand value / reputation is becoming more important.

	7	Regional	Emerging markets continued to experience rapid growth	Consumer incomes have increased	Millions of people have shifted from poverty in emerging markets.	Economic rise of emerging markets has fuelled consumer demand for products and internal rise of capitalism. This has benefited the largest players within these markets - rise of domestic National chain vs Global player competition.
	26		93 companies in the Top250 are U.S. based retailers.	Regardless of weaker US currency against Euro, pound and others, US companies dominate the Top250.	Share of Top250 - U.S. (37%); Other Europe (16%); Japan (11.6%) UK (8%), Germany (7.2%), France (5.2%). Sales of Top250 - U.S. (45%); Other Europe (10.9%); Germany (10.9%); France (9.4%), U.K. 8.2%.	Anglo-American capitalism based retailers dominate the Top250 - US, Europe and Japan. European firms have benefitted from stronger currencies. European market maybe doing well, but are US retailers more internationally active than European counterparts. Other factor is that US marketplace is easier to operate in for home companies across state boundaries.
	27		Canada gained 1 spot; Europe gained 2; Asia Pacific (not Japan) gained 3 retailers.	Japan lost 5 companies in the list during this year.	Japan has 29 companies in the list (down from 34 last year).	Non U.S. retailers have replaced Japanese retailers in the Top250 list this year. This suggests Europe has economically strong regional marketplace and/or currency benefit. Weak growth and currency contributes to decline of Japanese retailers.
	27		Emerging markets enjoyed above average sales growth.	Latin American retailers grew the fastest, followed by Africa/Middle Eastern retailers.	Emerging market economies that are resource rich have seen their retail markets outpace the more mature advanced economies.	Resource rich capitalism friendly markets have fastest sales growth. However, these markets also have less regulation restrictions. Has recent rise of these markets really fuelled erosion of poverty or a wider gap between rich and poor where pace of change is so fast? Higher sales volume but similar profit margins to US/Europe.
	27		Latin America and Asia/ pacific regions have maintained growth over longer term	U.S. and Canada based retailers have below average growth over longer term (2001-2006)	European retailers performance is sub-par in highly competitive and saturated markets.	French (15) and German (13.7) companies have expanded beyond borders - but there expansion has become cotailed across regions. Global retailers are not actually global with avg. of 6 countries and results suggest regional limitations of players to their nature of home markets.
	28		Latin American companies are most insular	Number of countries of operation was 1.9	Larger continent with fewer countries in the region.	Latin American retailers are still maturing in a region with large geographical size and few large countries compared with Europe that has a saturated market and is highly competitive. Therefore Latin America has opportunities for retailers.
	34		50 fastest growing retailers increased sales by an average of 28.7% 2001-2006.	Growth of fast growing retailers is three times more than rate of growth of Top250.	8 out of the 18 new entrants to the ranking are also amongst the fastest growing 50 group of companies. It is new comer Eurostat (Russian) that tops this group with compound annual growth of 137%. Icelands Bauger has dropped to second fastest this year (last year winner).	Privately owned Russian mobile retailer tops fastest growing list closely followed by Chinese retailers. New entrants have grown faster in ranking within maturing industrialising nations rather than in advanced markets. Many Speciality firms are amongst the fastest rising Group.
	36		Retailers operating in more countries have grown sales faster than retailers operating in 1 or 2 countries over the longer term.	This did not hold true for 2006 (short term) but for the longer term.	In 2006 retailers closer to home outpaced their more international minded peers. Longer term retailers with operation in 10+ countries posted 4.7% growth compared with 3.1% for those in 1 or 2 countries.	Markets are becoming more regional and longer term retailers operating in multi-regions are more profitable than retailers in 1 or 2 countries. However in 2006, less widely spread retailers grew faster- maybe due to intensification of competition amongst wider number of companies present in each market. Cultural distance and market fluctuations vs spread of market risk.

			40	There has been a massive flow of funds from China to US	China has save to invest mentality whereas US have borrow to invest mentality.	This has worked for many years between both countries. China has also funded US deficit. China has amassed \$1.4Tn reserves.	U.S. deficit is not sustainable long term. China has high inflation at 6% which is also a problem. US markets had multiple scandals making US market less attractive to investors. Money moved from financial markets to property and the bubble burst.
			41	At the time of writing the US dollar continues to fall.	Since 2002 US dollar has fallen 38% against Euro; 30% against GBP; 39% against Canadian dollar.	Noteably emerging countries have been intervening to keep their currencies from appreciating. China has been revaluing its currency for past two years.	Dollar value has impacted imports and exports and confidence in markets. Many banks are rebalancing portfolios and there maybe inflationary pressure within the US - rapid decline in US dollar remains a possibility - stability.
			43	The main engine of global growth will continue to be China.	China has increasing consumer purchasing power	Consumer spending growth in China and India should continue to be strong.	Capitalism rise in emerging markets forces demand for products but also use of raw materials increases inflationary pressure. Deceleration of consumer spending in US and rise in China.
			44	Mass market has become saturated	Population of developed countries has become more fragmented	Income and shopping behaviours in developed world have changed. Developed world opportunities in long tailing.	Retailers that target non-mass market i.e. niches targeted at ends of income distribution market (Bell shaped) will do better. The ends outside mass market (middle income) are smaller but offer growth prospects for new businesses. Retailer in saturated market may trial new formats; organics ready meals etc.
			45	India has become the next big thing for the world's leading retailers	India remains fairly closed to foreign retail investments and its business environment has obstacles such as corruption, regulation.	India is progressing towards market economy and is growing fast. Her business conglomerates are turning to Retail.	India is a gamble worth taking = Wal-mart has taken the plunge and many retailers are expected to follow. Investing in India is a long term prospect - there are risks and rewards aswell as obstacles.
			46	Rise of online retailing has taken market share	40% of online retail retail sales in US are conducted by store retailers themselves.	Opportunity exists to create multi-channel experience for consumers.	Store retailers are competing with non-store retailers on online platforms. Battle between retailers online through brand experience - use of internet to announce events, exchange information, etc. Consumers feel there is a distinction between two platforms - online / store experiences.
	National		34	Iceland's Baugur Group was second fastest grower this year	Iceland's Baugur Group was fastest growing last year	This company generates majority of its retail sales in the UK. Continued acquisition / investment includes Hamley's, House of Fraser, Goldsmiths, MK.	Diversified strategy of Nordic firm in UK marketplace continues to foster good growth in a mature and saturated marketplace.
	Industry		30	FMCG food retailers are by far the largest.	Average sales of FMCG food retailer is \$16.5bn whereas Fashion Goods retailers are \$6.8bn.	Fashion Goods 49 companies; FMCG 133 companies; Headline and Leisure 53 companies; Diversified 15 companies.	Leisure goods followed by Fashion firms are most international (8+ countries) but FMCG companies dominate (133) and are across an average of 4.7 countries each. The preferred operating format is Supermarkets (98); Speciality (88) and Hypermarkets (73). Does this reflect degree of maturity of retail markets around the world - where advanced formats / speciality stores emerge in most mature markets - leisure, hobbies, home décor.

	31		Fashion good retailers have grown slower than other categories in past five years	Relative weak department store growth	Speciality stores have better growth than department stores.	The nature of high end shopping seems to be shifting from general department stores towards more specialty type stores. The consumer trend towards online format is also impacting shopping behaviours where this is available.
	37		Q ratio to understand how financial markets are evaluating future prospects not historical.	Valuing of intangible assets - higher Q ratio means value is greater of intangibles. 146 publically traded companies of Top250 tested.	Average Q ratio for group 1.332. US based Publix had highest Q ratio 12.6. Companies based in China, Australia and South Africa have higher Q ratios. Emerging market firms have lower Q ratios.	Brand intensity of Apparel format reflects their higher Q ratios. Standardisation vs differentiation. Historical value vs future values based on maket Tobin values. Q values similar to last year - are capital market assessments worthy and is intangible value fair assessment?
	40		Mortgage lenders increased sub-prime mortgages.	Loans offered to low income and poor credit history consumers.	Banks sold re-packaged loans to investors.	Securitisation of mortgages has been re-pakaged onto secondary market leading to credit crunch. Is this poor governance of financial industry based on forecasting values and confidence rather than asset value and real leveraging.
	44		Trends in global retailing	More consumers become aware of social responsibility issues - physical environment and product /supply safety	Retailiers are eager to get ahead of regulator. CSR is a profit opportunity by engaging as consumers are prepared to pay more and govt. offer CSR incentives.	Globalisation and reduced trade barriers lead to greater international trade on perishables; CSR is a competitive advantage and profit opportunity for retailers. Govt may impose tax on carbon emissions. Currency /export influence.
				Strength of US housing market drove consumer spending - it entailed Americans living beyond their means and taking on external debt.	Now the party has come to an end. Collapse of housing bubble and rapid decline in value of dollar. China has export fuelled growth, Yen is increasing value and rising incomes	Bottom line is geographic mix of consumer spending growth will shift away from US towards Asia. Increased growth opportunities for largest global retailers in Asia. US marketplace is saturated and consumers have low savings - will result is marketshare battle internally and US/European battle in Asia.
			We live in an age of technological innovation	Ordinary people enjoy standard of living unimagineable to royalty a century ago.	High quality products are being sold at low prices due to manufacturing efficiency.	Consumers are jaded and expect high quality products at low prices. Retailers and their suppliers are competing on price (Comoditisation) driving down prices/margins and forces an eroneous business environment. Retailers need to differentiate on factors more than just price - differentiated retail format; experience; product mix; niche.
	45		Retail investment in Services	Mature developed markets are saturated	Shift towards services in these markets - consumer spending on Services	Tesco shidt to financial services is an example of shifting to Services in mature saturated markets - demographics play a role in nature of this trend.
	45		Huge surplusses of emerging countries	China has \$1.4Tn reserves and middle east has large sovvrign funds.	Sovrign Wealth Funds are becoming key players in the global marketplace.	Emerging country govrenments are using Sovrign funds to invest in western businesses Global retailing industry is a target for wealth funds. A small number of investments have taken place. Some emerging market retailers may also compete in advanced markets.
	7	Firm	36 retailers experienced declining sales	Last year 49 retailers experienced declining sales	Increase focus on customer experience and changing nature of markets and formats.	Retailers are know the global marketeers that dominate manufacturers. They have the finger on the pulse of conusmers - Manufacturers know have to focus on their relationship with retailers more than consumers. Retailers are hiring world class marketeers from FMCG companies - brand identity is a key focus.

	7	A growing number of retailers have been taken private in recent years.	It is more difficult to measure profitability for the group as a whole.	Net income / loss figures for 2006 were available for 187 companies. Average net profit margin was 3.6%. Only 7 companies reported a net loss.	Whilst net profit of the group has increased to 3.6% (2.7% :2004; 3.5% :2005) and less companies are reporting losses (15 of 188 in 2005) - 25% of the Group is in private ownership.
	26	Tesco overtook Metro to reach rank 4.	Tesco is the only UK representative in the Top10.	Walmart (1) increased its lead over Carrefour (2) with retail sales growth more than double pace of rival.	Walmart extends lead position with fastest growth and Tesco moves into 4th place. UK Headquartered Tesco moved ahead of German Metro this year.
	28	Top retailer in each region was Wal-mart (US); Carrefour (Europe); Seven and Holdings (Asia/Pacific) CBD (Latin America); Pick n' Pay (Africa/ME)	The top 10 North American retailers are among the 20 largest retailers world wide.	Top 10 European retailers remained the same apart from Tesco climbing ahead of Metro.	Tesco represents a firm that climbed in ranking at the elite end of the Top250 table. US and European firms dominate the Top250 list (top 25).
	34	Tapping under served geographic markets and focusing on high growth product categories.	Different strategies have helped the fastest growing 50 firms.	Internationalisation of retail industry has focused on two distinct strategies of growth for rising players.	There is profitability in specialised product categories targeting more specific needs of a rising middle class population or there is volume / market share value in the under served emerging markets. Advanced market culture shifting to emerging markets gives rise to value added in retailing. In Advanced markets themselves, the focus is on diversification to meet differing personalised needs of consumers - as pathways to growth.

National		Period	June 2007-June 2008				
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
	ONS	Global	Rise of securitised debt	Bundling of existing debt	Repackaging into asset backed securities.	Global market for asset backed securities - bundled debt was on large scale. US \$600bn, EU \$500bn - Bank of England estimates \$10.7Tn worth of global asset backed securities @ 2007. Vicious circle as the purchasers of securities were often the banks selling the original debt. Credit crunch influence in capital markets August 2007.	
	BBC		Stock markets suffer biggest fall since 2001	January 2008 bad debts rising and losses being declared by banks	FTSE100 falls 5.5%; Paris and Frankfurt fall 7%; Japan 13% fall; India, China, South Korea, Taiwan all fall.	11 consecutive days of falls on the stock markets globally in January 2008. People are nervous about impact of US on rest of the world.	
	OECD	Regional	US household debt as a percentage of annual income	77% in 1990	Reached 127% at the end of 2007. By third quarter 2008 was 290%.	Top five financial institutions reported \$4tn debt at the end of 2007 - 30% of nominal GDP of US. US mortgage debt increased from 46% in 1990 to 73% by 2008.	
			Increase in sub-prime mortgage defaults in US	February 2007 the rise in defaults caused discussion	New Century Financial files Chapter 11 (April 2007) Ratings agencies downgraded many sub-prime lenders.	Downturn in US housing and over-leveraged lending resulted in downgrading of sub-prime mortgages with many lenders exposed. US hedge funds faced problems and 2 EU banks (German/French) closed Hedge funds. In West (Canada, UK, US, Eurozone) rate of savings declining since 1993 -2006. In US savings ratio fell from 6% to 1% in less than a decade. Debt to income ratio rose from 75% to 120% in US.	
	Reuters		Rise of sub-prime mortgages	First rise was in 2001 and then in 2006	\$160bn in 2001 and \$600bn in 2006 sub prime mortgages increase	Sub-prime mortgages represented 20% of mortgages in US post 2006. US entered into recession in December 2007.	
	Reuters		Banks hoarded liquidity	Uncertainty in capital markets	Banks preparing to protect their liquidity	Capital markets froze up as Banks hoarded to protect liquidity in uncertainty. Increase of counter-party risks.	
	Reuters		Bear Sterns taken over by JP Morgan	Federal Reserve provided additional funding	Bear Stern taken over by JP Morgan for \$10 a share	\$29bn loan from Federal Reserve and JP Morgan took on \$1tn debt of Bear Stern in take over. Acquired for \$240m by JP Morgan.	
	BBC		UBS announces losses	Sub-prime mortgages impact	£3.4bn losses for UBS due to sub-prime related investments	Chairman and Chief Executive of UBS step down. Citibank reveals \$3bn losses rising to \$40bn within six months. Merrill Lynch CEO resigns following \$7.9bn losses.	
	Telegraph	National	UK Stock market goes through a period of volatility	Banks begin to stop lending to each other	Market fears over exposure to potential losses on high risk US mortgages. 09th August Federal reserve and ECB inject £45bn into markets.	09th August the ECB and FR injected £45bn into jittery markets. Start of credit crunch as Banks refused to lend to each other. Currency - GBP reaches 2\$ as US economy weakens and UK Pound strengthens.	

		Economist	Sept 2007 - Northern Rock seeks emergency funding from Government	Government is lender of last resort due to lack of funding from markets	Northern Rock is fifth largest mortgage lender in UK. In 2006 increased mortgage lending and took 18% of the mortgage market. Newcastle based Building Society turned bank.	In September the Government agreed emergency funding for Northern Rock which had grown too fast to become fifth largest mortgage lender in UK. First Bank Run since 1866 in UK 17th Sept 2007 - over exposure to securitised markets as a source for short term financing which froze up.
		Reuters	LIBOR-OIS spread increased substantially	Triggered concern on the markets	Supply of funds dwindled on the markets	By March 2008 sources of new liquidity amounted to \$500bn. UK Public spending traditionally 40% of GDP/year in last 20 years. Increasing due to Bail outs this year to 48%.
		ONS	Labour government in power	Ten years of Tony Blair and 'New Labour'	Blair was succeeded by Chacellor of exchequer Gordon Brwon in June 2007.	Iraq war, declining popularity, trade Union pressures and Blair-Brown pact led to Tony Blair resigning and Gordon Brown becoming Prime Minister. Bush - Blair special relationship and media spin era .
Economic Trends	ONS Economic Trends		UK GDP per capita grew fastest during 1997 -2007	UK service sector grew, especially export of services whilst manufacturing declined.	Productivity growth was less so due to property, finance etc. but more so due to distribution and business services.	41% of exports due to business services. FDI inward investment in UK remains strong. There remains a large difference between London and other UK regional economies. Business services /ICT and distribution accounted for growth and productivity rather than tradiional property, finance growth. UK economy 10 years of growth came to an end in Q2 2008 when it entered into recession.
		Guardian	New mortgage lending falls	Down 43% on same time last year	The rate of new mortgages being approved has slowed considerably.	House prices are easing and mortgage lending constrained. Pressure building along with increasing inflationary pressure in UK. Number of First Time buyers lowest since 1980 - 300,000 buyers entered property market this year avg. price £175K. 96% cannot afford to purchase the average house in cities. 20% of mortgages withdrawn from market in April 2008. First down turn in house price in 12 years announced by Nationwide.
Balance of Payments	ONS		UK National Debt increased to 37% of GDP	In 2002 National Debt was 29% of GDP	Increase in debt despite economic expansion in UK	In UK there has been an increase in private sector debt aswell as public sector debt. UK intereesterst rates peaked at 5.75% in July 2007 due to high commodity and food prices - inflationary pressure. National Debt at 37%.
Labour Force Survey	ONS ILO		Unemployment peaked in 1992 at 3m	Long period of economic growth @2.5% 1997-2007	UK unemployment was lowest level in 32 years at the end of 2007. Jobless claimants 813,000 lowest since 1975. Total unemployment 1.64m.	UK has had high employment levels during long period of growth. US sub-prime collapse is impacting UK economy. Public sector funding has been high and private sector service sector supported by ICT innovations has prospered. Real average earning have been rising at 4% a year over last decade.
British Social Attitudes	National Centre Social Reseach		Citizenship survey conducted	Conducted since 2001 every 2 years - know continuous from this year	80% locally cohesive communities 32% safe at night 76% give to charity avg £16/month. 77% concerned about immigration in UK	Issues that are being given priority are immigration, diversity in the workplace and aging aging / young population. Whilst communitie are locally cohesive there remains a divide between communities themselves in UK

	Population	ONS Demographics		Population of UK is growing at a fast rate	Population expected to rise to 65m by 2016 a rise of 7% on 2006	Population of UK is aging. 22% below 16 in 1981 and 15% . By 2006 1m fewer children and 1.2m more elderly people. 10% of population born overseas.	It is projected that population over 65 in UK will rise by 63% to 15.8m over the next 25 years. In 2007 for the first time the aged population is greater than the number of under 16s. This will increase to 22%:18%. 10,000 people over 100 age in 2006. Doubling of population over 85 expected. UK population internationalisation is increasing - ethnic minorities and British people being born overseas.
		ONS Population Trends		Total number of households is 25m	9% increase in multiple households	65% increase in single occupancy households.	People of working age are more likely to live on their own. Projected rise of households to 30m by 2021 of which 1/3 will be single occupancy. There are 17m families in UK - number of mairred couples has fallen slightly but number of people cohabiting is up over 60%. Single parents is up also. Net migration of 180K people into UK.
	CIR Planning	ONS		1.2m sq. Ft of retail space built in England	Similar to last year (1.2m sq. Ft) 930,000sq.ft commercial office; 930,000sq.ft retail; 1.3m sq.ft warehouse space built.	33% built in town centres; 44% built within 300m of town centres.	New rates introduced on empty commercial space in April 2008 means for the first time in a decade new commercial floor space has declined. Closed factories have been demolished where landlord could not pay empty building rates. 4.5m sq.ft factories demolished.
	Retail Sales	ONS		9% of UK businesses are Retail	Retail industry employs 11% of UK workforce	£303bn retail sales in UK in 2007 Tesco accounts of £1 in £8 of UK retail sales	Tesco has grown in UK from £1 in £15 in 1997 to £1 in every £8 of retail sales. Retail sector is largest private sector employer in UK 42% of young people are employed in retail - first rung on the ladder.
		Retail statistics		In 2007 there were 297850 retail outlets in UK	Internet sales accounted for 4% of Retail sales	Grocery multiples accounted for 50% of retail sales in UK	E-retailing is growing at a fast pace 33% growth which is 13 times faster than retailing growth in UK - £10.9bn sales on internet (4%). But grocery multiples remain dominant force in retail sector (50%). Cost of broadband has fallen sharply in last two years helping this increase.
		Footfall		25% increase in shopping footfall in Dec 2007	Consumers reluctant to spend	Retailers slashed prices in December run up to Christmas and early sales.	Savvy shoppers care selecting value - combination of online and in-store shopping choice - value for money.
	Economic and Labour Review	ONS	Industry	Last recession was in 1990/1991.	UK economy is structurally different know and this recession is different to last one.	Last recession saw volume drop in discretionary spending but maintaining non - discretionary spending. Non-food hit but food stores recorded growth last time.	In this recession non-food and non-store sales have done better than food and store retailing. Earnings in this recession have reduced less and off-set against lower interest rates on debt. Flexible working helps less long term unemployed. People behave differently. Food stores record higher rising prices than non-food - the China effect on non-food. Falling prices in non-food. There is an increase in proportion of non-food items in Food stores. Blurring between Food and Non-food hides that in this recession non-food is less pricy but more profitable unlike 1990/91.
		FT	Firm	Feb 2008 - Government announces Northern Rock to be nationalised.	First nationalisation of a British Bank in a quarter of a century.	Shares suspended of the Bank and Virgins proposal rejected by Government.	Northern Rock has £25bn of Bank of England loans. Shareholders in fury as two private sector bids refused by government forcing Nationalisation of the bank and first bank run since 1866.

Period	June 07-June 08	INDUSTRY LEVEL				
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
CC08		GLOBAL				
		REGIONAL				
	7	NATIONAL	Impact of grocery retailing on nation's health	social impact of alcohol and ingredients in products	High street shops and cohesion in communities is being effected by grocery multiples.	There are wider social issues which are beyond the remit of the Competition Commission - UK high street; farming; conditions in developing world; environment; health of population; CC is restricted by statute.
	27/32 38		In 2007 an estimated £110 bn of grocery sales	Nearly 100,000 grocery stores in UK 50,000 Convenience; 40,000 Specialist; 5000 large and medium.	Seven categories of retailers in UK ranging from large retailers to convenience. Large retailers accounted for 85% of total grocery sales.	The largest 4 retailers account for 65% of grocery sales. The share of largest retailers has grown since 2002. There are 311,000 farms; 3600 fresh food; and 6600 food and drink manufacturers in UK. Direct purchases from UK farmers is low.
BBG08	2		32% of adult population are disadvantaged.	Decline of independent stores is having a negative effect	4.4m people think there is lack of good choice in local areas	Counter study claims one third of adults argue decline of independent stores has led to decline of good choice for consumers. Largest retailers offer standardisation whereas what is needed is diversity. Lack of good choice of different specialist stores.
BBG08	4		These trends will continue in the future	There are 25% more people aged 75 and above.	More older people; growth of single person households; larger gap rich and poor; growth in rural (3x) more than urban population; ethnic minority doubled.	The elderly and smaller households is a common trend in UK. These households are trending towards Convenience shops. Also rural growth rather than urban growth. Big 4 are negatively impacting older; ethnic; wealthy and lone parents choices.
	6	INDUSTRY	In may 2006 Office of Fair Trading referred supply of groceries to Competition Commission	Section 131 of Enterprise Act 2002	8 papers published in 2007 and 18 papers published in 2008 - final document produced April 2008	Competition in UK grocery industries is effective and delivers good outcomes for consumers. But several grocery retailers have strong positions in local markets - barriers to entry for other retailers and stronger retailers make more profit due to weak competition.
	6		Transfer of excessive risk and unexpected costs to supply chain	Supply chain pressures are high	Retailers dominate the supply chain.	Adverse effect on investment and innovation of the supply chains of grocery multiples ultimately will negatively impact the consumer. Supply chain practices of grocery multiples remain unchecked.

	6	Recommendation to government and devolved administration	Competition test be applied	Planning of extensions and new stores in local areas should require new competition test.	New 'Competition Test' will favour new grocery retailers over those with large market share in local areas. Large retailers to release land that is held over land sites that can be used by competition - planning consideration changes such as Barker Review of Land Planning Dec 2006 - need test for edge of and out of town sites.
	6	Tighten provision of Supermarket Code of Practice	legally biniding conditions on retailers	Proposal for an Ombudsman to independently monitor grocery multiples	Supermarkets are unlikely to agree to proposal of Ombudsman to monitor the provision of Supermarket Code of Practice. This will receive opposition from the retailers.
	6	Competitive position of Convenience Stores	Association of Convenience stores (ASC) claim unfair competition by grocery multiples	CC findings do not agree and argue that while sympathetic, they do not find substantiated concerns in terms of competition.	CC judgements are purely on the basis of consumer interests and despite evidence that independent Convenience businesses are closing - the CC feel this does not adversely affect consumer interests where grocery multiples are entering the Convenience market sector.
	7	Structural aspects of the industry and practices lead to collusion	There is consolidation amongst suppliers to the retail sector	There is lack of compelling evidence to suggest collusion or co-odination between retailers and their suppliers.	There may still be collusion practices, where the report has no compelling evidence between retailers and suppliers - are the suppliers under pressure and why the consolidation?
	7	Many parties raise Tesco's strong market position as a concern.	CC did not find this to be a concern.	No competition concern over above those that apply to all other grocery retailers.	CC say Tesco's position is not insurmountable other competition can challenge Tesco. The retailer does not exploit market power to the detriment of the consumers. There is a risk that Tesco stores need to face should face competition therefore the planning process is being modified. Location vs other competitive factors? Again a consumer dominant view point?
	8/36 37	Large grocery retailers obtain lower prices	Large four retailers have lower prices from suppliers than wholesalers	Particularly Tesco obtains lower prices from suppliers than wholesalers	As the low prices from suppliers do not adversely affect competition CC did not find water bed effect in the industry. Wholesale industry according to CC is going through consolidation rather than facing financial viability threat. There are 400 wholesalers and buying groups in UK. The 15 largest of these account for 75% of grocery wholesaling and two largest wholesalers account for 50% of grocery wholesale retailing.
	8	Pattern of below cost selling	Large retailers behaviour that is predatory	CC believes acceptable promotional pricing as it reduces the consumer basket cost.	CC notes predatory behaviour by big 4 but believes it is good for the consumer as it reduces basket cost to consumers. Below cost selling and vouchering as promotion representation of effective competition according to CC.
	9	Consumers are adversely affected by local market concentration	Weak competition in local markets	Grocery retailers are able to earn higher profits due to weak competition - which represents 3% of the large four grocers annual profits.	CC concludes consumers are affected by concentration in local markets rather than more competition. Weak local competition allows larger grocers to make more profit. For larger retailers an AEC arises from the planning system which constrains entry. For medium retailers land-holding is an AEC.

	14		To address AEC in supply chain	Implement remedies establishing focus on Grocery retailers with turnover over £1bn	Existing Supermarkets Code of Practice (SCOP) establishing Groceries Supply Code of Practice (GSCOP).	Establishing Groceries Supply Code of Practice based on existing Supermarkets Code of Practice. Need for fair dealing provision is being included indicating lack of fair dealings so far. Disputes between suppliers /retailers and prohibiting retrospective adjustments to terms and conditions. In 2000 SCOP raised 52 anti-competitive issues facing suppliers - 2008 report takes forward 38 of these. Thus GSOP proposed by CC.
	34		Number of specialist grocery stores has declined in UK	Significant decline since the 1950s	Butchers; Green grocers; Bakers; and Fishmongers declined from 40-50K to few thousand each.	Specialist grocery stores have declined over recent decades. Largest retailers earn greater margins than independent stores.
	65		Entry of Lidl stores	Revenues of Sainsburys have been impacted	Lidl' discounter approach is impacting Sainsbury's revenue	Discounter (foreign) are competing with the big four and taking some of the market share.
BBG08	3		Being close to home and ability to walk to use the convenience stores.	It is good to have local convenience stores nearby.	There is still 27% of UK population in households that do not use cars. Three quarters of lone parents use Convenience stores, half of lone parents do not use cars and 69% of single pension households - older people.	Convenience stores suit smaller households. Single parents and elderly persons are more active users of Convenience stores. 45% of elderly, 40% of wealthy, 27% of arthritic and 38% of lone parents feel they do not have good choice of specialist stores. IGD claims increase of convenience stores (1000- 2003-2007) whilst ONS asserts decline of 5000 (2000-2007).
BBG08	5		Post Office closures announced	4000 Post Offices closed since 1999.	Further 2500 post offices will be axed by 2009.	Post Office closure affecting local communities.
RY08	4		Brand vs Own label goods	Independents and Branded names suffering.	Own label products estimated to account for 40% of grocery sales through the Big Four.	Double agent role of Big 4 - competitor and customer of branded products. Buyer and seller power gives vertical and horizontal influence to supermarkets over branded products - growth of own label products by supermarkets.
	9/34	FIRM	Sainsburys and Tesco expansion into convenience market	Existing advantages of brand reputation, low purchasing price and distribution networks.	CC did not find expansion of Tesco and Sainsburys into Convenience sector to be anti-competitive	CC argues that entry of Tesco and Sainsburys into the Convenience sector has benefited competition because the consumer is benefiting. Tesco and Sainsburys own 4.5% of all Convenience stores in the UK.
	10		Tesco has significant advantage	Purchasing terms over other larger retailers and wholesalers	Tesco and to a lesser extent Sainsburys have scaled advantage of lower purchasing costs	Tesco has buying advantage - wholesalers need to consolidate and will benefit from being part of buying groups. Scaling and consolidating - the largest grocers are only opening largest stores - barriers to entry but no adverse affect on competition.

Feb 07 -Feb 08		FIRM LEVEL: TESCO ANNUAL REPORT 2008							
Ref	Level	Event	Processual Changes	Output Focus	Theme				
	1	Global	Tesco is world's third largest grocery retailer	Operations in 12 countries, employing 440,000 people UK; Rep of Ireland; Hungary; Poland; Czech Rep; Slovakia; Turkey; Thailand; South Korea; Malaysia; Japan; China and US.	Group Sales £51.7bn; profit before tax £2.8bn; dividend per share 10.9p; ROCE 12.9% Compared with last year 11% increase in sales, 5.7% increase in profit before tax; 13% dividend growth.	Focus for Tesco remains on growth where compared with 2007 sales and profit have increased, but market capitalisation has fallen - delivering on commitment to Shareholders.			
4/15			We need to manage strategic risk	Five part strategy	Grow core business; be strong in non-food; develop retailing; become international retailer; put community at the heart.	Is business unit Steering Wheel strategy underpinned by risk Core UK; Non-Food; Retailing Services; International; Community - strategy.			
	6		Group capital expenditure rose to £3.9bn	Up form £3bn last year	Purchase of a small number of UK stores from a competitor; investment in new mixed use development schemes and higher international expenditure	Group capital expenditure is rising to £4.2bn due to investment in International business. International cap ex £1.4bn (up from £1.1bn) - 0.7bn Asia; £0.7bn Europe.			
	2		We saw excellent progress across the international business.	International made £700m profit this year.	International contributed over half of the growth in Group trading profit.	We have build a new Tesco serving millions of customers in the past decade - coming of age for the International business. Scale, competitiveness and momentum of international business is established with potential to grow two or three times lager in these markets.			
	2		We have halved our energy use per square footage of selling space since 2000.	Low carbon and energy consumption are a focus for long term sustainability	We have invested £25m in creating a Sustainable Consumption Institute at the University of Manchester.	Investment in academic institution to establish Sustainable Consumption Institute -leading the way towards a low carbon economy.			
	3		Rationale for strategy is to broaden scope	Follow the customer strategy.	Move into expanding markets at home - financial services; mobile; finance and into new markets abroad.	Sustainable growth is achieved by following the customer - diversification and expansion are the two strategies being adopted by Tesco.			
	3		To create strong business models in our chosen markets	To localise our offers and engage with local partners	Use skills and knowledge - understanding customer, property development, supply chain, new product development, store formatting and supply chain in chosen markets	Tesco model of growth seeks to leverage in-house know how with local partners in selected markets. Tesco regularly partner with existing businesses.			
	6		Net borrowings rose to £6.2bn	last year £4.9bn	rising cost of investment in international and more competitive UK market.	Gearing of 52% - rising debt level of business for investment is stretching both international/UK position.			
10/AR24			This year we plan to open 505 new stores	International growth in Asia; Europe and US planned Over 350 stores opened outside of UK	All our established markets are know profitable with local growing scale	Increasing store maturity and supply chain infrastructure is benefitting Group business.			
AR 03/97			Third largest grocer globally	3728 stores; £51.8bn sales; 13 markets; 440,000 people.	UK - 2115 stores, 280K staff; Europe 746 stores, 83K staff; Asia 814 stores, 77K staff; USA 53 stores, 669 staff.	Europe and Asia are growing and US is new market for Tesco.			
	2	Regional	Our new businesses are coming of age	After years of patient investment business model is delivering	Breadth enables ability to cope well with changing market conditions and make necessary investment in US, China and Tesco Direct.	Tesco operates in many diverse markets that enable it to better handle at Group level the local market volatilities.			
3/10/53			International retail business contributes 19% revenue	12 markets in Europe, Asia and the United States. Geographical reporting - Asia (5 countries); Rest of Europe (6 countries) Revenue UK £34bn; Rest of Europe £6.8bn; Asia £5.5bn	Sales contribution UK 46%; Europe 29%; Asia 25%. (UK sales £37.9bn Int 13.8bn) Profit contribution by region - UK 50%; Asia 21%; Europe 29% UK has 2115 stores, international has 1614 stores (total 3729). International floor space 46410 sq.ft UK floor space 29549 sq.ft.	International business contributed 54% of the Growth to Sales and 50% to profit. Total international sales grew 25%. International has grown faster than UK in recent years and is making significant contribution to Group. UK remains largest segment sales+profit, and is more than 4 times larger than RoE or Asia. Acquisition and organic growth - 6.2m sq.ft opened in Europe and Asia.			

2		Striking improvement came in the strengthening positions in our chosen markets.	More selling space added in International markets than in the U.K.	6.5m sq. ft of selling space added to international business. Growth of international business is outstripping growth in U.K.	Focus is on combining organic growth with selective acquisitions in international markets, such as Poland, Czech Republic and Malaysia.
2		We are making strides towards a revolution in green consumption	Being green will be a good way to grow and add value for shareholders whilst discharging responsibilities to other stakeholders.	Tesco is taking a lead in Green investment as a shareholder strategy and to minimise impact from other stakeholders.	Adoption of Green technologies and strategies targets shareholder benefit as a priority.
3/11/AR13		We have begun operations on the west coast of the United States.	Fresh and Easy branded stores in the U.S.	Tesco has entered the U.S. market using a completely new brand / logo rather than the Tesco brand. First stores opened in November and there are 60 trading. Stores in US are 10,000 sq.ft with 3500 products - smaller store format and focus on freshness.	Tesco enters the U.S. marketplace using a completely new logo - Fresh and Easy. 1.5m sq. ft space planned to be opened in U.S. There is a need to build brand in US. Sites are being secured but effected by deteriorating property markets. Loss of US business is £62m this year - pre launch costs include training staff for stores. Next year expected loss £100m. Smaller US store format and limited range - do US people get the fresh concept which appeals to UK marketplace more?
AR15					
4/10 AR24		Results from China are consolidated and incorporated for the first time in full year results.	China represents 6.4% of total international sales.	China contributed \$702m to International Sales. We launched a new range of products in China -134 Grocery/fresh lines and 641 non food lines. Three regional directors in China - non centralised approach.	China made a small profit this year. We have full control of our business there now. Increase scaled freehold investment planned in shopping centre in China. Change of status of China to subsidiary in reporting. New product lines based introduced in China - 20% cheaper price based competition. Because China is large - regional non-centralised management.
10/60		Performance of international business has been outstanding	China majority ownership and management control is our own know. Retailing environment in Japan remains difficult Homeplus in South Korea delivered excellent results. In Malaysia Makro stores integrated and converted -strong like for like growth. Tesco lotus has performed well in Thailand. Acquisition and integration of Carrefour stores in Czech last year. Economic backgorund of Hungary is showing siggnis of improving. Non-food distribution centre opened in Slovakia. Turkey is perofrming very well - further expansion planned.	56 hypermarkets - Shanghai; Beijing and Shenzhen/Guangzhou regions. Small but profitable business in Japan Challenges of stronger competition and subduced consumer market in South Korea - sales up 125%. Malaysia moving into profitability for the first time. Good performance in Thailand despite political and economic instability. Tesco is growing into leading position following swap of assets with Carrefour in Czech. Ne store programme delivered 12% increase in space 4 hypermarkets, five 3K, 12 1K stores in Hungary. Developing national chain in Turkey.	First four large freehold developments will be constructed this year. Strengthened management team inJapan, modest new store development programme - trialing Express stores. 1m sq. ft. space added in South Korea strong programme of 76 new stores, we will double size of Express business in 2008/9. We have six major refits in Malaysia and have become profitable and market leader here. Pipeline of 8 new hypermarkets planned. 106 stores opening in Thailand - Tesco Lotus doing well despite political /economic instability. In Central Europe emerging from long period of economic instability and intense competition. First Express store opened in Cental Prague and integration of Carrefour acquired stores (swap Taiwan) Poland - integration of Leader stores like for like sales gorwth of 43% from converted stores. Slovakia market leader in stornig economy and new non-food distribution centre. Plan to grow space by 60% in Turkey, new distribution centre - major expansion of Express store to add to 26 hypermarkets.
AR08		We added over 6.5m sq.ft of new selling space overseas this year	Three times as much new retail space opened up internationally than UK.	International business has established scale - we plan to open up 11.5m sq.ft in the coming year with 80% of this outside the UK	Growing international investment in space and Store-chain building in different global markets. UK growth is more organic / diversification whereas International growth is faster and JV based. 60% of Group sales area is know International - bigger space wise outside of UK but core remains UK.
AR13/ AR24		This year we launched clubcard in Malaysia	We have 1 million clubcard members in Malaysia We opened fresh food distribution centre in Malaysia, Japan and China	Clubcard rolled out to Malaysia and China this year - 5000 new customers a day added Total of 3.7m customers on clubcard. Investment in distribution centre in Malaysia.	Clubcard extended to international markets - Malaysia and China. In the next year we plan to lauch Clubcard versions in Thailand, Hungary, Turkey, Slovakia and Czech Rep. Supply chain investment /ownership strategy as part of developing international chains- distribution centres.
AR23		We have established our own supply chain for Express Stores in Thailand	Investment in intgenational businesses	Investment into supply chain and sourcing of products in international markets	Supply side investment and development of chain - horizontal and vertical integration of international businesses.
2/11	National	We are entering a kind of market conditions where customer are looking at Tesco for help.	Higher mortgage bills, fuel and taxes are impacting UK consumers	Tesco is focused on offering lower prices, shorter queues and healthier products.	Consumer market is tightening as living costs have risen and disposable income is lower in UK. Severe weather impacted during the last year.

2		Impact of floods and household insurance.	TpF business profits were less due to high claims and a difficult financial services market.	TpF recovered growth with support from growth on online platform (internet).	Changing preferences and format for consumers towards technological driven platforms for what were once considered more personal, face to face experiences.
2/AR09		Our target to reduce the number of free carrier bags issued to UK customers	One billion less bags were given out to customers in the last 12 months	25% less free carrier bags were issued to customers in UK during the last year. We are on track to reduce by two billion carrier bags this year.	Gradual persuasion adopted by Tesco to change consumer expectations towards free carrier bags.
12	Industry	We are continuing to work with the Competition Commission	Final stages of inquiry into the grocery industry.	Grocery multiple sector is highly competitive and regulations are increasingly a focus. Consumer concerns, collusion concerns between oligopolistic players; and pressure on supply chains have been growing in recent years.	Outcome of Competition Commission inquiry awaited - Tesco believe this stifles pace of innovation - Consumer and Supplier concerns remain high. Frequency and number of inquiries into Grocery Multiple sector has grown.
13		We are one of four signatories to UK Government statutory Supermarkets code of Practice	Tailored training programme for buyers.	We appointed a Code Compliance officer three years ago to hear formal complaints, confidentially if requested.	Issues of supply chain in recent years introduced statutory code. Ethical audits includes high risk own brand suppliers - introduction of Sedex risk assessment in Sept. 2007 resulted in many medium risk suppliers being categorised in high risk. Further resources are needed to improve the audit programme to cope with higher number of suppliers and audits.
14/AR09		We have made significant progress this year on the Community plan	Our continued inclusion in FTSE4Good and Dow Jones sustainability index.	New environmental stores in UK and energy saving technologies in 6 countries reduced bag usage; selling energy efficient light bulbs; nutritional information; staff have raised charitable donations	Is Community Plan tailored to self benefits and maximum impact - more meeting of the regulations and avoiding costs and penalties or gaining financial benefit. Responsible approach to Alcohol Govt initiative'
2	Firm	It has not been an easy year for our core business.	Recovering competitors and cautious consumers have made sales grow harder in UK	Focus on productivity mix, and margin control - we delivered good results despite a slower end to last year, but better beginning of this year.	Recovering competitors and cautious consumers focused firm on productivity in UK. After a slower end to last year, performance in early part of this year has been good - solid progress under difficult market.
2		We have made pleasing progress in non-food	Core general merchandise grew well.	General merchandise is less sensitive to economic cycles - we added electrical, furniture and DIY to non food.	Diversity of ranges and products available under the Tesco brand is growing into new areas.
AR20		Tesco.com internet business extended internationally	We cover Ireland and South Korea	200,000 customers in Ireland and 580,000 customers in South Korea.	Online retailing delivered to your door concept in growing internationally, where available.
2/12/13		First full year trading of Tesco Direct	Online and catalogue non-food business has grown well.	Growth has been contributed to by a greater on-line firm presence and growth of use of online platform by consumers. This has benefited the range of diversity and types of non-food products that can be offered competitively to existing food retail customers. Tesco Direct has grown from 8000 products to 11000 products online and 7000 in the catalogue. Tesco.com 20% new customers; Tesco Telecoms sales up 39%.	Tesco Direct is successful in UK market where access to internet and consumer usage of internet is greater. This is allowing Tesco to offer wider range of products and services - Tesco finance and Tesco mobile success is more dependent on online / support customer care format rather than in-store experience. Tesco.com the online food retail experience continues rapid growth. Higher end and broader mix of products being offered and service level is improving. Volume (market share) profit based growth. Tesco mobile -third largest retailer of PAYG phones.
AR21			Services businesses added breadth -Dotcom online grew 30%. Tesco mobile and Tesco telecom moved into profit for the first time. Tesco Finance performed well this year - 20% increase in online sales, new products. Profits are flat. Tesco.com - online retailing continues rapid growth		
20/24		Board consists of 7 Executive and 7 independent Non-executives.	Board meets 8 times a year and devotes 2 days to strategy conference. Tesco has a successful and stable Management Team	Board usually holds one meeting overseas each year to facilitate Director's understanding of Group's international operations. David Reid and Terry Leahy longstanding partnership.	Long term Relationship between Chairman and CEO. Flat business structure - 6 layers checkout to board. Many senior Directors started careers on Shopfloor. Leading shareholders represent 70% of issued shares. Long term stable board.
AR16/AR27					
12		Sales of Tesco Direct are growing	£180m sales against target of £150m	Customer desks in 200 stores; start-up costs and operating losses were £25m for Tesco Direct.	We expect operating loss to reduce to £20m for Tesco Direct this year.
13		TpF is 10 years old Tesco.com had an excellent year	1:4 joint venture with RBS 31% increase in sales to £1.6bn and 49% increase in profit to £124m	Substantial increase to 1.7m new customers; increase in range to 26 products - credit cards; pet insurance; bureau de change, health, dental insurance and internet accounts 20% increase in new customers for Tesco.com	Majority of TpF products are available online where 50% of new sales are now made. Improving order picking and delivery to customers at Tesco.com Bagless delivery represents 40% orders for Tesco.com

5	Increased productivity and good expense control enabled us to maintain solid margins	Despite challenges and absorbing operating losses	£90m losses absorbed from Tesco Direct and losses from establishing U.S. operation	Pattern of trading in UK was unusual - recovering competitors and subdued demand. UK business absorbed losses of Tesco direct and US operations UK business remains core business and performed under difficult market conditions.
3/8/9/53 AR30	UK grocery retail market remains our largest source of revenue.	Total of £51.8bn of sales this year. UK reported separate to International UK trading margin 5.9%; UK grocery market share 21.8%; non-food market share 8.5%	46% of revenue; 50% of profit came from UK. The international retail business generated 19% revenue and remainder came from non-food; and services businesses telecoms and finance. UK reporting includes start-up costs of US business which will be reported separately going forward.	As a discounter - Tesco has a relentless attitude to being a low cost provider of goods and services in chosen sectors - low cost model - competitive and profitable business models. UK advanced marketplace remains primary revenue source for Tesco - Tesco competitive dominance resisting competitive pressures. UK trading margin (5.9%) is higher than international (5.6%). Market share grocery/non food both grew 0.8%/0.5% in U.K. - Tesco slightly stretches leading position. US and Tesco Direct start up costs absorbed in UK reporting this year.
6	UK capital expenditure was £2.5bn	Last year £1.9bn	£987m on new stores; £457m on extensions and refits; £200m relating to US operations	Slower growth in UK market - competitors are recovering and consumers are cautious. UK operation is focused on diversification within stores into new areas.
6	Share of profit from JV was £75m	This is a decrease of £31m on last year	Profit realised on sale of Weston Flavell last year to third party.	TpF made profit of £128m of which £64m was Tesco share. £31m higher claims linked to summer flooding Yorkshire and Midlands.
7	Latest round of price cuts and promotions in UK			TpF under the new management team has growth potential.
7	Releasing value from Property	£5bn programme to release value from property continues	We completed third deal in Feb 2008 with Prudential realising £207m.	Tesco strategy to use property value to fund expansion and share buy back scheme. Net book value of fixed assets £19.8bn; after programme market value of assets is £31bn (57% premium).
9	Employee retention rate remains 84%	Last year it was 84%	Majority of staff stay longer than one year with the company.	Employee loyalty and retention of experienced staff is at its highest at Tesco.
9	Reducing CO2 target for this year was 5.5%	This is a new measure that has been introduced.	Actual achieved was CO2 reduction of 5.8%.	New focus on reducing CO2 emissions introduced for existing buildings.
10	Pan European work done on sourcing.	Central Europe faced economic instability and intense competitive environment,	Sourcing of Tesco own brand products and general merchandise has strengthened group infrastructure.	Significant work has been done on sourcing own label products in Europe which is a highly competitive marketplace.
11	New distribution centre opened in Ireland	740,000 sq.ft. distribution centre in Ireland.	Pipeline of new stores added to existing 6 hypermarkets, 12 Express stores	Tesco is proving popular in Ireland and is building a chain of stores there supported by a new distribution centre.
11	In the current year we expect trade and business to be harder	Family budgets have become increasingly stretched	£170m of price cuts have been announced in UK, in addition to half-price and other promotions	Highly competitive and price sensitive marketplace in U.K. Customer numbers and spend per visit have increased. Prices cut on 7500 products this year and in last decade - Price Check survey has become important focus.
11	Every Little Helps	Technology investment is significant to improving productivity and customer service	7500 product price reductions in last decade. Thermal imaging technology at Check outs; Queue reduction for customers - one in front promise; Shelf availability and lead times have improved.	Technology has become critical to delivering improved customer service - gathering knowledge about habits / needs of customers and efficiencies. This has been translated into back end supply chain improvements on delivery, freshness and availability of stock in store. New check out technologies.
11/ AR19	Growth of Food categories	New updated ranges launched and focus on Healthy living.	Healthy Living range; Organics range; own label Finest is UK's biggest brand with sales of £1.2bn. Events being held for Value range products. GDA labelling for customers.	Consumers are becoming increasingly conscious about the ingredients of products and more choosy about the food that they buy. This has impacted product development; labelling of products and ranges which are more aligned to consumer demands. Range of products is much wider than before.
AR19	We sell 200,000 litres of local choice milk each week We sell 250 Polish products in 500 UK stores.	Local sourcing of high quality British products. Different local stores vary in their product ranges to suit local needs.	Local choice and international settlers in UK - Polish products have been added and have become best selling ethnic products in our UK stores.	Selective local sourcing of UK products in larger quantities - demand outstrips supply. Adding international product lines - Polish products in UK (Tesco is established in Poland - cross pollination and market know how. Profiling of local needs of customers to stores - range diversity

12/AR30	We delivered record efficiency savings of well over £350m in the year.	Step-Change programme brings together many initiatives to deliver higher savings.	Energy saving across the business -absorb utility costs; Supplychain and shelf ready products - productivity methods improvements; new check out technologies for faster and more accurate service.	Increasing focus on efficiency gains through scale business. Productivity initiatives and efficiency savings - focus on reducing costs within supply chain and in-store operations. Efficiency savings record level this year.
12	We employ 3000 employees at our Hindustan Support Centre	Bangalore based support services to IT and administration.	Accounting and payroll and software support is in a low labour cost country which offers english language communication.	Alternative format to out-sourcing is to employ staff and retain control within a low labour cost economy which would have been more expensive in UK
12/97	We opened 2m sq. ft. of new sales area space in UK	Tesco has 1608 Extra, super and Express stores in UK ; 2100 total stores in UK.	489K sq.ft. in store extensions; 19 new Extra hypermarkets (9 from extensions of smaller stores) - total of 166 hypermarkets.	Extra stores (largest format) represent 41% of total sales area. Further 11 stores are planned this year. 17 new superstores and 103 Express stores opened. Growth at top and bottom end - Extra / Convenience formats.
12	Non-food grew less rapidly than in previous years.	General merchandise was resilient despite number of categories facing weakened demand	Tesco are improving offerings in non-food Quality; breadth and value. Group non-food sales rose 12%, in UK this was less at 9%. Health and Beauty and Consumer Electronics performed well	Tesco is outperforming market in Non-food but growth in UK is slower than International. Range, breadth and value of offerings need to improve in some categories such as clothing. Diversity of non-food offering continues to broaden DIY; furniture; entertainment.
12/69/90	Acquisition of Dobbies Garden Centres	Majority share of 65% completed at the end of the first year	Plan to turn Dobbies into a National business and become a platform for encouraging Green solutions - water recycling; wind and solar power. £150m raised through new share offer.	Acquisition and development strategy towards Green solutions - majority stake in Dobbies Green Centres - aligning potential with customer needs and wants.
69	During the year Group purchased additional share capital	Increased share in dunnhumby; Tesco homeshopping and Hymall	China venture is know 90% owned and Dunnhumby is 84% owned by Tesco.	Tesco gradually buys more of International business JVs and data services business. Initial JVs followed by growing share of the businesses - dunn humby; China.
13	Clubcard helps us understand customer wants	£380m in Clubcard vouchers	Plan to launch Clubcard in Thailand, Hungary, Slovakia and Czech Republic	We don't always get it right but we try and make our customer's shopping trip better - clubcard data on customers growing.
13/56	Our people are our most important asset	We have 440,000 staff in 13 countries UK 282868; RoE 83705; Asia 77554 employees. Developed a range of training programmes.	Looking after our staff so that they can look after our customers and we encourage our suppliers to do the same. 10,000 staff increase in each UK; RoE; Asia. Options - tailored training programme helped fill 3500 management positions in UK. Rolling out Options training Internationally.	Internal culture of Tesco is to be market leader and this extends to supply chain. Staff values of Tesco geared towards market leading packages. Growing business has increasing number of employees - @ 25000+ staff added this year globally - flexible employment trend. Staff absence rate reduced this year by 5.5% and 10% in depots; lower labour turnover rate also. Options training programme helped fill 3500 management positions in UK.
16	1.8million people work in over 90 countries work for direct suppliers	we require suppliers to meet strict criteria on labour standards and are a member of ETI	To minimise risk we work with suppliers who can demonstrate that they are committed to ETI code and share our values.	Labour standards and supply chain issues are a focus of investment and deemed a risk to the business. Is this for compliance or genuine concern?
19	Cash donations to charities amounted to £22.65m Total contributions to community projects £54m	Last year £17.69m Lat year £43m	No political donations - but Group made contributions of £45,000 (£41K last year) to sponsor political events - Labour £13K; Liberal £5K; Conservative £5.7K; SNP £2000; Fine Gael £1300; Plaid Cymru £450 and Trade Unions £16000	Contributions to community project and cash contributions to charities are high but remain unclear. Whilst no political donations were made - the events of political parties were sponsored.
25/29	Remuneration committee concluded a rebalance of incentives was required.	In the past year the Committee reviewed the Group's existing arrangements due to strengthening of the International business and increasing diversity.	Establishment of Group new business incentive plan - 4 to 7 years into future. Additional element into 3 year Performance Share Plan US incentive plan - Mr Mason CEO of US business	Short term bonus of US CEO and Terry Leahy have been increased to 150% of salary. Incentivised short term performance / long term plan for Executive / Board pay. Board is well paid compared with competition - Performance based packages. Attract, retain talent and drive performance of new businesses.
55	Inventory and Stock costs have risen	Inventory £31bn last year; Stock losses £0.58bn	This year inventory is £35bn; Stock losses are £0.7bn	Inventory and stock costs have increased this year.
56	Auditor was PWC	Group audit cost reduced from £5.6m last year.	This year audit was £5m	Audit fees slightly lower this year.

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64	Goodwill component in each country has increased	£1.586bn Goodwill component	This year £1.8bn Goodwill which include UK (£571m); China (£376m) and Poland (£394m).	Carrying value of goodwill has increased internationally for Tesco in all markets. US not included.
AR12	There is a strong culture at Tesco underpinned by our values.	We work as one team	We introduced a new staff uniform this year in UK	New uniform will be rolled out to stores and depots in UK this year.
AR12 AR25	Community Champions introduced in 2007	Community champions spend half their time with community activities	Idea of Community Champion is being rolled out from 22 trial stores to 52 stores.	UK innovations are a source are a source for ideas for larger scale / international business - Community Champions; Staff viewpoint listening; Options training programme.
AR17	We have developed theTesco Operating Model	Set of back office common retail processes and systems developed over four years	Supplier, price setting, distribution, finance and pay roll systems - implemented in Turkey and will be rolled out to four other countries next year.	Operating Model for back-office systems desigend and rolled out in UK and rolled out to international countries - we expect to have most of the Group running on this by 2010.
AR25	The type of sites we invest in has changed to customer needs	We have an established site and property acquisition team	New plainning policies in UK - in town centre investment or edge of town sites. new space for Express convenience stores.	Tesco does not use commercial developers - in house teams decide planning / property decision making. Planning policy in UK keeps changing. Latest innovations in store design also in UK.

Period	March 2007-March 2008	FIRM LEVEL REPORT: SAINSBURYS ANNUAL REPORT 2008				
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SAR08 Chairman Statement	pg 02/04	Global	Completion of the Make Sainsbury's Great Again (MSGA) recovery plan.	MSGA recovery plan was announced in October 2004 - three year plan.	Actual sales growth in last three years was £2.7bn by March 2008 which exceeds the target of £2.5bn. Profit this year was £488m - more than double the £238m in March 2005. Savings of £440m; 13 quarters of sales growth; 2.5million additional customers shop at Sainsbury's (14-16.5m).	MSGA completed. Targets exceeded in a challenging market. Targets are supported by inflation which benefit artificial rise in prices and profit. Sainsburys is U.Ks third largest food retailer (Tesco:Asda: 1,2). MSGA cost savings programme off set rising energy prices and investment in price and product quality.
	pg 05		Recovery to Growth plan	Phased in March 2007 - overlap of 1 year with recovery plan.	Great Food at fair prices; Accelerating non-food; extended reach via new channels; growing supermarket space; active property management	quality products at fair prices sourced with integrity; principles of quality, value and innovation; extend brand reach via new channels; expand store estate;
	pg 15/56 /62/64		Group net debt was £1.5bn Total borrowing is £2.2bn	An increase of £123m on last year Short term £118m; Long term borrowing £2bn	Total Group equity of £4.3bn ; Gearing reduced year on year 30% Fixed rate loan £1.159m @ 4.97% 2018; Inflation linked loan 2036 - £867m.	Debt due to investment in JVs and store improvements; gearing reflects improved pension scheme position (£97m deficit last year - £500m surplus this year). Favourable bond yields. Expected net debt to be £1.6bn next year.
	pg 21		There are 1.7bn ordinary shares in issue - LSE	Family; trusts ; Pension funds and Investment Fund interests	Qatar Holdings (24.97%); Credit Agricole (3.2%); Judith Portrait - other & charitable trusts (4%); Legal and General (4%); Lord Sainsbury's (5%); Vidacos Nominee Ltd (5%).	Shareholding reflects takeover bid attempt by Qatari Holdings whom currently remain invested in Sainsbury's.
	pg 02		Speculation concerning the potential takeover of the company.	Majority of 2007 had speculation that Sainsbury's would be taken over.	US based consortium of CVC, KKR and Blackstone considered a takeover bid but remained undecided. Reportedly a bid of 582p was rejected by Sainsbury's family (who own 18%).	Recovery of Sainsburys to profit plus £7.5bn valued property portfolio made company an attractive proposition for takeover. First bid by US consortium never materialised - suggestion being the family wanted 600p rather than 582p (actual share price 526p).
	pg 02/15 /47		In Nov 2007 Delta Two's plan to make an offer were withdrawn	Delta Two a Qatari backed investment fund pulled out at the final financial planning review stage of making an offer.	Bid of £10.6bn required debt financing from volatile credit markets which coupled with Pension commitments Delta Two felt was too risky.	Justin King's recovery plan remained on course despite difficult speculation and uncertainty during the year. Delta Two still owns 25% of Sainsburys Shares. Sainsbury's share fell 20% to 440p after bids not materialising. Group incurred cost of £7m related to Delta Two approach.
	pg 16		Group capital expenditure was £800m	Up from £631m last year	£308m new store development; £424m extensions and refurbishments £168m worth of freehold property acquired - of trading sites.	Strategy is that Sainsbury's believes that sites have development potential as asset value Investing in aquisition and development of sites for longer term.
	pg 17/22 /30/75		Group employs 150,000 colleagues.	39500 employees are shareholders in the company; 25000 employees participate in SAYE share scheme; 10547 employees on CSOP - Colleague Share Option Plan; ESOP - Executive scheme.	CEO owns 390,000 shares.	26% of employees own shares in the company. But CEO has largest employee shares. MSGA one-off incentivised scheme based on three year target of £2.5bn sales.
SAR08	pg 02	National	Business conditions have become tougher in the last nine months	There is a consumer slowdown evident in the UK economy.	Cause of slowdown are linked to weaker prospects of the UK economy	Credit squeeze and GFC have impacted consumer spending in the second half of the year. Tough trading conditions

	pg 08		Consumers face increasing constraints on household spending.	Sainsbury's is emphasising value at fair price	Budget meals 'Feed your family for a fiver' and quality of food Different Value' campaigns.	The message being is that consumers do not have to compromise on quality when shopping on a budget. Consumers are buying both 'basics' range and more 'premium products' but are more savvy in their decision making choices.
	pg 02/08 /15/47	Industry	Findings published by Competition Commission at the end of April 2008	UK grocery market is delivering a good deal for consumers - Competition Commission conclusion. OFT fines Sainsburys £26m in milk price fixing collusion where they were over charging consumers in light of foot and mouth in UK impacting farmers.	Recommendations include 1) the introduction of competitive assessment in planning process 2) Retailers should adhere to a new Suppliers Code of Practice . Price fixing collusion scandal - OFT.	Protection of local markets and suppliers from exploitation is a concern. Retailers lobbying OFT to avoid formation of new ombudsman. Consumers are getting a good deal according to Competition Commission (price). There is a need to improve choice for consumers. Sainsbury's monitors 15,000 prices on a weekly basis to maintain price competitive position. £27m - fine associated to OFT dairy inquiry for which Sainsburys accepts collusion with competitors (see CR report below).
	pg 30		ED and Directors should build up shareholding of equivalent to 1 year's basic salary.	CEO has 153% which is more than other directors. Structure: Chairman has appointment letter -no service contract CEO has service contact 12month notice	Chairman appointment can be terminated with 6 month notice. NEDs are paid £50K cash plus £10K extra for SID; initial 3 year apintment; NEDs can be terminated with 3 month notice or can be extended by shareholder elections.	CEO salary is £850K basic plus bonus;pension;benefits - £2m/yr. Executive Directors £300K -£500K basic; NEDs -£50K Committee considers market cap. £3-£10bn and sales revenue in deciding basic salaries - industry comparatives as justification.
	pg 03		UK National grocery retail market was valued at £123.5bn (2005/6)	Forecast growth of average 2.8% to £141.5bn by 2011.	Sainsbury's market share has strengthened to 14.8%.	Sainsbury's is stronger in food (2nd) than in non-food (3rd). Market share has improved and the focus is on growth. This year growth in North East, slight decline in South East. Nationally, South East @20% whereas Scotland 6%.
	pg 07/CR17		Sainsbury's voted Supermarket of the Year National Consumer Council 'Green Grocers' Compassion in World Farming	Retail Industry Award for the second year running Highest mark awarded for environmental performance Most improved supermarket - animal welfare	Consumers have become concerned with nutritional benefit of individual foods. 5000 Products with Nutritional traffic light labelling Palm Oil used in own products from sustainable sources - Fish Fingers and Soap MSC approved.	Sourcing with Integrity, Nutritional concern and Environment are an increasing consumer priority for the industry. Own labelled products meeting targets in line with govt. Regulations. Recycled bags will be 50% recycled; snacks fried in sunflower oil; drinks without sweetener, etc.
	pg 08		We have removed artificial colours and preservatives from our 12000 'Own Label' products	regulatory pressures and consumer awareness both driving ingredients changes to 'Own Label' products.	artificial colours; flavour enhancers; sweeteners; saccharin; benzoate group of preservatives removed from 'Own label' products.	Food Standards Agency and Consumer awareness has forced supermarkets to change ingredients within 'Own Label' products.
	pg 13		Group is changing the way it measures retailing space	This is to be in line with Industry practice	The checkout space will no longer be included in space measurement.	Group's retailing space will be measured as 10% less due to changing the way retailing space is measured.
SAR08	pg 03/12 /13/14	Firm	Sales £19.2bn (up 5.8% on last year); Underlying operating profit £535m; PBT £479m. LFL sales up 4.4% of which 0.8% came from extensions.	Chain of 504 supermarkets and 319 convenience stores; Sainsbury's bank. A large Sainsburys has 30,000 products and is increasingly offering non-food products/services.	UK's longest standing major food retailing chain (1869). Brand heritage - healthy, safe, fresh and tasty food. LFL sales up Q1: 5.1%; Q2: 3.1%; Q3:3.7%; and Q4: 4.1%	Sainsbury's differentiates itself by offering a broad range of great quality products at fair prices. Emphasis on fresh food and strong ethical approach to business; continuous leadership and innovation. Sainsbury's had improved sales growth (5.7%); retailing profit growth (24%) and . operational gearing.
AGM statement	pg 2/5		AGM held at NIA in Birmingham	3 re-elections of Directors; 2 new Directors. Mike Coupe previously MD of Iceland and with Asda/Tesco experience ; Mary Harris from McKinsey;	Phillip Hampton reelected as Chairman; 2 NED's re-appointed. 1 ED (Mike Coupe) and 1 NED (Mary Harris) appointed.	Mike Coupe moves from operating board (since 2004) to executive board -internal move. Mary Harris appointed as NED from outside. Succession planning of board - steady changes.

pg 86	Retail statistics for 2008	Total 823 outlets with over 16K retail space	over 55k sq ft - 24 stores; 40-55k sq ft - 130 stores; 25-40k sq. Ft 161 stores; 15-25k sq. Ft - 100 stores; under 15k sq.ft 408 stores.	Sainsburys sales intensity has improved slightly to £19.69/sq.ft Number of smallest stores has grown most reflecting recent acquisition and convenience sector Larger 40K sq.ft stores have also grown more gradually - expansions and purchase of smaller stores.
pg 47	Average number of employees is up.	49000 full time employees; 101000 part time employees	Full time equivalent of 98,000 employees.	Part time employees more than full time. Changing trends in UK.
pg 71	Group currency exposure £16m	Euro trade creditors £12m and US denomination creditors £4m	UK based and operated company with international supply base	Small currency risk reflects mainly UK operation - international suppliers.
pg 52/81 /83	All subsidiaries are 100% owned	Bell stores; Jacksons; JS Insurance; JS Information Systems; JS Suermarkets; Swan Infrastructure - Group aquired 100% of S.W. Dewsbury Ltd in Nov. 2007	Group structure is UK National company Insurance business registered in Isle of Man Paid £3m for Dewsbury Ltd	Sainsburys has acquired smaller chains as part of its growth strategy. These are then integrated into the Sainsburys brand Sale of 5% to HBOS in bank makes Bank a JV know rather than Sainsbury's subsidiary. Previously 55:45 - know 50:50 JV with HBOS.
pg 06	We have strengthened our operating board.	Four new Directors have joined Sainsburys. Supply chain Director in new role - Retail and Logistics Director.	They will oversee IT and Change; Commercial Services; Property and Strategy as the business moves from Recovery to Growth phase. Strategy of consolidating store and depot operations under Directors.	Change of phase from recovery to growth has been supported by development of structure and new board members.
pg 24	The Board agreed that the Company secretary will conduct the Board evaluation this year.	Company secretary agreed objectives with Chairman and prepared a questionnaire administered to each Director to discuss Board Role; Structure and Process.	SID reviewed Chairman; Co. Secretary reviewed Board;	Board evaluation conducted by Co. Secretary is an internal process which concluded satisfactory progress with areas of improvement.
pg 23	Board consists of 3 exec; 6 NEDs; 1SID; Chairman	Board met 16 times in the year	Two day strategy conference as usual plus take-over bid meetings held.	JV projects; takeover bids (2); merit of separating freehold property ownership from Retail to develop business; Competition Commission investigation into Retail sector - board matters.
pg 25	Justin King (CEO) chairs the Corporate Responsibility Committee	CR report will be published later in the year Auditors are PWC and were paid £0.7m for non-audit services and £0.8m for audit services.	Association on British Insurers makes recommendations relating to material risk, control and processes, brand reputation.	Responsibility is guided according to insurance of risk and CR committee headed by CEO - is this a conflict of interest? Restricted PWC auditors engagement in relation to non-audit services - is this good or protectionist action?
pg 25	Audit Committee reviewed the company's Whistleblowing policy'	Audit committee would have a legal perspective on whistleblowing?	Audit Committee confirmed that arrangements are in place for employees and suppliers to raise concerns in confidence.	If Whistleblowing procedures are in place - why did CC recommend Code of Conduct with Suppliers? Shoud Audit Committee be the reviewer of this procedure?
pg 27/28	Remuneration Committee fomulated a new incentive framework	Extensive consultation process with shareholders and institutions.	Value Builder framework - financial and capital efficiency; a common focus for top 1000 managers; retain and motivate talent; provide opportunities for exceptional performance.	Executive Directors basic salary increase by 2.5% this year. Justin King @ £872K/year basic; 50-60% incentivised performance; annual bonus of 150% of basic for CEO only; 1000 managers on long term incentivised plan 3-4 years share schemes.
pg 06	Property team has been strengthened.	Sainsbury's property assets have enabled investment and change Previous outsourced contracts being brought in-house.	New division has been created dedicated to property management and joint ventures of property assets. Renewed focus on growing supermarket space.	Growth of property assets; new property division to oversee asset development and joint ventures; New division will deliver efficient capital spend through building inhouse capability of procurement and planning along with more efficient design and property construction. Group strategy to sell mature developed assets and invest in under developed assets.
pg 10/14	50:50 Joint venture with HBOS in February 2007 in Sainsbury's Bank	Bank was re-launched with a product offer more inline with customer aspirations. £15m invested in share capital.	CEO of Bank retired this month. Underlying debt position has been improved. Bank loss £3m. New CEO former Head of Loans.	New CEO of Bank. Bank relaunched with better products and as JV with HBOS. Group expects small profit next year.

pg 10/20	Growing presence in the Convenience sector	In March 2008 new Head of Convenience Operations appointed joined Sainsbury's from Tesco.	During the year 27 convenience stores were opened ; six were closed; one was extended and 15 refurbished. Total of 319 Convenience stores. Of the 168 Bell and Jackson stores 132 converted to Sainsbury's Facia - the remaining 36 will be disposed off -9 to Co-op; 27 to Martin McColls.	Sainsbury's brand established in Convenience sector following acquisition and branding of the stores. Convenience sector has performed well and national chains are establishing in smaller formats as Supermarket compete in this sector. Major Convenience branding 'LOCAL' stores completed this year with 132 conversions. New Convenience Director from Tesco.
pg 11	We have ended our agreement with Shell UK	Sainsbury's Local stores operated on 24 Shell petrol forecourts.	Return on investment was not satisfactory for either party. 21 stores will return to Shell; 3 will trade as Sainsbury's	Sainsbury's discontinued with agreement with Shell for local stores at petrol stations due to unsatisfactory returns. Forecourt stores only successful in densely populated areas or where there is little competition (villages). Low returns for two parties.
pg 03/10	147 stores now operate an internet based home delivery shopping service.	Increasing coverage to 151 stores by April 2008. Electric Zero Emission vehicles being introduced for delivery.	85% of UK postcodes covered by online delivery business. 90,000 customers each week - forty percent increase on previous year.	Online non-food will be offered by 2010 - £15m/year investment next two years. Online shopping is a growing area for the business.
pg 03	Sainsbury's bank is jointly owned by HBOS and Sainsbury's	It serves 16.5 million customers each week.	Sainsbury's bank has low operating costs and offers good value products and additional benefits.	Low cost base and simple accessible business model for bank is working well.
pg 02/49	Full year dividend of 12p	23% increase of dividend on last year	Positive prospects for the firm despite volatile share price during bid considerations (April / Nov 07).	Sainsbury's management team and colleagues delivered good results against a period of uncertainty concerning potential take-over speculation. Steady increase in dividend paid out.
pg 02/50	We have made progress in managing our property assets	Creation of two strategic joint ventures	Unlock potential to develop stores significantly and improve customer shopping experience. Sell developed assets and invest in under developed assets.	Effective property management is closely aligned to building shareholder value. This strategy is for the UK established property market as holder of value.
pg 04	We are accelerating the development of our complementary non-food offer.	Provide customers with broader shopping experience	Extension to stores and new store developments consider non-food as a growing space within stores.	Sainsbury's diversification into non-food is a focus for growing the business. Non-food online business will be launched in 2009/10.
pg 05	Significant improvements have been made to company's operations	During last three years basic offerings and operational efficiencies have improved	Availability in store is highest on record; product range; IT ; pricing and supply chain improvements implemented.	Moving from Recovery to Growth (3 year plan) - space growth 10% by 2010; development of grocery and non-food ranges; Online channel growth; Sales growth £3.5bn; Cap Ex £2.5bn.
pg 06	Creating operating efficiencies is embedded within various functions.	Shift from recovery to growth is transferring focus to operational efficiency gains across various functions.	Night shift operations have been improved Bi-optic scanners and self check-outs are being introduced Shelf ready packaging across product ranges Depot productivity and store deliveries Re-organisation of transport management	Basic operations of business have been turned around as part of recovery. IT and operational investments seeking efficiency gains and better customer experience New buildings more efficient and supporting range development and reach of People, productivity and operational efficiencies part of recovery know seeking growth Logistical improvements and shelf availability have benefitted the business
pg 09	We became first supermarket to use flour from traceable UK farms	Sainsbury's is supporting British farmers and local produce	Brand benefit of British and consumer preference for local produce.	Supermarkets increasingly criticised for squeezing local farmers and businesses. Retailers changing this perception but realistically only small amount of locally sourced British produce - apples; flour; milk; eggs; - that are World class quality - UK weather. More importantly, traceability is a concern within the Supply Chain.
pg 06	New 530,000 sq.ft depot in Northampton opened in November 2007	New distribution building built under carbon negative conditions.	Development of depots and stores incorporating changes in regulatory legislation along with competitive efficiency gains.	Distribution network developed with a new build depot in Northampton - meeting carbon neutral and regulatory requirements. New depot will provide relief to supermarket estate. Fully operational by Christmas will employ 500 colleagues.

pg 06	New facilities will consolidate Convenience store supply chain operation.	Logistic specialist, Wincanton are operating logistics of Convenience Store supply chain.	355,000 sq.ft ambient facility acquired in Staffordshire (March, 2008) and a 550,000 sq.ft. Facility in North Yorkshire. Two centres in Maltby and Skelton will be closed in due course.	Outsourcing of logistic operations for Convenience Store supply chain. New depot facilities supported by Wincanton - older facilities will be closed. Refurbishment of other depots is also underway.
pg 07/22	Cash in Kind donations to charities and community projects totalled £7.6m	Increase on last year which was £6.6m	Colleagues, customers and suppliers have contributed through events sponsored by Sainsbury's.	Actual cash contribution by Sainsbury's is limited and gain from brand sponsorship is a benefit. Since 2005 Active Kids - £52m sports equipment - but how much has been spent by consumers the to get the vouchers in store - profit for company? Retail sponsor of Comic Relief since 1999. No political donations this year.
pg 08	Targets for MSGA have been met	First bonus payments will be made	1000 Managers will receive bonuses under the MSGA scheme.	Financial incentives towards economic targets. Financial rewards for meeting targets to management.
pg 08	Taste the Difference' our biggest sub-brand had sales of £1bn this year.	This brand comprises of 1300 products and is part of the own label development and reinvigoration.	UK's largest taste test with five million samples across 200 products given out. Range expansion of 'basics' to 500 products - fastest growing sub brand. Organics is a growing area also with 450 products.	Consumers are buying own label products as cheaper options to the branded products. There is growth across the ranges of 'Own Label' with 'Basics' growing fastest. Reflects consumer budgeting spends in supermarket.
pg 09	We sell more Fairtrade bananas than all other supermarkets.	Sainsbury's has been selling Fairtrade bananas since 1994 and completed full conversion this year. Sainsbury's is selling 100% Fairtrade tea in UK	Fairtrade bananas are know priced the same as other bananas. Own label Tea is Fairtrade for Sainsburys	£4m will be returned to growers and communities in Africa - not clear on what terms ? £1m fund set up with Comic Relief to expand Fairtrade network and initiatives. Fairtrade sales have doubled and Sainsbury's will be largest retailer of Fairtrade tea and coffee.
pg 09	Accelerating the growth of non-food	TU own label clothing sales have grown 40% last year Inhouse designers ; New 1700 homeware range launched.	TU clothing is a £300m brand. TU range is partially sold in 270 stores but the full range is available in 74 stores. Homeware range expansion.	Non food growth is demanding floor space in stores - diversification into non-food has potential to grow further but is restricted by space.
pg 09	Health and Beauty range had a good year	35 stores were refitted with a new look and layout changes.	Investment in reinvigorating different parts of the business within stores include Health and Beauty.	Competition within stores for space across diversified product ranges and nature of businesses. Health and Beauty has benefited from new look uplift.
Pg 09	We have 222 pharmacies within the supermarkets	We recruited additional pharmacists to strengthen our team.	Professional development and improvement of service quality within stores - diversified professional services.	GP surgery opened in Manchester store - new initiative. Recruitment of professional staff (GP/pharmacists) brings external services inhouse. Their training and development needs are different - what will be impact on community NHS surgeries and independent pharmacies?
pg 10	New store development and extensions is a key strand of our strategy	Growth of non-food ranges requires growth of floor space. 60 stores of 60,000 sq.ft plus will have 15,000 sq.ft. of non-food floor space and 300 stores with TU clothing.	Sales growth over next three years focused on food (2/3) and non-food (1/3) and half of the new space being developed will be given to non-food.	Senior non-food team has been strengthened with key recent appointments taken from competitors along with major recruitment of 150 designers; buyers and colleagues. Firm skills and capability along with investment in floor space driving growth strategy.
pg 11	Actively searching again for locations in in new communities.	Space growth of 10% by March 2010.	50% targeted space growth to come from new stores - 30 supermarkets and 100 convenience stores. Total split of new space will be equally divided between food and non-food.	Sainsbury's looking to reach new customers and open in new communities. Space growth supporting growth of non-food and Convenience parts of the business along with . Food retail.
pg 11/13	Gross selling area of 537,000 sq.ft was added in the year.	472,000 sq.ft of supermarket space and 104,000 sq.ft of Convenience floor space; 39000 sq.ft space sold. Total of 504 supermarkets	During the year 16 supermarkets were opened; 2 were closed; 15 stores were extended; 52 stores were refurbished. 15 Stores were acquired from Kwicksave in Oct 2007 became 11 small supermarkets and 4 converted to LOCAL stores.	Accelerated growth due to aquired Kwicksave stores being integrated into Sainsbury's operations. New stores focusing on efficiency of refrigeration; lighting; energy and design. 2% new stores growth; 1.3% extensions growth.

pg 07	The economic downturn raises difficult questions about how best to sustain and even accelerate company commitment	Corporate responsibility and sustainability are growing areas of importance	Divergent dilemmas range from shareholder vs stakeholder trade off Rising cost of food in recent months and economic downturn forces customers to seek deals. Firm further being driven to invest in new energy technologies and social/environmental supply chains.	Challenge is to be sustainable in times of crisis and when there is slow growth. Market factors have tightened consumers spending and at the same time demands of firm by regulators is increasing. Initiatives by firm take time to produce outcomes and there are divergent demands on the firm.
pg 08	Forum for the future - an endless litany of more and more unreasonable expectations - we are putting sustainable development at heart of the business.	No firm can afford to feel satisfied with progress - different stakeholder interests with pressing obligations as well as environmental stuff	New emerging climate change objectives driven by scientific advice. Combined pressure of different stakeholders - unreasonable expectations.	Regulatory agendas are scientifically driven; firm agendas are financially driven Neither agendas are socially driven - expectations of corporation remain target driven 7th year of Paid Partnership with Forum for the Future - UK Charity on sustainability. Pace of agendas is too fast.
pg 12	Our 5 Corporate Responsibility principles reflect the key issues we face	Key issues are inextricably linked to our core business goals	The priority is assigned to each of these issues is set through assessment of their significance to the business and our key stakeholders	CR is about our issues and our business goals - inward self focused understanding of CR. CR steering group established in 2001; CR committee established in Jan 2007 - meets twice a year - issues of animal welfare; food quality; energy and waste.
pg 08/13	We reduced our waste sent to landfill by 5048 tonnes	We host roundtable discussions with ETI; farmer charities; forest stewardship council and government departments; NGOs; colleagues.	Reduction of 6% on landfill- as landfill costs company - this is a savings benefit to the company. 64 companies/NGOs stakeholders were at the roundtable discussions during the year. Sainsbury's is a member of 19 bodies such as ETI; BITC; WWF; British Retail Consortium;	NED is chair of CR Committee; CEO is on the committee also. Roundtable discussions enable firm to position itself prior to targets coming in force - CR. Membership of bodies facilitates industry collusion and oligopolistic practices. Who benefits from these events?
pg 15	Customer engaging initiatives	Make the difference days	Bag for Life - less cost to company of making bags Recycled toilet paper - conforming to regulations Fairtrade Bananas; Energy saving bulbs - all product developments across all industry - not unique to company	There appears divergence in engagement of firm with Suppliers; NGOs and Govt. Departments which is very different to types of engagement with customers. Focus remains of firm objectives and benefit.
pg 17/23	Best for Food and Health Sourcing with Integrity Respect for Environment Making a Difference to Community A Great Place to Work	Targets met on track Most targets met; others almost or partially met Most targets met; others almost or partially met Most targets met; others almost or partially met Most targets met; others almost or partially met	Reduced CO2; reduced fleet travelling; electric van for home deliveries; reduced energy by 5% at depots; construction projects using recycled materials; water usage reduced by 20%; traffic light labelling on 5000 own label products; ingredients improvements; British sourcing of some products; non caged bird eggs; palm oil; fish produce. 100% of stores linked to charities of Food donation; tackling child obesity; 20% of women as Duty managers; 15% women as Store managers; Smoke free environment.	Sainsbury's has met or nearly met all of its targets - many of these are aligned to government and industry regulations. Others make financial sense as they bring competitive and economic benefits to the company. British products are those that are globally competitive and a business decision - overall small percentage 100% stores linked to food donations - why was so much food going to waste - sell by dates? New targets are in line with Govt initiatives and targets
pg 68	Suppliers are an integral part of our overall business	Terms and conditions start with a social responsibility section for suppliers	800 delegates attended our supplier conference this year. In March 2007 the 'Supplier talkback' surveys were launched. First Conference of Suppliers also held in Far East	our Brand standards; our guidelines for suppliers; Is this a one way conversation of setting expectations? Large retailers want to be seen to be sustainable /CSR active - but in reality is a CSR agenda being followed - why CC findings imposing Supplier Code? Internationalisation of supply-side and a greater transparency on Far Eastern supply chain.
pg 69	No other UK retailer offers its suppliers such training	The academy helps suppliers understand our technical and ethical requirements.	240 suppliers have been through the Technical Management Academy. This was launched in 2006. 45 Colleagues have also been through the academy.	The technical and ethical demands on retailers forces compliance of suppliers. However, the pricing model controlled by retailers forces efficiency of suppliers for mass production rather than quality produce.

pg 71/74	We take the threat of climate change seriously.	I want Sainsbury's to take environmental issues seriously and to make it easier for me to be environmentally responsible.	Improving energy efficiency; reduced land fill; recycling of bags and packaging; electric delivery vans; greener buildings. Reset - 'energy and carbon efficiency' programme.	Regulatory and consumer pressure of Retailers to reduce carbon footprint. At the same time, firms are making efficiency gains for economic benefit. Energy costs are high in UK and efficiency is a route to competitiveness. Regulations are costing polluters which incentives firms to change. Greenwich Store uses 73% less energy; and 60% less CO2 emission than conventional stores.
pg 78/92	Case studies of CSR / environmental changes with in the business	Northampton Depot is UK's most energy efficient depot. Reducing transportation mileage. Water consumption and usage is set to become a pressing issue. Waste from landfill reduced by 5048 tonnes (6% down) Target of 5% reduction in packaging and 50% recycled material in carrier bags	Environmentally designed building Integrated Transportation System and stacking on tracks. Toilet and tap water saving devices reduce water usage (80m litres). Target of 50% reduced landfill by 2012 against 2005/6 baseline. 2.6% packaging improvements and 33% recycled material in bags.	Case studies reflect new technological improvements and nutritional guidelines on product ingredients, design, packaging and efficient handling. These improvements have benefited the firm economy. The oligopolistic nature of UK market makes it more difficult for independent stores to compete on such terms with these high investment, high volume programmes. Consumer benefit remains largely unclear at present of environmental programmes. Basic such as water is growing concern in developed world?
pg 94/95	We are on Target to donate £100m worth of equipment by 2011	Active Kids programme operating since 2005.	To date £52m of equipment donated to schools, nurseries of which £18m was in the last year. £2.3m raised for Comic Relief - £1.1m by colleagues, rest by customers.	Community activities are driven largely by employees and customers rather than the firm entity. The actual contribution of firm is low and firm motives are based on profit generation as an output.

Period	Jan 2007-Jan 2008	FIRM LEVEL REPORT: MORRISONS ANNUAL REPORT 2008					
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
	pg 02/03	Global	I believe that over the years I have learnt one or two things and would set out what I consider to be important aspects for my successor.	Advice from retiring Chairman to his successor	keep it simple - we buy and sell things; our task is to please the customer with quality of product and the value we offer; cost control and prudence; ownership of freeholds as fixed asset.	Sir Ken comments ' the present economic climate provides a wonderful opportunity for the Company to continue to prosper as long it remains true to it's founding principles' - odd remark for a downturn? The company will be under new leadership for the first time in 55 years.	
	pg 06/24		Who are Morrisons?	Bradford based food retailer as National player Growth of Operating Profit up £189m outstripped turnover growth of £507m	375 stores across UK; 12 Distribution centres; 13 Manufacturing sites; 4th largest sales; 2nd by market capitalisation;	The integration of Safeways into the Morrisons model has been a challenge as it makes progress towards becoming a National player in UK. Profitability improved this year and turnover grew 4%.	
	pg 03		We are proud to pay tribute to Sir Ken Morrison	Early years Ken worked in famiy business -market stalls and small shops	Hands on approach to leadership has characterised his career never been happier when out on the shop floor	Strong customer focus and work ethic of owner/leader over half a century. Strong focus on cost and frugality; loyalty; down to earth - traditional leadership style	
	pg 24		UK grocery retailing is one of the most competitive	battle for customers as the economy tightened was hard fought.	Morrisons delivers value through having competitive base	Price competitive market as economy is tightening. Never less than 1000 promotions including 100 buy one get one free.	
	pg 31		Downturn in equity markets	Pension scheme liabilities are requiring extra payments	Volatility in capital markets end of 2007 beginning of 2008.	Capital market volatility has impacted Pension scheme considerably this year.	
	pg 01	National	The year under review saw the rise of inflationary cost pressures	Basic commodity have increased costs	Dairy products and wheat costs have risen - Retailer claims trying to avoid passing higher costs to customers.	Retailer own perception of a position of negotiating price/volume and operational efficiencies in delivering value to consumers at a time when inflation is rising - or is it competitive pressures to strive for low cost base.	
	pg 04/10/11		Our three year strategy, as laid out in our 2007 Annual report is to position the business as the 'U.K. Food specialist for everyone'	Current Optimisation plan and new national outlook for the bigger business	Morrisons wanting to differentiate from the competition by emphasising food credentials rather than non-food. Market street - shops within a shop Freshly cooked and prepared food by experts	Market Street' concept claims quality food and high level of customer service. The emphasis on closeness to sourcing; processing; packaging of produce through unique owned facilities and specialist bakers; fish mongers - but is variety and quality of produce better beyond U.K.? Are staff delivering customer service in new regions? Is Morrisons really differentiating and competitors can adapt thier offerings to compete with Morrisons easily. Our offer is for everyone (non exclusive approach -but less targeted?)	
	pg 28		Optimisation plan outlined last year will run to 2010.	Total cost of this is £450m over the three period.	To date £68m incurred on development programmes.	Investment for optimisation will accelerate next year - overall estimate remains the same @ total £450m.	
	pg 05		Market research shows the top reason why customers are attracted to 'big four' supermarkets	Food specialist for everyone' ad campaign launched by Morrisons to get message across - 'Fresh choice for You'	Value (44%); Quality (33%); Locality (32%); Range (24%) and Service (12%)	Value and Quality are the most important factors that attract people to the big 4; Service is low (12%) But 'Market Street' concept gives a focus on quality food and high level of customer service?	
	pg 04		Customers increasing focus on health, provenance, quality and freshness of the food they buy	Customers are questioning ingredients and are more becoming more health conscious	Food preparation and lowering unhealthy ingredients is a focus in terms of supply side deliverables and customer demands	The supply chain of supermarkets are becoming more focused on improving health qualities of products on shelves as demands of more aware and in-touch customers are changing.	
	pg 28		Household budgets are tight with disposable incomes under pressure	Global commodity price rises are feeding through to cost base	Cost of basic food and energy is rising and era of cheap credit is at an end.	Economic conditions are very tight. Rising costs of food and energy coupled with tighter credit regime hitting both consumers and businesses.	
	pg 02	Industry	Competition Commission will announce its final conclusions in April 2008	Two year inquiry by Competition Commission	UK Supermarket sector is highly competitive.	Morrison's approach focuses more on Supermarket format. Morrisons will not change the way it does business as it sees nothing in the findings that cause a need for change. Morrisons own interpretation is that that there remains opportunity within UK - in areas where it is geographically under represented.	

	pg 02		Office of Fair Trading Inquiry into dairy pricing	Fines have been levied on a number of companies including Safeways	Morrisons deny's OFT allegations of being involved in the dairy pricing activities - in which Safeways prior to takeover was also involved.	OFT claims industry wide dairy pricing activities and has issued fines against companies within the grocery multiple sector. This raises questions as to what extent the leading companies are in competition with each other and level of collusion within industry as an informal practice.
	pg 16		In 2007 Morrisons won the Retail Industry Award	Best Store manager in UK and Training Initiative award	Morrisons is trying to improve People Development for the larger business	The National business has challenges of increased complexity for a business model that has traditionally been individually led. Morrisons is having to adapt its employee structure and processes.
	pg 24		We are pleased, in the year, to win a number of industry awards	Continuation of the 2006 Optimisation Plan is recovering profitability	Grocer Gold Awards for Service and for Availability; National Recycling Awards for Best Supermarket recycling Initiative; International Wine Challenge.	Morrisons has won a number of industry awards that give it recognition as one of the big four players on the National Stage.
	pg 27		The sector has been increasing the number of 'big event' promotions	Eye catching deals to attract customers - run on different products each week	over 1000 promotions and 100 'buy one get one free' deals. Morrisons is playing its part in promotional trend in industry	The industry trend towards weekly promotions is becoming a normal practice There is a lot of messages and communication messages to consumers that benefit but are can be confused by these offers - information overload.
	pg 07/13		We have industry leading turnarounds between order and delivery	12 distribution centres with over 700 tractor units and 1800 trailers covering 156 million kilometres per annum.	Average turnaround time order and delivery is 12 hours.	Morrisons ownership and operation of delivery - is this a factor in fast turnaround times from order to delivery? Industry leading claims for this.
	pg 20		Significant difference between our Carbon Footprint and competitors is that emissions from our own supply chain are included.	More than 100 projects are being implemented aimed at reducing carbon footprint	During 2007 115,718 tonnes of Carbon was saved - cumulative reduction of 374,190 tonnes - 70% of target. 18% achieved towards 2010 target of reduction to landfill by 50%.	The majority of Carbon projects and waste reduction targets are towards meeting government targets or to prevent significant costs / fines having to be paid for not meeting developing regulations on CSR that are fast emerging.
	pg 28		Our trials of self scan checkouts were successful	Use of technology in industry towards a greater self-service format	We intend to role out self-scan checkouts to over 200 stores.	Technology is a driver shifting consumer preferences towards a greater self service format and a personalisation of shopping experience.
	pg 33		The OFT issued objections concerning pricing of Milk and other dairy products during 2002 and 2003.	It accused a number of the largest grocers and producers at the time of alleged collusion.	Safeway and Morrisons are among the companies that were accused. Safeway's liability has been accepted (£10.7m liability) Morrisons investigation is in the high court.	Regulator (OFT) accused and found liable the large retailers and producers of milk and dairy products Safeway found liable and Morrisons is challenging in High Court the OFT allegations.
	pg 36		UK Combined Code of Corporate Governance issued in June 2006	There are three areas where Morrisons has yet to comply with the revised code	Half the board must comprise of NEDs - currently Executive is 1 greater. Audit Committee must have a member with recent relevant financial experience Lack of arrangements for staff whistle blowing	Board needs to recruit 1 more NED to meet regulation. Chairman is retiring - plans in place. Division of responsibilities between CEO and new Chairman (Sir Ian Gibbon) set out in writing. Audit Committee issue is being addressed. Whistle blowing procedures introduced in Feb 2008. Towards meeting of the Combined Code compliance changes.
AR08	pg 01/08 24	Firm	The past year saw steady progress for Morrisons	a solid sales performance and profit / cash generation financial objectives are being met	Group turnover £13bn (up 6%); like for like sales up 4.6%; underlying earnings per share 14.4p (up 73% - 8p last year); Profit before tax £512m (up 66% - £369m last year)	Continued delivery of Group 2006 Optimisation plan enables financial improvement and a phase of additional investment in the business. Improved position on last year as Morrison's steady's following the Safeways integration.
	pg 93		Total floor space 10.837m sq.ft	Property sell off - space consolidated and settling for National Morrisons	25K plus remains major format for Morrisons. Operating profit still below pre-Safeways but is climbing.	Consolidation of Safeways into Morrisons is progressing but results have yet to affirm longer term the effect of this investment into National wider chain network.
	pg 01/30		Cash generation was strong	Net debt has fallen to £543m Profit has improved significantly from £54m in 2006 to £580m in 2008	Net debt reduced by 30% from £772m last year New term facility of £1.1bn was negotiated in Sept 2007 - planned capital expenditure this year.	From its peak in 2004 of £1.6bn, net debt has reduced by over £1bn. The Safeways takeover impacted at that time - know profit recovery and tight financial controls have recovered the position - reflecting a risk averse business model to debt - conservative family control / traditional business model - low debt @ high cushion.

pg 32	Overall Group working capital cash flow was neutral this year	Business required an increased level of stock to support high sales in the last quarter.	Rising level of working capital and increase in trade creditors in line with growing business	Group financial cashflow requirements increased this year in line with a larger National Business. In the last quarter investment in stock for higher sales was made.
pg 08	Grcery market share of Morrisons is 12.1%	Last year market share was 11.9%	Market share before purchase of Safeways was 12.5%	Despite having more customers and purchase of Safeways, the marketshare of Morrisons has not changed significantly. Marketshare is below what it was pre-Safeways as yet. Company asset base has grown but this has yet to translate into marketshare growth.
pg 08/24	Capital expenditure of £410m	Lat year capital expenditure was £269m	Eight new stores; product range increased from 28000 to 30000 products;removal of unhealthy ingredients; new Kids Smart range launched; Re-look of stores costing @ £0.5m per store	Morrisons repositioning itself with a fresh new look and advertising campaign to emphasise fresh choice and in store preparation as its USP. All stores and signage is being updated for a modern look. Customer perception focus of Morrisons is based on Fresh, Value and Service.
pg 24	we increased our product range	last year there were 28000 products	This year the range has increased to 30,000 products; other ingredients have been improved and packaging labelling enhanced on own-label products	Relaunched 8000 products this year and increased the range fro 28000 to 30000 products. Programme to tailor instore offerings at a local level eg. Polish produce is available in 100 stores. Own label products have been improved also
pg 04	Group is securely financed and has a strong balance sheet	Planned investment over next two years can be met by existing facilities	Balance sheet principles are operational control of retail stores; prudent approach and finance; strong investment balance sheet of which pension assets are included.	A highly prudent approach may limit the pace of development and growth; Morrison controlling leadership style and business model reflects a) top-down approach b) desire to stick to a business model that is more complex than competition - limited stakeholder input ?
pg 24	With the continued delivery of the Group's Optimisation Plan	Profitability has improved by 29% Plan pursuing cost reduction and margin improvement	Initiatives towards improving efficiency savings continues Store labour productivity has improved 6% (14% last year) distribution costs reduced by 9.4% this year.	Wages and distribution costs are high in the Morrisons model - Labour intensive processes in store. Efficiency gains made are on going. There remains a lack of awareness of what differentiates Morrisons to the other big four - is it market street?
pg 24/27	Advertising campaign in second half of the year	Stores are having freshen-up and rebranded	Fresh Choice for You' ad campaign to emphasise freshness and quality produce	Programme being undertaken to open up Market Street - food preparation areas in stores. Raise consumer awareness of why Morrisons is different as a mass market but food specialist retailer. Ad campaign in second half of the year to emphasise 'Freshness' and attract new customers to try us.
pg 23/27	We opened eight new stores in the year We will open eight new stores next year	Stores opened in Johnstone; Speke; Erskine; Wednesbury; Dundee; Llanelli, York and Bristol.	Morrisons format is still mid-size supermarkets - above 25K ft stores; there were 13 extensions of retail space and 18 extensions of warehousing space.	Morrison strategy remains towards being a Supermarket (25K plus) format - new stores follow this format. There is regional variation - Morrison is developing stores in areas where it has not traditionally been strong in. Strongest sales growth was in Scotland and South of England. North sales grew less following a two year decline. Eight new stores this year opened; eight new stores planned for next year.
pg 06/23 24	Amount of retail space is 11m sq. ft.	Scotland (50 stores); North (55 stores); Wales (20 Stores); West Midlands (42 stores); East Midlands (62 stores); South East (57 stores); South West (40 stores); South Central (49 stores).	Eight new stores have been opened this year; 13 retail store extensions and 18 warehouse extensions. All store exteriors and 140 interiors have been upgraded to date.	Growth of 3% space during the year. Gradual growth and updating of stores is in progress. New look programme of stores will be completed by July 2008 at a cost of £05.m per store. Can there be more a marketing strategy associated with the upgrades?
pg 23	Like for like sales increased 4.6%	Both customer numbers and average basket spend has increased Sales per sq.ft £20.18 - up from £19.34 ; 482m customers	Customer spend is £23.10 (up from £22.53) Health and Beauty revamped 146 stores - little growth New ranges will be introduced next year	Strongest sales growth was in Scotland and South of England. The Groups traditional heartland of the North improved slightly after two challenging years. Growth in healthy eating - Eat Smart range (35%) Best Up (25%) and Organics (14%) Revamped Health and Beauty counters marginal improvement
pg 23	Strong trend towards higher quality and more healthy food	Consumers are prepared to pay more for better food.	Eat smart range up 35%, Best range up 25%, Organics up 14%.	Broader range of choices are being introduced to cater for different segments of customers. Are Morrisons becoming a little more up-market or is market demand changing where customer demands are changing and are broader?
pg 01AR pg 30/32	Divestment of property that did not fit our business model	net debt has fallen from £772m to £543m despite opening eight new stores and investment in optimisation plan	Cash generation from disposed property - £94m of which £32m was profit. Supports progress of investment in developing National Chain / optimisation plan.	Property gains and divestment provide cash for investment in developing brand and national chain. Disposal of property portfolio that did not fit model represents transition of business strategy for Morrisons. Property liquidation - funding for optimisation / nation chain development. Optimisation expense this year was £68m and profit from property sale was £32m.

pg30	Interest receivable increased by £20m	Increase from £8m to £28m	Tighter financial control and stronger cashflow are helping the business	Interest payable on bonds dropped by £7m and bank interest receivable increased by £20m Tighter financial control regime has benefitted the company.
pg 30/31	During the year net Corporation tax paid was £107m	Current corporation tax charge £142m was lower than normal rate	£100m contribution to pension scheme; Safeway negotiation concluded with HMRC and lower rate of CT (28%).	Simple UK based tax planning regime - tax negotiation over Safeway concluded; one off payment was made to pension scheme which helped reduce tax burden this year. Pension liability reduced this year to (£68m). Two payments to Pension agreed of £100m each - one intended in 2008/9 to eliminate IAS 19 deficit on Safeway and Morrisons pension schemes - volatility in markets is affecting Pensions.
pg 01/04	Board has recommended final dividend of 4.125p	Total dividend for the year is 4.8p	20% increase in dividend (4.8p this year; 4p last year).	Progressive dividend growth with surplus capital of £1bn returned to shareholders via a share buyback scheme. Morrisons's dividend is below sector average - dividend cover needs to be developed further.
pg 06/04	Our customers buy in one year.....	36m bunches of flowers; 50,000 tonnes of fresh chicken; 21000 tonnes of beef; 115m ready meals; 215000 tonnes of potatoes	Morrisons has 10 million customers visiting the store per week	Growth in customer numbers - increase of 0.5m customers per week (from 9.5m to 10m) Is this the Morrisons effect or a spillover effect of the takeover of Safeways 25,000 people prepare food that we sell - Morrisons model is labour intensive.
pg 07/05/08	Our customers tell us they love the feel of being in a market in our stores	Market research data indicates a very broad USP	Morrisons offers fresh meat, fish, bread; great value; great deals; industry leading availability; and specialist customer service	The USP message of Morrisons is very broad - strategic review concluded 'customers that knew us liked what we had to offer' - as Morrisons moves from regional to National player the USP message is at risk of being blurred where Morrisons is claiming to be distinct to the other large players. Existing customers remain loyal to Morrisons.
pg 05/08/27	We need to establish our credentials and our new ad campaign delivered the message 'Fresh to you'	Brand Tracker was used to measure impact on consumer perceptions Ad campaign was designed to attract new customers	18% rise in Fresh; 5% rise in Value; 18% rise in Service Emphasis of ad campaign on in store food production and food provenance knowledge.	Consumer survey reflects the strengths and also costs of Morrisons - Freshness and Service But value remains the compromise for Morrisons. Ad campaign promotes in store food production and food provenance knowledge to attract new customers. Well known down to earth personality profiles in Ad campaign - customer increase in second half of the year.
pg 01/09/21/48	Our staff and customers responded strongly to our charitable activities	Asthma UK was chosen charity of the year Last year £1.6m raised for Breast Cancer Research	Raised £1.1m for Asthma UK Raised £0.3m in one day for Children in Need During the period Group made charitable donations amounting to £0.1m. No political donations were made which is Group policy	Morrisons model donates @£1m to a new charity each year - next year it will be a different charity - Protecting generations and generations'. Customers and employee efforts - but what is company contribution remains vague. Unclear - actual Group contribution to charity was only £0.1m - rest was sponsorship.
pg 09/17/27/93	Success at Morrisons relies on 117,000 colleagues	First colleague attitude survey of 9300 staff conducted. 50000 FT employees; 67436 part time employees - FT equivalent 87736	Current employee stability is 75.7 Profitability per staff is improving £155K/ employee.	Company is developing Core Employee Values which will be rolled out during the year. Staffing integration of Safeways into Morrisons was a challenge. Longer term company must retain staff and reduce employee turnover for stability of the business - more need to be done to retain good staff Profitability per employees has improved to £155K/ staff (from low of £127K/staff).
pg 11/27	Morrisons market street has more people in store preparing more food than any other retailer	Our supply chain and manufacturing site ensure food produce is offered at competitive prices	Regardless that other supermarkets are removing food preparation costs and reducing labour intensive operations Morrisons model prefers in-store preparation and freshness	Contrasting model to other supermarkets that are removing or reducing costs Morrisons is trying to bring independent specialists into the store - baker, fish monger, cakes, butchers. Is this the right way forward and will this model be competitive going forward or offer clear USP. Morrisons is largest employer of craft skills (25000).
pg 01	Profit share pool for staff launched in the year	There is a long standing Staff discount benefit for employees	Staff discount added to by a new £30m profit share scheme	Morrisons is developing staff incentivisation - new staff profit sharing pool launched this year added to staff discount scheme. This reflects a confidence in sales growth and improved stability of Morrisons. Morrisons is a late comer to staff incentivisation - profit sharing.
pg 01/03	In my last statement as Chairman of Morrisons	Sir Ken Morrisons has been in the company for 55 years.	Sir Ken Morrisons retired as Chairman on 13th March 2008. Sir Ian Gibbson succeeded him as Non-Executive Chairman. Sir Ken will become Honorary President - an ambassadorial role.	Company transformed from small family business to UK's fourth largest retailer and top five food producer. Hands on leadership style; passion and flair; hard work; customer focused; happiest on shop floor; avoid cost and waste; loyalty of employees and commitment to suppliers - from modest household to National retailer. Self made creator/builder leadership style with strong desire for ownership - but has this also been a limitation to wider opportunities / Morrisons business model?

pg 01	David Hutchinson retired from Board in June 2007	Ill health forced retirement	Board member served with company for 21 years; left due to ill health - passed away Feb 2008.	High level of commitment and long term member of board forced to leave due to health - Key people have been with company a long time. Change of era for company - legacy of long standing leadership team - will there be wider engagement - shift from family structure to corporatisation.
pg 14/15	A new Group Human Resource Director joined in Jul-07	Development of employee communication programme and Group values	Series of workshops involving 1000 employees - Six core values are: Can do; One Team; Fresh Thinking; Great Sell and Service; Grow our People; Great Shopkeeping.	New leadership driving integration of employees and new core values. Values have their roots in the culture established by Sir Ken Morrison. Employee engagement and integration into National team.
pg 28	Complete senior management team during the year	appointment of new HR, marketing, Home and Leisure directors	Following retirement of David Hutchinson, the Production director role has been split into two - Manufacturing director and distribution director - both promoted from within	Senior team organised in line with Optimisation plan. New board appointees include internal recruitments and new roles emerging for the larger organisation format. Stable and complete leadership team is know in place to go forward. Marc Bolland CEO appointed Sept. 2006 at Executive level.
pg 37/40	CEO has restructured previous Executive board and other Operating Boards into three bodies.	Executive board; Property board; Manufacturing and Distribution Board. Remuneration policy shift towards more performance related salary and benefits - CEO £757K; ED £500K base salaries plus bonus and benefits (if applicable).	Executive board overseas retail business and met 16 times in the year. Property board meets monthly and overseas Group property. M&D board meet monthly and overseas M&D.	CEO has restructured Executive board into three bodies focused on Retail; Property; Manufacturing and Distribution. Remuneration Committee is reshaping packages to reflect performance related - motivate, recruit and retain high calibre senior executives.
pg 16/21	We have embedded our values in a new leadership model	Partnership with Bradford Business School	Accelerated leadership development Academy; Senior managers trained on new performance objectives and system; training of staff - 1.5m training days; 3500 managers refresh training on merchandise standards	Morrisons has historically developed its own talent pool inhouse. The new larger business faces a challenge of larger staffing and complexity of training them - employee engagement and succession planning of future managers / leaders is critical to the business.
pg 42	Executive directors have contracts without expiry date	These can be terminated by either party giving 12 months notice	New model of Director contracts adopted by remuneration committee.	Ken Morrison is retiring in March 2008. New model of executive director contract introduced. Chairman / NED appointments remain for three years with 1 month notice by either party. Board - 6 ED; 5 NEDs; 1 Chairman
pg 16	Priority has been given to harmonisation of employment policies	Group wide HR policies and new staff discount scheme / payroll processes	Recruitment, selection, retention, remuneration, education, development and equality policies. Employee benefit 10% discount upto £650/year - new Profit Sharing scheme also.	There remains a need to improve staff retention - 98% of Morrisons managers were home grown talent. In the new larger business integrating Safeways staff and the Morrison employment incentives have not been competitive - this in an area that needs development.
pg 07	We supply ourselves.....We own and manage	The Morrisons model	We deal directly with many suppliers; we supply ourselves from three bakeries, three abattoirs; seven packaging and food production sites. We deliver to stores using our own fleet	Morrisons like to keep things inhouse and avoid outsourcing. It is an ownership model. But the control and decision making remains very centralised and leadership dependent. It seems to be a model of asset building. Morrisons is a top 5 UK food producer
pg 07	We have more people in store preparing food than any other retailer	Each of our stores has trained professionals	we employ 1500 butchers; 2000 bakers; 800 fish mongers	The independent trades of the high street have been brought under the Morrisons brand. Labour intensive operation where the skills differentiation demands investment in maintaining high standards. Is this consistently delivered and is high labour cost a competitive advantage or inefficient modern practice.
pg 12	We believe that being close to source is something that makes us different	Many customers are asking - 'where does the food come from?' and are producers being treated fairly?	Vertical integration has its roots in security of supply chain and drive for value for customers.	80% of our own label fresh food is produced from our own plants - core strategy. Our buyers deal directly with other suppliers -we cut out the middle man Why pay someone else for something you can do yourself
pg 21	Implementation of a new data system for product information	Traceability and ingredients of products is becoming a paramount concern	Targets set for Food safety, assurance and Government guidelines are making retailers change ingredients, processes and verify traceability of products	Consumers are becoming increasingly aware and concerned about the provenance and quality of food. Morrisons new Ethical Trade Code is built upon the Supermarket Code of Conduct - OFT fines were imposed previously - It remains unclear the dynamics of retailer/supplier relations and fairness of payments - less developed regions of the world focus.

pg 09/18	The environmental programme we have previously outlined	We are making good progress towards the three year reduction targets set...	Carbon footprint (25% - target 36%); Group energy use (5% - target 8%); Own brand packaging (7% - target 15%); Carrier bags (3% - target 25%)	CSR is becoming a priority due to regulatory and consumer pressures. The CSR agenda is important as it gives the company a 'license to operate'. CSR project team consists of board members and senior operational directors - championed by CEO - Marc Bolland. CSR Project team create targets and report to Board.
pg 23	Our forecourt business attracts customers to our stores	Average unleaded price was 94.88p (up from 90p last year)	Total lirage increased 2.9% reflecting traffic growth.	Growth in number of consumers using Morrisons reflected in traffic growth of petrol sales. Competitive pricing strategy as mechanism to add footfall to stores.
pg 21	In 2007, the Morrisons Ethical Trading Code was implemented	This was implemented with suppliers in Africa, Asia and South America.	In 2008 there will be an audit exercise of these Suppliers	The 'Supermarket Code of Practice' has been a foundation for Retailers to scrutinise their supply chains Not clear if the 'Ethical Code' is an audit of suppliers - or seeks to build longer term mutually beneficial partnerships with international suppliers - Retailer interpretation of the Code?
pg 19	Support for the British farming industry is of particular importance to us	In Nov 2007 we were the first of the big four supermarkets to commit to 100% British pork and lamb.	Morrisons meat produce is being sourced locally in UK	Closeness to source - it has been a difficult time for British farming - are they getting a good deal? Is British meat of internationally competitive quality?
pg 20	Our carbon reduction strategy includes the implementation of more than 100 projects to reduce CO2 emissions.	During 2007 a total of 115,718 tonnes of carbon has been saved. Packaging initiatives have been introduced	Since the baseline of 2005, cumulative reduction of CO2 is 374,190 tonnes. 18% reduction in waste to landfill towards a target of 50% by 2010.	Morrisons have to date achieved 70% of their CO2 reduction target. Retailers are being forced to reduce their landfill waste also - which Morrisons is working towards Morrisons includes its packaging and manufacturing facilities in its CO2 emission assessment - distinct to other retailers.
pg 12	Security of supply and drive for value for money	80% of own labeled fresh food is produced from our own plants	Stricter control of provenance and margins within the supply chain. Further - 'whole crop purchase' whereby grading the farmer produce is an inhouse activity.	Where other supermarkets seek standardised produce - Morrisons 'whole crop purchase' approach allows produce that would otherwise be rejected by supermarkets - to be graded inhouse and priced differently. Does the in-house grading cut out middle man / reduce burden on farmer to do this and is this cost efficient?
pg 18	CSR strategy is aligned with the Group vision to be the food specialist for everyone and to deliver brand values of freshness; service and value.	Structured around three principal areas - environment (climate, waste and sustainability) Society (Work, neighbours and living) and Business (Sourcing, supply and engagement)	Each issue is assessed in terms of material risk or business opportunity to the business	CSR strategy remains very much entrenched as an economic motivated / driven agenda. CSR steering group chaired by CEO and made up of cross functional Directors and senior staff. Do ownership values drive CSR and is this a limiting constraint to the business
pg 28	In 2007 we published our first CSR report.	targets for CO2, energy usage and waste have been set.	First CSR report is 24 page document -Taking Good Care. 'Our goal is to be a recognised for building a sustainable business based on trust, loyalty and shared value attributes.'	CSR committee meet six times a year - KPIs set under headings of Society, Business and Environment. Trialing of micro wind turbines as renewable technology. Monthly KPIs on carbon waste Investments in transport efficiency, sensor lighting, reffridgeration; recycling and reducing packaging waste.
pg 28	we opened a new grocery depot in Swindon	This can better serve stores in South and West Progress in development of chill chain - manufacturing to store chilled condition.	Saving of 2.9m miles of transport miles - relocation of depot from Tamowrth to Swindon as part of national network servicing. Agreed terms for a depot in Kent. Progress on Chilled space has been slower than wished.	Depot and distribution for geographical network and Chilled distribution and storage are being progressed. Chilled space programme is developing slower than wished.
pg 28	Programme to replace major business systems has begun.	HP is selected provider of Hardware and Oracle is providing the software.	First major system change will be Group HR and payroll system - due to go live late 2008.	IT systems development is part of Optimisation plan with HP and Oracle selected as providers. New systems will support wider and larger organisation structure operation - for better efficiencies.
Christmas Statement	like for like sales are up in 6 weeks to 6 Jan 2008	Ad campaign and wider presence across UK	4m extra customers during Christmas trading - record levels of trade across the 375 stores	Morrisons is making steady progress in delivery of three Optimisation plan. Still at an early stage but confident of continued success.

Period		Jan 2007-Jan 2008		FIRM LEVEL REPORT : CO-OPERATIVE ANNUAL REPORT 2007		
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
C007	pg 46/123 127/148	Global	The major activities of the Co-operative Group include food retailing, healthcare, funerals, travel.	Co-operative Group is parent organisation of CFS whose subsidiaries include Co-op Bank; Insurance; and CIS General Insurance.	Merger between Group and United (regional co-op). Profit before tax £143m - Corporate members £25m; Individual members £40m; Communities £10m; Employees £20m.	Merger has allowed Co-operative Group to grow in size and geographically. New North West region (United Co-op) added to Co-op Group - National Co-operative Business.
	pg03/26		There has been a great deal of change since the last report	Co-operative Group and United Co-operatives have merged to form an enlarged group.	Group sales of £9.076bn (up 15%); Net Revenue £6.5bn; Operating profit £250m (Down 30%). This merger of two UK co-operatives forms a new large consumer co-operative. Trading profit up due to merger (£304m) but year on year profit down due to property downturn. Removing distortion effects of property/merger - profits up 20% like for like.	An integration project is underway of these two merged UK businesses - £50m savings expected. There is in place a temporarily enlarged combined Board (33 people). The structure and governance of the co-operative is being reviewed. This co-operative remains a UK centred Group. Co-operative marketshare needs reinvigoration following competitive erosion.
	pg 08/29		Trading Group borrowing has increased.	Last year Group debt was £155m which has increased this year to £563m.	The impact of merger and investment in refits has impacted the level of Group debt.	Net debt to Earnings ratio has increased to 1.5 (from 0.8) as a consequence of merger.
	pg 28		Trading Group balance of £114m	Merger costs £96m; Goodwill impairment £16m; fixed assets impairment £10m	Merger costs were high due to redundancies and asset write offs of duplicate systems	Significant impact on staff and systems due to merger - redundancies and duplicate systems.
	pg 29/58 /124		Goodwill and intangibles grown by £328m. £409m last year - £737m this year.	Pharmacy business incurred £196m acquisition of United pharmacies and £166m due to other pharmacy acquisitions.	High value of pharmaceutical licenses as part of merger and other pharmacy acquisitions. Intangible asset value further contributed to be major refit programme of Food business.	Brand value of Co-operative Group being developed - acquisition of Pharmaceutical licenses and revitalised brand being introduced across all businesses - Group branding
	pg 11		This is both a first manufacturing and overseas venture.	Co-op Pharmaceutical Business Joint Venture with Chinese company for generic drug manufacturing.	International competitiveness of China and new JV for Co-operative business. Generic drugs market and Industry pressures evident in Pharmaceutical Healthcare global market.	Co-operative format enters into JV with Chinese company - a first overseas and JV step for Co-operative Business - reflects highly competitive and global pressure in healthcare industry.
	pg 16		We have undertaken the world's largest consumer poll on ethics.	100,000 members responded to the Group's Food Ethical Policy consultation.	We have a clear mandate from members to continue pursuing initiatives within our Food business Banned sale of eggs from caged hens, own brand hot beverages are Fairtrade, reduced glass usage on bottles, prohibited further 66 pesticides.	Group Ethical Policy reflects consultation with members - what about non members and wider stakeholders.
	pg 17/27		Group wide community and campaigns strategy	Focus on climate change, social inclusion, tackling crime, food ethics and modern co-operation	Group contributed £10.4m to the community - a 47% increase on the previous year, equivalent to 6.3% pre tax profit. Roof mounted solar panels for 100 schools (£1m), farm to fork project, Waste Works Educational programme for primary schools.	Value based history - Rochdale Pioneers is translating into ethical USP for Co-operative in modern era. Ethical focus remains inward driven and ethical metrics are self - designed targets for company strategy. Community projects based on match funding.
	pg 22		Significant external influences of an international banking crisis and extreme weather	Weakened national economic climate and lower quality crops produced in UK	Group supply chain more exposed to National factors - Farm to Fork. UK has been impacted by financial crisis - in particular banking and property sectors.	GFC exposure has impacted UK economy. UK weather conditions have impacted local produce.
	pg 29/74		Group cash and cashflow reduced by £111m	Significant investment made in the business during the year	Operating cashflow down by £145m due to significant items and corporation tax @ 16% - merger and redundancies	Cash outflow from investing activities included pharmaceutical acquisitions and Food store refits Restructuring (£69m); Merger (£96m); Goodwill Impairment (£26m); Brand Cost (£2.2m)

pg 08	National	Historic merger provides the foundation for the reinvigoration and renaissance of co-operative sector in UK.	Alignment of the two merged co-operatives operations.	Harmonising marketing, pricing, products and systems along with staff and governance of the integrated business.	A lack of competitiveness of Co-operatives with neo-liberal firms has eroded marketshare. Will the merger bring sufficient scale and marketshare advantage? Or is it more likely that the Co-operative is moving towards a more neo-liberal format in UK to compete?
pg 08/09 /74 pg 10		The Group made good progress in 2007	Our food business had another successful year (€3.6bn sales / €92m profit)	Growth of 4.6% in sales; eight consecutive quarters of growth in Food business.	Convenience format growth (6.9%) is greater than the supermarket format growth (0.5%) for the Co-operative Food Business. Is this market forces or firm forces?
pg 11			Co-operative Pharmacy delivered credible results (€540m sales / €26m profit)	Profit before tax up 9% to €30.8m; acquisition of PCT Healthcare; new Pharmacy contract being developed by Govt.	Department of Health contracts clawed back €11m from Co-op; industry wide changes effecting Healthcare sector; Co-op Group is third largest pharmacy group in UK.
pg 11			Co-operative Funeralcare profit improved this year (€234m sales / €28m profit)	Progress made with €3m invested in fleet development and €3m in branch upgrades. Operating Profit up 66% on previous year.	Currently marketing plans to increase consumer awareness of the Funeralcare Business are being considered.
pg 11			Co-operative Travel Business has new Executive Team (€216m sales / €22.7 loss)	Travelcare business has underperformed and is going through closure of loss making branches and relocation of offices.	Major strategic review by new Executive team is driving the change in the Co-operative Travel business which is currently loss making (€4.7m loss) - an attempt to turn the business around.
pg 12			Co-operative Legal Services has moved into profitability.	A recently started venture (2006) made loss last year (€0.2m) and is now profitable (+€1.7m).	New services such as will writing, probate are gradually being developed in the new Legal Services venture which is finding its niche in the marketplace - National trusted Legal Services brand.
pg 12			End of Life Planning	22,000 plans sold represents 40% growth; funeral planning marketshare improved from 25% to 32% in a year.	Staff salaries have been increased to above industry average; facilities and product improved facilitating growth of market share.
pg 22/28			Co-operative Bank (€1.016bn sales / €50.4m profit down from €76m) Co-operative Insurance (€67m profit up €30.6m)	Operational Effectiveness Programme forcing efficiency gains and transformation. 4500 weather claims this year; motor insurance business has improved claim ratio.	62 initiatives; 1000 roles reduced, outsourcing partnerships part of €250m transformation of business model. CFS - one off and on going benefits of improved claims handling processes. Combined Bank and Insurance Business Profit of €151m.
pg 12			Co-operative Estates (Property division) (Profit €53m; capital loss of €18m)	Sharp contrast between first half of the year and second half - credit crunch has hit this business. Total portfolio value is €385.6m (€277m last year); €43m from disposals this year.	Market forces in the form of credit crunch has impacted the property business.
pg 13			Co-operative Farms experienced difficulties in 2007 (€2.4m profit -20% down on last year).	Adverse weather conditions impacted yields and quality of produce; particularly the pea crop; strawberries did very well this year - 650 Tonnes being produced.	Farming crops varied results due to harsh weather conditions impacting certain crops. New products and ranges are being developed for the Food business - wholesale to consumer value chain inhouse.
pg 13			Specialist Businesses include Estore, Clothing, Sunwin Services and Sunwin Motors	E-store (online electronics) business performed well. Range enhancement has benefitted sales growth of 44%. Clothing business volume up 6% but sales slightly down. Motor Group facing difficult trading conditions (€1.7m loss).	Specialist business mixed results. Are co-operative competitive in these industries or is the firm trading model not working for the business.
pg 13		Our strategy for the coming year revolves around key priorities.	Delivering successful integration programme. Maintaining like for like sales growth of Food Build market share and maximise supply chain in Healthcare Turn Travel Business around Deliver refit programme in readiness for 2009 brand launch to consumers Encourage commitment and engagement of our people.	Focus on merger activities - three plan to double Group's profitability Food business, as cashcow in portfolio, to deliver year on year growth. Regulatory challenges to Healthcare business and supply chain venture in China focus on turning around loss making Travel business Upgrading of infrastructure and brand of Co-operative Motivation and commitment of staff and engagement of members needs to improve.	Co-operative strategy very business and profit focused rather than driven by ethics. Much reliance remains in Food business which is driving the other businesses in the portfolio. Marketshare of Healthcare sector enhancement via development of National chain. market factors may have impacted outdated business model of Co-op Travel business. Major investment and refit reflects business was suffering from outdated infrastructure /look. Merger has impacted motivation of staff and morale within the Group.
pg 08	Industry	Our operational teams have been focused on maximising our participation in Pharmacy Contract.	Co-op has been working towards new Pharmacy Contracts being introduced by the Government.	Government is driving change in the UK Healthcare industry where private companies are contracted in delivery of public service provisions and services.	New Pharmaceutical Contracts underpin Public / Private partnerships in the Healthcare Industry. Department of Health controls pharmaceutical margins with private companies seeking changes in legislation.
pg 11		Wages are now set well above the industry average	Co-op funeralcare business has previously struggled with staffing commitment levels and staff retention.	Co-op recognised that investing in its people is critical to long term success of the business and also from a competitive position within the industry.	Employee wages have been brought up to above industry average levels to attract and retain the commitment of staff within the Funeralcare Business.
pg 12		Co-operative Estates had a mixed result in 2007	Credit crunch has effected the property market in the second half of the year.	Industry benchmark for property is showing negative returns for the second time in thirty years.	Property market is sensitive to the finance industry and is first to feel the impact of changes such as the Credit Crunch.
pg 28		Long Term Insurance Business significantly reduces level of longevity risk.	Co-operative insurance signed a major reinsurance transaction with Swiss Re.	€1.8bn of deferred annuity business and annuity payments were insured.	Increasing and major costs of insurance / finance businesses reflected in high risk protection costs - Insurance for the business.
pg 14		Co-operative Group voted most trusted brand in the eyes of the consumer.	Research carried out by AccountAbility on behalf of the National Consumer Council.	Co-operative USP is national trust and ethical position from a consumer perspective. This is the brand image - however consumers are generally skeptical of retailers therefore best amongst a low rated group.	Co-operative brand image reflects ethical principles and trustworthiness amongst the UK consumer public. However, this is within a retail industry that generally has low levels of perceived ethics.

	pg 17	Pioneer Award for renewable energy 2007; Award for environmental leadership 2007; Queen's award for Enterprise in Sustainable Development.	There are a number of ethical evaluation bodies emerging that are evaluating and awarding companies for their efforts	The transparency and independence of bodies in relation to private companies remain unclear. Co-operative is recognised for its ethical position within the industry.	Rochdale Pioneers established the business based upon local needs of low income families. Then this was about more than pursuit of profit - the legacy of this continues today in spirit for which Co-operative takes credit - but are actions today truly driven based upon ethics.
	pg 24	CFS rated as Platinum in BITC awards	€700m of loans turned away due to Ethical Policy issues.	Bank has unique Ethical Policy Unit.	Bank's Ethical Policy Unit is a customer led policy that has gained recognition with BITC.
	pg 32/33 Firm 37	KPIs of Trading Group are constructed around six key elements of strategic direction	Continuation of the on going three year strategy towards 2009 brand relaunch.	ROCE of 11.4% this year - moving towards target of 12% by 2009 (9% last year). Underlying profit from operations £182m Group Employee engagement score of 74 (same as last year) and Colleague satisfaction (52%). Corporate Reputation score of 18 (4 last year) Customer satisfaction (62%) and Customer loyalty - cross trade with more than one business (12%, last year was 8%).	Co-operative Group making is progress towards survey targets. Areas that require improvement are Corporate Reputation; Colleague satisfaction and Customer Loyalty. Co-operative wants to be high performance (73%+ colleague satisfaction) firm; Co-operative claims membership structure is a genuine point of difference to other retailers - but this is underpinned by a profit as motive? People performance measures - how to compare with other organisations? How to understand company culture - values?
	pg 34	CFS goal of market leading social responsibility	Based on three indicators - public awareness of the firm and BITC index.	Awareness of the firm is low (Bank 11%; Insurance 3%) but BITC score is high.	Social responsibility performance is industry comparative rather than social contribution - questionable criteria?
	pg 33	CFS vision - 'to be the U.K.s most admired financial services business'	CFS has new executive team and has / is going through major transformation to turn business around.	Combined financial services business with presence in banking, insurance, life planning sectors. Banking and insurance currently performing better than Life Planning. KPIs are shareholder performance, Life and Savings profit and expenses. Life and Planning has low Customer satisfaction.	Integration of financial services businesses under Group brand. Major transformation has restructured business model for improved efficiencies and new technological driven platforms. Vision of CFS is a UK aspiration but profit based KPIs + L&P has low customer satisfaction.
	pg 07	We extended the range of foods supplied by our farms to the Food Business.	Potatoes, flour, strawberries, onions, garden peas, apples - all grown by Co-op farms and supplied to the Food Business - 70,000 acres of farms.	New products and 'Grown by Us' range for Co-operative. Co-operative is emphasising British products within integrated supply chain.	Provenance of the food remains inhouse for Co-operative with a focus on National supply chain and own farm produce.
	pg 09 AR09	We increased the pace and scale of our refit programme.	The store estate consists of 2223 stores with 7.6m sq. Ft. in total which include convenience format, small and medium supermarkets (2-15K sq. Ft. Sales area). £86.3m invested in 373 refits.	Sales grew by 4.6% - there have been eight quarters of continuous growth in Food. 542 stores are in the brand new format and 700 stores are planned for refit / branding this year. Convenience format growth was best at 6.3% whilst store contribution improved 0.54%. Sales uplift of 10% plus following refit to stores.	Group is investing in refit / branding programme for stores. The Convenience format has delivered the best growth. The market town format of larger stores (12000 sq. Ft) has had trial formats which will be rolled out nationally also. Extending the refit strategy from Convenience format to stores (12K). Refurb and branding - two year strategy. Co-op building local community stores chain across the UK
	pg 25	CFS is emerging from its chrysalis of radical change and high investment	Structural changes to CFS business and £250m investment - there remains a distance to go.	Integration of financial businesses has been difficult but necessary.	Radical changes in finance business to turn the business around. Key to success remains best deal for customer and principles of value, fairness and social responsibility.
	pg 24	It is important to ensure we get fundamentals of responsible business practice right.	The market for ethical goods and services is on the rise.	Bank's ethical consumerism report suggests £32bn of ethical value driven spending by UK consumers	Ethical consumer concerns are increasing, particularly after the financial crash - this is reflected in more conscious decision making by consumers.
	pg 17	We are committed to a robust programme of accounting, auditing and reporting.	Performance measures and metrics have been developed towards global standard of reporting.	Co-operative aim to have world class sustainable reporting - Sustainability report offers increased disclosure.	Co-operative sustainability reporting is recognised as world class and industry leading. Disclosure and metrics suggest positive picture for Co-operative towards targets.
	pg 11	We have been investing in the estate of Pharmaceutical Business	We have rebranded and refurbished Pharmaceutical stores.	141 Stores have been upgraded as new Co-op livery. Further, locations of stores have been aligned to Healthcare Centres and GP surgeries.	Co-op upgrading Pharmaceutical stores and considering strategic location near Healthcare Public provisions.
	pg 09	Fifty new stores were developed or acquired during the year (Food Business).	New method / technique adopted semi-constructed pre-fabricated construction.	75 underperforming stores were closed or disposed off.	Format and store development includes closing of underperforming stores and adopting new efficient store construction techniques. Main emphasis of investment in 2007 was Convenience format.
	pg 12	Credit crunch has impacted Group property portfolio	Property values fell in second half of the year which has resulted in capital loss.	Group property portfolio £385m; Capital loss of £18m; Disposal of assets £43m. Credit crunch is impacting at a time of change for the business.	Co-operative has moved out of a leasehold premises in Manchester and consolidated in a new Complex. Plan is to build new offices / premises on the 20 acre owned site. Search is on for new Head Office location within Greater Manchester area - this year.
	pg 12/25	Wind farms generated £2m profit. We have reduced carbon emissions by 72% since 2002.	Renewable sources of energy generation is a growing alternative use of farmland and edge of town sites.	Co-operative generates 98% of electricity from wind, hydro and solar sources. On-going investment in projects since 1998. A project in Leicester is also servicing energy to 15000 homes.	New efficient buildings and investment in alternative energy sources is critical to competitive costs of businesses. Retailers are investing in developing alternative energy sources and efficiencies driven by government commercially costing CO2 and landfill waste.

pg 11	We have taken a major step by investing in a new Business in China.	Joint venture with a leading traditional Herbal medicine and pharmaceutical manufacturer.	New Business venture in China will employ 200 people and will develop generic drugs within two years for our 600 Co-op Pharmaceutical outlets in UK.	International JV in China in supply chain - manufacturing of generic drugs for UK market place. First manufacturing and overseas venture reflects market realities of Eastern competitiveness in global markets. Pharmaceutical industry - generic drugs pressures.
pg32/AR05	The focus of 2008 is therefore to drive active engagement from our members	There is a need for greater participation by members within Co-operative Group	Membership development seeks increased participation by existing members coupled with expansion of new members. There are 2m members but how many are active?	The engagement of members within Co-operative Group requires transactional and democratic interaction by members - drive for active engagement strategy.
pg 09	Regional distribution centre in Thurrock is operating near pre-planned capacity.	The South East is better serviced from the recently opened (2006) Thurrock distribution facility.	Development of infrastructure in South East towards building a National network of stores and distribution.	Logistics and infrastructure development in support of building National chain.
pg 10	Our commitment to Good with Food	new and exciting products have been developed new and inspiring advertising campaign	1235 new products launched and 1500 own label products (60%) rebranded with new packaging. Total relaunch of Premium range - 'Truely Irresistable' with range increasing from 90 to 270 lines. Relaunch of 'Healthy Living' range with additional 40 new products (total 120).	Co-op targetting discerning consumer with wider range, better packaging and Premium range. Focus on Healthy Living and Premium end of Co-op products as part of the 'Good with Food journey' advertising campaign.
pg 10/24 33/47	Key part of rebranding is the training we give our store colleagues.	Develop a high performance culture - CFS has People Programme. Every Colleague Has an Opinion (ECHO) - Colleague Satisfaction Survey Customer satisfaction CFS is 62.5%.	Staff development and retention has been identified as an area of improvement to change the culture of the organisation. ECHO Survey achieved 52% this year. Aim is to have the U.K.s most satisfied customers	leadership; management capability; performance development; recognition, communication and measurement - areas of people development for high performance. ECHO Target of 73% reflects a desire to be a high performing level (employees). Customer satisfaction also to improve.
pg 46	There are 81365 people employed across the Group	The aggregate remuneration for the year was £1.192bn	Number of employees has risen from 65,000 in 2006 to 81365 in January 2008.	
pg 47/79	Overall £846,103 was donated to the Co-operative Party.	£546,377 was paid by Co-operative Group and £99,726 was paid by United Co-operative.	Donations have been reported to Electoral Commission in accordance with Elections and Referendums Act 2000. Further £1250 paid in kind to Co-op Party and £4829 to Labour Party	Co-operative Group actively supports Co-operative Party and regional Labour Party. Co-op Group has established an inhouse public affairs team. Co-op representation was at Party conferences of Co-operative Party, Labour, Liberal Democrat and SNP - with £80,000 expenditure.
pg 32	Trading Group and CFS have common set of strategic priorities	Profitability, customer and employee satisfaction, social and corporate responsibility	There is a difference in the nature of markets in which CFS and Trading Group operate and the measures adopted to track strategic objectives are different and considered separately.	Common strategic priorities; measured differently within the businesses; the exception being growing and engaging members which is the same Group wide - Key Performance Indicators
pg 38/43	Taking and managing risk is the very essence of business survival	Risks as external; strategic; operational; information; people and financial	Risk management and Management Committees responsible for risk assessment. Internal controls, training, segregation of duties, delegated authority, contingency planning. Interan or external fraud, programme failure, process failure. Business Implementation function manages day to day review within Change Management.	Group is undergoing major change programmes - merger integration and Transformation. Project and programme management by Executive Management. Risk is board level responsibility. Market risks are managed separately for CIS; CISGIL and Banking. Time cost management of priorities of Changes.
pg 41/49	Immediately following the merger work began on a Constitutional review	Review of governance structure to serve enlarged society.	Board comprises of 33 non-executive directors: 25 individual members and 8 corporate representatives - Transitional arrangement - board size will reduce in 2009. Chair (Len Wardle); CEO (Peter Marks) Trading and David Anderson (CFS) - Dual structure	Individual directors elected from nine regions; corporate members elected from corporate members. All directors serve three year terms. Elections suspended until Constitutional review completed when all will step down and new structure will be held - 2009. Dual structure (Chair / CE) of Co-operative Board. Of 33 Board members 7 are United Co-op representing United region. Co-op Group Board is all non-executive - elected membership.
pg 41/55	Board met 11 times during the year	2 days a year are devoted to long term planning - future strategy.	Board responsibility is setting aims, measuring KPIs overseeing risk and governance matters. Audit and Risk (11); Performance Committee; Remuneration and Appointment (13); Values and Principles Committee (16)	Each Director undergoes skills assessment and training is offered on a regular basis. Values and Principles Committee - strategy on membership; community and CSR within a Co-operative context.
pg 43	Society's control environment is designed to create an attitude of taking appropriate acceptable risk within defined limits.	Structure and co-ordination of activities and capital flows is controlled at Board level	Comprehensive systems in place to manage processes; systems and risk.	Is the current co-operative structure democratically distinct or bureaucratically complex. Tight control of risk and processes at Group level with low level of membership / stakeholder interaction?
pg 10/13	Sales of our strawberries and potatoes were particularly high this year	The growth / expansion of inhouse trading between farm business and consumer retail business continues following merger.	Incredibly adverse weather conditions impacted quality of cereal and potato crops this year. 50% of pea crop was lost as fields were too wet. Prices of farm produce is increasing reflecting inflationary pressure on food prices and cost of labour in UK.	Co-operative retail business account for 50% of farm business turnover. Demand for UK produce is strong. Costs are increasing and prices are rising. Further UK harsh weather has effected quality of produce this year.
pg 28	Food operating profit at £139m was 50% up on last year	Significant like for like sales and favourable margin mix. New ranges and products have reinvigorated sales.	Food business	
pg 10	New senior management team in Food has been in place since August 2007	Structures were finalised before year end.	Many staff changes at all levels within the business have taken place. Staff have been let go off following the merger and new teams have been formed.	Change in both senior leadership teams and on the ground staffing within the business. Considerable changes have taken place to enhance business competitiveness.

pg 10	The 'four betters' strategy has been successful in the last two years.	Better shops, products, service and execution.	New Brand is being rolled out; Refit programme for existing stores and packaging; New space acquisition and builds targeting 100 stores/year; Product and range development -Good with Food	Good with Food strategy - takes account of consumer concerns and market trends. Food Ethical Policy feedback and endorsement from over 100,000 members.
pg 11/28	Explored a wide range of new marketing initiatives to raise awareness for the Funeralcare Brand	Sponsorship deals with SkySports2 and World Bowls are among others avenues being explored. Despite Death rates down - Funeralcare business is up 12%.	Raising consumer awareness and maintaining regular contact with consumers is increasingly complex with new forms of communication - brand reinvigoration is a continuous process. Investment in upgrading Funeralcare business has improved sales.	Brand awareness and communication methods has evolved with innovative ideas and new fast moving digital/IT channels of brand interaction. Having a clear strategy is critical to all types of businesses. Infrastructure improvement has also uplifted sales in caring profession.
pg 16	There is potential to grow the Co-operative Clothing business	This business supplies distributors with corporate and protective clothing - staff uniforms	Sales in 2007 were down by £0.2m to £5.8m, Volume was up but profits were down. 20% of the business is generated from supplying Co-operative Group and Societies with uniforms	Clothing business has long history within Co-op (100 years) - business model emerges from supplying inhouse uniforms and extending this to wider Societies. Focus is to develop business to business market.
pg 11/12	Co-operative Travel has new Executive team.	Key decisions include exiting leasehold premises at Trafford place - relocating to Stoke on Trent, tour operating division shift to new premises in Manchester, flight centre in Stockport closed.	Along with major premises changes, 55 loss making high street branches of Travel business were closed during the year. Savings of £5m, sales increase of 44%, business loss of £4m due to turnaround	New executive team implementing premises and strategic changes within Travel Business to turn it around. Change of approach and focus on tour business rather than Flight centre. Dive for lower cost base and improved sales.
pg 16	Sunwin Services is a busy area of the Group	CIT Services, ATM support, E-Solutions, Security and Aegis Guard	Business has developed from ATM network contract / EPOS roll out across Food business - regional business to towards becoming National business	Mainly inhouse work for Co-operative Group - development of Food and Pharmaceutical IT services and Co-op Bank ATM service contracts.
pg 13	We are at end of first year of a five year Group energy Saving plan.	Operational efficiency and improved energy usage are a priority for the business.	Wind farms and innovative techniques are being used to improve energy savings which are critical to maintaining competitive cost base for the business.	Food has saved 5% energy cost in 2007. The target is to achieve 20% savings by 2010.
pg 13	Bid for Eco-town on farmland in Leicestershire	Co-op has progressed a bid to build 15,000 properties on farmland in Leicestershire.	Eco-homes on existing farmland - change of use of land reflects both demand and valuation of land usage within the outskirts of towns around UK.	Whilst eco-homes are beneficial, the strategy to develop farmland for residential usage reflects demand for edge of town developments and change of usage of land from farming for profit.
pg 13	E store is an online retailer of electrical items and beds.	E store has performed well with sales increase of 44% to £27m.	E store adopts similar inhouse distribution model whereby control is retained within the Co-op Group at the back end of the supply chain	Small but growing online business of electrical beds - focus on website development and accessibility for this business arm. Inhouse distribution reflects Co-op business model.
pg 17/ 21	We are doing as much as any other business to reconcile our climate change impact.	Use of Co-operative Group land to generate electricity - wind farms business made £2m profit. Developing waste and packaging reduction.	98% of our electricity comes from renewable sources. Office in Manchester houses largest UK solar project.	Climate Change is an issue for all businesses - Co-op have their own renewable energy wind farms and powering 3000 homes as part of sustainable development.
pg 22/23	Commitment to change and investment has been a key feature for CFS during 2007 - Transformation 07	bank has maintained strong balance sheet - with retail and corporate deposits - less exposure to financial markets and wholesale borrowing.	CFS profit £151m - 12% up this year. Strip £100m of expenditure from CFS business this year. One thousand jobs have been lost following consolidation of financial services businesses - 80% of business comes via direct channels and aggregators - comparison websites. The Financial Advisor role has diminished in favour of direct marketing, online and call centres.	Distribution, underwriting and marketing of financial services is shifting to online rather more so than Financial Advisors in branches. Transformation programme of CFS has included loss of 1000 jobs to reduce duplication and improve efficient structure to the business. Significant costs for CFS totalled £67m - new operating business model plus redundancies.
pg 25	Bank joined forces with Friends of the Earth to campaign on Climate Change	Bank working in partnership with NGOs - FoE and Amnesty International based on consumer relevant themes.	22000 customers lobbied government via MPs on Climate Change Bill. Customers Who Care Campaign will work with Amnesty International of 'Defending Human Rights'	Co-op is working with NGOs on issues relating to consumer concerns to lobby government
pg 22	Operational Effectiveness Programme launched in January 07.	Tasked with delivering £25m of saving	62 initiatives were implemented and achieved savings of £30m.	Financial services business transformation from branch services to more on-line; marketing and back office format.
pg 22	CFS change included implementation of three key outsourcing partnerships.	Five year partnership extension with Xansa was agreed. Life and Savings Division outsourcing contract with Capita. Five year partnership with Communis.	Customer proposition development, reduced cost of application development and support services. £250m contract to provide business administration services. Unified print and mail service which will save business £1.3m	Outsourcing strategy of CFS as the more efficient development of online propositions and support services - business administration and mail. Reduced employment cost base for CFS transferring support to outsourced providers.
pg 23	Establishment of new Propositions Division and four Corporate Banking Centres.	Single director overseeing customer contact centres, back office support and direct sales.	Further to outsourcing, CFS has consolidated previously separate functions under a single director.	Outsourcing strategy in finance business facilitating wider national coverage by Directors. But greater risk of eroding ownership and agency accountability of consumer contact
pg 23/74	One business, two department stores were sold during the year	Shoefayre business and two department stores were sold. Trading losses of £11m and disposal losses of £4m incurred.	Group sold loss making business and unused assets that were loss making. This included a United Co-operative Store that was deemed as not needed.	Group investing in Travel business to turn it around but decided to sell loss making Shoefayre

	pg 35	In 2007 a Business Continuity Analyst was recruited.	Comprehensive update of risks to processes in being undertaken following the merger.	Business continuity assessment of Food business and other businesses. Focus is to reduce risk of potential disruptions and critical preparedness - gaps in business processes and data protection.	Business continuity risk assessment and data protection has become an increasing priority for the larger merged business - is this regulatory compliance, oligopolistic competitive pressures and chaotic market conditions driving protectionism?
	pg 35	Health and Safety risk must be assessed within all Society operations.	Legislative changes include Fire Safety Reform Order (2005) which came into force and Corporate Manslaughter and Corporate Homicide Act (2007).	Companies and organisations can be found guilty of corporate manslaughter as a result of serious management failures resulting in gross breach of duty of care.	There are implications for new legislation - Corporate Homicide and Manslaughter Act (2007) which comes into force in April 2008.
	pg 49/50	Executive remuneration is base salary plus annual and long term incentive plan.	Base salary is competitive but is less than comparable Plc's. Range from £471K to £26K for NEDs.	Executives entitled to upto 60% annual bonus based on performance targets. 45% based on Group profit plus 15% based on Co-operative Value measures - balanced score card.	Whilst executive remuneration is below Plc's - the growth of co-operative is slower and strategic development more incremental than radical - thus emphasis on control and management of internal development with external factors - steady risk management approach.
AR07	pg 03	We have revitalised our commitment to education	Announcement of first 'Co-operative Trust' School and sponsorship for first Co-operative Academy in Manchester	Co-operative establishing trust school and Academy in line with Government policy shift towards public/private partnerships and private investment into Education sector.	Education investment is a community and profit motivated scheme. Co-operative adopting social enterprise strategy of CSR type investments
AR07	pg 05	We are proposing a record dividend of £102m.	This is more than doubling last year (£46m).	Co-operative becoming profit focused and seeking to reflect and encourage membership growth. Increased payout as dividend reflects message to members of positive growth.	Of the 16 businesses that comprise the Group - the core have grown and others are being turned around. We are bigger, stronger and in a better position than before. - Peter Marks.
AR07	pg 16/17	We invested £10.4m in the community	Fairtrade bananas; recycling paper; issues of crime and social exclusion - opening bank accounts and financial education for prisoners; green energy projects.	Benefit of Community projects is two fold - firm benefit in terms of PR; taxation; schemes; plus society benefit to those that receive benefits of projects.	Is firm strategy more focused on ethical brand representation or actual benefit to society? Is co-operative geared toward enterprising the financially motivated poor - or to the communities within which it operates?

Global Spheres of Action
High asset value supported consumer confidence contributing to advanced market super-elite corporates global influence
Alignment of national markets into regional hubs enabling international competitor advantage
Food resource consolidation shifting from narrow buyer groups into narrow supply groups closer to source (Scaling of production and processes at source) - Rising risks in resource source markets.
Scaled diversified format is challenging the specialised unique format at the coal face (convenience or customised) and mergers /acquisitions favouring brand shareholderising of personal wealth
Paradigm economic shift to high savings markets (China) from high debt markets (US) as growth drivers - low income high population shift - financial re-orientation
Artificial systemic governance failures of private sector forced onto public sector (tax payers) citizens in credit markets (low population high income)
Knowledge, pace and mobilisation gap growing between market makers (super elite shareholder scale corporates) and market players (fast problem fixers) in a more chaotic broader bi-polar market.

Regional Spheres of Action
The shareholder centric aggressive retailers are dominating and growing - driving supplier contractual negotiations
Meeting of minimal regulatory requirements for maximum benefit - political competition between emerging market and advanced market players within each others regions.
Fast rise of preferred regional players, that are less ethical or law abiding and more law using and benefit focused. The form of corporate diplomacy for tactical advantage.
Blurring between black/ white financial structures indicates less questioning of leadership and more following the line within self-legitimised boundaries - the discretionary risk taker.
Credit crunch driving increase of disparity between haves and have nots within and beyond regional markets. Western volatile markets contrast with Eastern less regulated markets as global transition. Advanced market push into Eastern markets is mor eaggresive whilst entry into Western markets by Eastern players remains selectvely controlled to rational formats (Forward integration more difficult).
Retail innovation of the Green, Sustainability, Health and Internet agendas driving global change. Contrasting interpretations of these in regional corporate / media terms.
Currency competition.

National Spheres of Action										
Government intervention in UK banking sector - protecting the 'too big to fail' corporates by burdening the tax payer as the bearer of bailouts.										
Declining political popularity in UK and new Labour leadership of Chancellor at a time of economic oligopolistic transformations.										
Political and economic divide - London centric protectionist decision making - mega city risks rising, work centric consumer lifestyles and limited powers/narrow remit of regulatory bodies. Regulation is constraining human freedoms.										
U.K. has an ageing population and community disintegration emerging favouring of individualism and personal choice. The fewer younger population competing with the 'living longer' generation.										
Shift towards technological platforms and Convenience in Retailing at a time of low disposable incomes - the instant here and know decision maker.										
The end of the 'Co-op' based format which has demand but is not aligned to survive in this neo-liberal marketplace.										
Shift in media tone on immigration contrasting EU / Eastern / South American entrants indicates favouring of rising markets cross-pollination.										

Industry Spheres of Action	
	FMCG supermarket format internationalisation is following behind specialist formats, but impacts local consumer markets much more aggressively (move from advanced to emerging markets).
	Brand intensity is increasing with online and standardisation value added - for the FMCG grocery multiples this emerges as own label branding and processual pressure on suppliers and media trend of CSR.
	FMCG grocery multiples continue diversification in home markets into mature sectors and acquisition for marketshare. Push into Convenience sector through asset capitalisation investment strategies.
	Middle Eastern wealth fund investment into a UK retailer reflects regional alignment of global trade and greater global mobility of investment /ownership activities
	Strengthening of oligopolistic effect is regulatory supported where CC has narrow consumer remit - proposed Supermarket Code of Conduct indicates Supplier issues and Planning shift reflects local frustrations (Land holding - scale). Big 4 predatory behaviour and ethical concerns.
	Lobbying and collusion practices engaging new creative indicies and audit processes requiring IT systems as justified progressive industry standards (not addressing the problem) and consumer needs (self).
	Maturing of gender diversity may not reflect changing leadership thinking but instead promotion of stereotypical fits into roles - compounded risk of narrow leadership remains.
	Narrowing consolidation of source to consumer - regulatory pressues of Health, environment, sourcing more industry cost effects rather than consumer concerns.
	The Whistle blower and privitisation conflict.

Firms level Spheres of Action	
	Private ownership of elite branded retailers indicates a leadership behind the board.
	Greater mobility and non-national geo-political power shift of elites - short term value interactions in chaotic markets.
	Controlling the middle classes that are increasingly vulnerable
	Nationalisation of a Bank in U.K.

Tesco Spheres of Action	
	Tesco's dominant position in home market contributed to by new formats (online/home shopping), diversification of products (one stop shop), preferred large (Scale)/ small (Convenience) format for profit.
	Long term relationship between commercially focused Chairman and CEO. CEO grown within company and introduced shift to knowledge based strategy (Clubcard). Leadership follower of U.S. centric model but not a U.S. model itself. Chairman and U.S. CEO close relationship
	Cautious consumers and Competitor recovery impacting the aggressive leader. The less complex European discounters (less range) are price competitive whilst Sainsburys is fighting back and Morrisons extending Nationally in the home market. The discounter low price model is doing well in U.K. whereas JV model works internationally.
	Bespoke modular IT and process systems offer flexibility to the Tesco retail model which can be adapted internationally
	High morale and industry leading salaries of workforce that are inhouse skills of the organisation support the performance orientated culture that has a more international outlook at management level. Leadership remains politically isolated.

Sainsburys Spheres of Action	
	Sales focused incentivised recovery to growth in the home market supported by steady progressive changes.
	Organisational culture more reflective of British societal cultures and liefestyle trends. Anglo-centric Leadership model distinguishes heirarchically with day to day employees that are intune with the Public mood. Thus JVs or partnerships are narrow to the adopted organisational culture. (Those in know and those for show - deal making culture public/private persona).
	Narrow auditing of Corporate Responsibility risks protectionist conflict of trust - whistle blowing vs CC recommendation for Supplier Code of Conduct.
	Launch of online format in non-food, low cost bank model, growth of own label and efficiency as innovation reflect the 'renewal of leadership' as 'less risk orientated' but attractive for 'foreign investor' as steady ship model.
	Low cost entry point and build up to Qualty for Fair value.
	Tactical engagement with stakeholders reflects greater collusive practices at the more subtle inward level which steers political correctness as outward looking. The Public face and Internal realities alignment is shorter term. (Need basis and for political profit where ethics may become a technicality).

Morrisons Spheres of Action

Optimisation investment emerges as Safeway integration into the Morrisons labour intensive model. which is more complex /top down and with less stakeholder influence than competition.

Risk averse individual leadership / control focuses on frugality where size does not as yet reflect marketshare.

Strong preference for 'the supermarket' format niche - late to market /reluctant other formats.

Freshness and Service Brand leans towards keep it simple strategy rather than innovator - suits customers that are more sensitive to change or know what they want and where to get it.

Contrast of loyalty of existing customer base and more difficult to convince conversion of new customers that protects 'the Morrison's way of thinking'

Shift of culture and brand towards a more Corporate performance orientation as National Chain. Personal commitment control of owner/leader to more commercial leadership style. So far, employee retention was dependent on their conformance to leader style, may become more commercial relationship of staff retention going forward.

A tension between Morrisons inhouse operation and Competitors more JV/out sourcing supply and diversification formats.

Co-op Spheres of Action

Co-operative membership structure claims ethical USP but seems underpinned by performance profit motive - leading to unclear purpose.

Co-operative benchmark is industry based rather than Societal based - thus Co-op is perceived more Societal amongst peers that are economic trained and minded.

Renewal of the brand and preference for a more Convenience smaller format is Co-op USP. Loyalty appeals to thrifty 'no nonsense' consumer and those seeking generic brand or local provenance of foods.

Reporting narrative reflects societal concern awareness as an exterior image, but this is not reflected in internal practices Divide between senior leadership that is external focused and internal executive management that is business focused.

The current larger complex board structure and democratic process not suited to fast decision making and performance accountability of those in power.

Drive for active engagement of membership whereas majority are passive.

History and consumer recognition demonstrates appeal but the model is not working for size of organisation and its marketplace effectively.

Co-op seems more NGO driven, where senior leaders have social motivations, compared with other competitors.

Initial List of 120 virtues

Acceptance	Forgiveness	Piety
Accountability	Fortitude	Prudence
Ambition	Friendliness	Punctuality
Assertiveness	Frugality	Purity
Beauty	Generosity	Purposefulness
Benevolence	Gentleness	Reliability
Bravery	Grace	Resoluteness
Caring	Gratitude	Resourcefulness
Charity	Helpfulness	Respect
Chastity	Honesty	Responsibility
Caution	Honour	Restraint
Cleanliness	Hope	Reverence
Commitment	Humbleness	Righteousness
Compassion	Humility	Selflessness
Confidence	Humour	Self-sacrifice
Consideration	Idealism	Service
Contentment	Integrity	Sensitivity
Cooperation	Impartiality	Silence
Courage	Industry	Simplicity
Courtesy	Innocence	Sincerity
Creativity	Joyfulness	Sobriety
Curiosity	Justice	Spontaneity
Defiance	Kindness	Steadfastness
Dependability	Knowledge	Strength
Detachment	Liberality	Tact
Determination	Love	Temperance
Devotion	Loyalty	Thankfulness
Diligence	Magnanimity	Thrift
Discernment	Majesty	Tolerance
Discretion	Meekness	Toughness
Discipline	Mercy	Tranquillity
Eloquence	Moderation	Trust
Empathy	Modesty	Trustworthiness
Enthusiasm	Obedience	Truthfulness
Excellence	Openness	Understanding
Faith	Orderliness	Unity
Faithfulness	Patience	Vitality
Flexibility	Peace	Wisdom
Focus	Perseverance	Wonder
Forbearance	Persistence	Zeal

2007/2008 - Deeper Understanding						
Disposition (arete) of Character (state of mind in acting Level)		Action for Growth (Voluntary, Involuntary, Non-voluntary)	Patterns of Behaviour 2007/2008 Intrepretation	CONCEPTUALISATION Islamic Ontology	Eudaimonia as a Golden Mean Ontological not axiological	
Major (Moral Hexis)	Global	Market makers deliberately narrow the top and consolidate resources forcing market players to conform to their control - Leaders too 'in this word with their own agendas'	Attachment	Al Tawbah, Chapter 9, vs 24 Al Qasas, Chapter 28, vs 76 Al Hadid, Chapter 57, vs 20 Al Imran, chapter 3, vs 14 Al Kahf, chapter 18, vs 34-36 Al Anfal, Chapter 8, vs 54	Lofty Detachment (materialism clouds ability to judge)	
(Stable habits)						
Can be habit?	Regional	Intensity of competition - survival of the fittest brings out more 'revert to type' win at any cost, where powerful individuals have differing agendas Duelling masculinities	Machismoism	Al Hujraat, Chapter 49, vs 13 Ya Sin, Chapter ,36, vs 77 Al Nisa, Chapter 4, vs 19 Al Rum, Chapter 30, 21	Community	
	National	Top-down decision making of powerful dicating the many - Privitisation of freedoms and choice	Self-indulgence	Al Fatir, Chapter 35, vs 5 Al Takathur, Chapter 102, vs 1	Self-discipline (What is service?)	
	Industry	Brand and technological transition of retail into the consumer home. Standardisation and strengthening of oligopolistic effect and rational distancing of the consumer.	Dishonesty	Al Araf, Chapter 7, vs 33 Al baqra, Chapter 2, vs 42 An Naba, Chapter 78, vs 35 Al Anaam, Chpater 6, vs 28	Honesty	
Minor (Intellectual) (Practices)	Firm	Firms	Faster mobility of firm ownerships - power behind board	Wastefulness (corruption)	Al Baqra, Chapter 2, vs 11 and 205 Al Qasas, Chapter 28, vs 77 Ar Rum, Chapter30, vs 41 Al Fajr, Chapter 89, vs 11-14 Al mahidah, Chapter 5, vs 33 Al-Araf, chapter 7, vs 31	Moderation
		Sainsburys	Low point entry for Diversification. Performance focused growth with Anglo-culture that distinguishes the formal (public face) and internal realities (subtle).	Tact	Al Imran, Chapter 3, vs 110 Al Imran, Chapter 3, vs 28 Al Hijr, Chapter15, vs 9 Al muminin, Chapter 32, vs 1-8	Tact
Can be taught?		Tesco	Inward focused leadership driving scale advantage and international expansion.	Narrow-minded	As Saffat, Chapter 37, vs 138 Al Araff, Chapter 7, vs 184 Al Hijr, Chapter 15, vs 26 Al Baqra, Chapter 2 vs 7	Openness
		Morrisons	Tension between becoming a National Chain and ownership 'business model'	Inflexibility (loyalty)	Al Baqra, Chapter 2, vs 170 Al Mahidah, Chapter 5, vs 104 Al Nisa,, Chapter 4, vs 135	Flexibility (loyalty)
		Co-operative	Economic motive within firm contrasts with Social motives and unclear purpose of membership model but retains no nonsense business model	Envy	Al Falaq, Chapter 113, vs 5	Kindness

Period	June 2007-June 2008	GLOBAL LEVEL : GLOBAL POWERS OF RETAILING REPORT 2009				
Document	Ref	Level	Event / Description / Observation	Explanation / Significance	Output / Impact / Conflict	Interpreted Central Theme
GPOR 09	5	Global	The economy was growing nicely in 2007	In early 2008 financial crisis began to spill over into western europe.	The impact was felt in western Europe in early 2008 and spread to Asia/Pacific regions in mid 2008.	The retail industry was riding high in 2007 but during the year the expanding impact of the credit crunch in August 2007 and started to impact some consumer markets. But most markets remained robust throughout 2007.
	5		Total retail sales climbed in 2007	Last year top 250 retail sales were \$3.62 tn.	This year retail sales of top 250 were \$3.62tn - up 11.4%	Nominal sales growth plus more so the effect of aggregated US figure at a time when US dollar was weak against other currencies. Average nominal growth of sales was 7.6% (factoring in currency movement) - which is favourable.
	26		Report uses sales weighted composite averages	Last year the report used simple arithmetic averages	Impact of currency movements adjusted for better representation of market dynamics.	All data converted to US dollars for benchmarking and use of composite averages. But still the largest retailers contribute more to averages than those lower down the rankings.
	26		Economic concentration of the top 10 declined slightly	Last year top 10 share was 30.1%; This year is 29.60%	Reversal of long term economic trend where the top 10 have been out pace growing.	First indications of slow down in global retailing as long term trend of top 10 retailers indicates slower growth.
	26		Combined sales of top 10 increased 7.2% this year.	Combined sales of top 10 increased 7.6% last year.	9 out of the top 10 retailers had slower rate of growth this year - in some cases substantial slow down of growth.	Only 2 companies in top 10 posted double digit growth (Tesco and Schwatz). Home depot suffered first ever decline in sales (2007). Wal-mart represents just over 10% of the top250. Home depot fell from third to fifth and Tesco rose 3rd to 4th. Credit crunch impacting US retail market at present - yet to impact across other regions.
	26		Globalisation continues apace throughout the retail world.	In 2006 top250 operated on average in 6.2 countries	In 2007 top250 operated on average in 6.8 countries	Internationalisation remains a growth trend for the top250 retailers. In total 21% of sales came from outside the home countries. The larger the retailer the more likely it generates sales outside home country. There is some regional variation in that US retailers operate in Americas /Europe has more geographical spread.
	27		Sales boost from international expansion has become less clear	There is less difference between growth rates of retailers in 10+ countries and those in a single market (7.4 vs 7.5%)	Retailers that stayed close to home outpaced their international peers by 2% in 2007.	Higher sales in home countries did not translate into higher profitability - home profit margin (2.7%) international profit margin (4%). Thus, sales growth in home markets were less profitable than international markets. Are home markets more competitive due to growth of international players entering (Aldi in UK) or are home markets becoming subdued due to credit crunch?
	29		Over the longer period European retailers have fared worse than others.	Compound annual sales growth of 4.75 between 2002-2007.	For the same period U.S. retailers grew 8.2% and overall top250 grew 7.3%	European retailers have grown slower than U.S. and other retailers, but they are more profitable with the exception of low-margin Germany. Germany has 3% rise in VAT also.

32	U.S. retailers dominate the top retailers by product category	FMCG, Hardline and leisure, fashion goods, Diversified.	Walmart; Home Depot, Macy's and Target lead by product category.	1 UK retailer in FMCG top 10, 2 UK retailers in top10 Hardline, 1 UK retailer in diversified (M&S) and none in fashion goods top10. US retailers dominate top position by product category. FMCG domination consistent historically.
33	Growth of speciality format stores	Speciality stores are becoming popular around the world.	Over the last two years more top 250 retailers are operating apparel/electronic goods/footwear/home improvement stores.	Specialty store format has grown and is tied with supermarkets know. Majority of retailers are involved in food sector with multiple formats - discounter supermarket, convenience, hyper market cash and carry. Although supermarket remains omst popular, fewer top250 operate this format and are moving to hypermarket or convenience format.
33	Significant number of successful retailers focus on single format.	Format diversification has been a key growth strategy for many of the world's largest retailers	140 of the top retailers have derived 90% of their sales from just one format. Only 36 companies did not have a sinlge format that accounted for more than 50% sales.	Over the last decade the trend has been towards multiple diversified formats for retailing. However, majority of sales have come from single formats. With the rise in online retailing, there is shift returning towards fewer formats. The more focused retailers demonstrate better profit and sales than dversified groups. But the diversified format retailers are more international than the single format retailers.
34	20 new comers join the list this year	The new comers are a diverse group	Japanese merger, two Russian retailers. Half of the new comers are also amongst the fastest growing in the top250.	Euroset, russian electronics speciality retailer is the fastest growing 2002-2007 with 108% growth. Bauger group from Iceland is second fastest. Morrisons is fastest UK retailer in terms of growth (23) followed by Carphone warehouse and Primark. But speciality /apparel stores as a group are growing most.
36	Retailers from all five regions and 21 countries are among the fastest growing 50.	Developing countries are well represented in this group.	Emerging market head quarteered retailers are growing faster than other regions.	Over last five years composite growth of 28% for fastest 50 -which 3.8 times faster than top250 group average. The trend indicates mergers and speciality stores are impacting movers/shakers. But there remains a divide between the top 10 elite group as regardless of growth, the top 10 still remain dominant at the top.
36	For the first time, report includes extent to which CSR is being addressed.	Each retailers corporate website was examined to see if it had CSR section or a CSR report was published.	66% of top250 are reporting on CSR. Africa/middle east - 5 out of 6 companies reporting (83%) Latin (50%) and North America was lowest with (53%)	FMCG companies are mostly reporting CSR (72%) and North American retailers (53%) least reporting. There is a difference in that most reporting is on environment, then on social /economic issues and least on product safety. Divergence amongst CSR reporting remains.
38	We have calculated Q ratios for 144 retailers	Lat year we calculated Q ratio for 146 retailers	There has been a steep decline in equity prices due to the credit crunch. Therefore Q ratios have declined (based on market capitalisation) Average 0.846 (arithmetic) and 0.745 (composite) is lower than last years 1.3/1.5.	Strong branded retailers perofrm best - mainly specialty retailers and well known names such as Apple, Amazon and Uniqlo. Dept stores have suffered and specialist sotres are doing better. Results are odd due to decline of equity markets and difficult economic conditions. There is havoc on th eexpected order of things.
40	How quickly things have changed	Analyses of economy focused on Federal Reserve position on increasing interest rate	There was a perception that the worst of the crdit crunch was behind us.	The world know faces a serious frozen credit market, th eprospect of a significant recession, massive government intervention in the financial markets and a business environment for retailers far weaker and uncertain than expected.

		40	Past experience provides a mix bag	Some successes and some failures	Japan took 7 years before intervening in the early 1990s Sweden in the 1990s government intervention	Current total current freeze is being handled differently by different regions of the world. Eurozone is a mix of governments - US is independent; UK is independent currency with say in Europe.
		41	As of this writing, the global economy is on a downturn.	Shift from rising commodity prices to subdued market.	U.S. already in mild recession; Western Europe likely to economic downturn; Emerging markets may experience slow down in growth.	Demand for commodities is weakening. Markets are responding by driving down prices Large emerging markets China and India are growing rapidly forcing demand for energy and resources higher. Discrimination against foreign investment, political instability and international conflicts over pipelines will be factors that limit output. High prices for prolonged period - difficult to change consumer demand for energy for several years yet.
	5	Regional	The result was the beginning of the credit crunch in August 2007	proximate cause of this was peak and collapse of US housing market	US House prices started to fall in late 2006, by 2007 defaults and sub-prime mortgages impacted mortgage securities	During 2007 there was a shift in the US economy from relatively strong to deceleration and modest recession by early 2008 due to credit crunch.
	27		European and American retailers have the most number of retailers in the top250.	Europe (99); North America (98), US (87) - followed by big drop Asia/ Pacific (39), Japan (24).	European retailers generate more sales internationally than others (35%) Latin Merica (9.9%) and Japan (10%) least.	European and African/Middle Eastern retailers are most broadest international. The focus seems to have shifted from sales expansion into new markets to profitability in saturated markets.
	27		Most US retailers are still not major players internationally.	There are 87 US companies in the top250	49 of the US companies do not have international operations	On average US retailers were in 4.2 countries - this average disproportionate due to Walmart. The vast majority of US retailer sales were domestic (88%).
	28		U.S. lost ground in 2007	Number of U.S companies dropped from 93 in 2006 and 2005 to 87 this year.	Share of top250 for U.S. retailers drops from 45% to 42%. U.S. retailers aggregate sales 6.6% compared with 7.6% for top250 as a whole.	U.S. retailers experiencing weaker growth compared with global counter parts - particularly in latter part of the year. Credit crunch plus weak US dollar impacting local market.
	28		Japan are the second largest group by country origin.	Japanese retailers remain major players but trend of decline	Country represented 9.6% of top250 and 6% of sales. This is down from 16% and 8.5% 4 years ago.	Japanese retailers are more in the department retail sector which has suffered most merger activity amongst Japanese retailers has reduced number of players.
	28		Retailers from Asia/Pacific and Europe increased in top250.	8 more European retailers (39% of top250)	European retailers overtake U.S. retailers for first time as overall percentage.	U.S. marketplace is in decline whilst European firms have yet to feel impact of credit crunch on their markets. Germany, France and UK dominate European list with 50% retailers and 75% sales of European representation.
	28		Emerging markets remain growth area of sales	Asia/Pacific, Latin America and Africa leading sales growth.	Africa/Middle East has highest composite growth.	Emerging markets remain sales and profitability growth area amongst top250. The domestic retailers in this region are growing fast and are internationally expanding on the back of good domestic market.

	29	Top 10 retailers by region	European retailers - 9 out of 10 the same U.S. retailers - all remain the same	N.America (Walmart), Europe (Carrefour), Asia-Pacific (Seven Holdings), Latin America (CBD), Africa (Shoprite) - the leaders in each region.	With \$94.7bn sales Tesco is 2nd largest retailer in European region. Some of the Latin American retailers moved up in the rankings. Majority of the dominant firms remain as leaders in their regions.
	31	Food and FMCG retailers dominate the top250 table	On average FMCG retailers have a presence in 4.9 countries.	Fashion goods (46); FMCG (130); Hardliners (55); Diversified(19).	Fashion goods companies are most international (10 countries) but FMCG dominate the top250 (130 retailers). FMCG average sales at \$19bn is high - have made strong push to globalise. Top250 FMCG generated 23% from international foreign sales - the highest of the four product categories. High sales bust historically low margins in FMCG (3%). Dept stores negative sales is impacting fashion retailers.
	40	Eventually the housing bubble burst	banks and financial institutions caught holding toxic assets	August 2007 credit activity seized and Federal Reserve flooded market with liquidity.	High levels of borrowing in US consumer market and China purchasing dollar denominated assets from US govt. created low interest rates and readily available credit. When bubble burst banks had toxic assets due to low reserves and creative bundling of debts.
	40	US government facilitated rescue of several large institutions	Did allow one institution to fail	Single act sparked panic - credit activity ceased and policy makers had to look into the abyss.	US Federal Reserve and U.S. Treasury undertook extraordinary measures to restore credit market in autumn of 2008. This included acquisition of large institutions, guarantees and \$700bn fund for toxic assets and recapitalisation of banks. The act of allowing Lehman to fail fuelled a crisis of confidence which spread globally.
	40	In the case of the Eurozone governments lack power	They do not control their own money supply	Government can control / print their money supply but European governments have to work together to resolve this issue.	The British plan enabled government to recapitalise banks through form of nationalisation that allowed tax payer money to be recovered in the process. Eurozone is dependent on ECB agreement or forced pressure on National governments.
	40	Reasonable forecast is that US economy will recover by the end of 2009.	US housing market will take longer to recover.	US growth will come from exports and retail growth is much slower	US consumer no longer the engine of global growth that it represented in the past. Instead, rest of the world reliance shifting. Where Far East has relied on exporting to US, now emerging markets will create internal demand for consumer spending. For global retailers this is a shift away from North America to East Asia and emerging markets. Current forecast of US recovery by end of 2009?
	42	Today Europe's financial system is reeling	Same troubles that began in US housing market	Contagious impact of US housing bubble reaching Europe	Most significant was the initial decision of the United Kingdom to inject capital into the banks in order to re-capitalise - which US and Europe followed suit. It remains unclear what credit conditions, level of govt intervention will be necessary. European retailers will feel negative effect, possibly severe.

	42		If the US sneezes the world catches a cold.	Number of economies effected by what is happening in US	Asia is biggest supplier of manufactured goods to US	Has Asia decoupled from US or is it still inter-dependent reliance on each other - contagion of US financial crisis is extending to industrial production in Far East. Global GDP growth likely to be subdued over next two years. Economic slow down in Far East but not recession. But Japan is entering agin into recession. Russia enjoying consumer spending boom spurred by high energy prices benefitting the country in recent years. Weaker oil prices know.
	6-23	National	There are 21 UK firms in the top 250	Same number as last year	Tesco has moved up from 4th to 3rd place. Sainsburys (26), Morrisons (34) Kingfisher (43), M&S (45) DSG(49) Boots (60) John Lewis (70) Home Retail (72) Co-op (94)	Tesco is the largest UK representative retailer for UK and has risen to third place this year. There are in total 21 UK retailers in the top 250 with average sales of \$14.6bn. UK retailers average are in 10 countries and generate 19% sales internationally. The larger firms may skew results. Copmratively German and French retailers are most international.
	40		UK government in particular started this process	Spending tax payers money to acquire shares in publically trading banks	Rather than nationalise completely, invest tax payers money to acquire banks	UK used an investment approach to bail out the banks rather than completely nationalise institutions. Oyther governments followed this approach too.
	5	Industry	A wave of privitisation in the retail industry continued in 2007.	Net income/loss figures were only available for 178 of the top250.	14 companies out of the 178 reported a loss (7 in 2006). Composite net margin remained healthy at 3.7%.	Although more companies reported losses this year (14), the average net margins of the group were robust at 4% (continued improvement over last 3 years 2.7% in 2004). Profitability of the top250 retailers has clearly improved as a group. Current wave of privitisation reflects changing product mixes.
	41		Things were not lookng good for the global economy.	Collapse of housing bubble in different countries resulted in credit squeeze.	Growth of consumer spending and credit was constrained.	Collapse of housing market impacted home related consumer spending - overall retail spending has been weak in U.S. and Europe. Intensified credit freeze - strong likelihood of deeper economic downturn in US and Europe with spillover effect on rest of the world. Employment and short term financing remain high concerns impacting retail. Outlook for retailers in developed economies in quite poor.
	42		What does high energy prices mean for retailers?	It will effect both demand and supply side	Shift in consumer behaviour towards energy efficiency. Global supply chain changing - low wages and transport costs in far East no longer the case.	Supplier diversity is likely as rising wages and costs in Far East will likely shift production out of China towards countries closer to US /Europe in terms of Western markets. But internal demand in China / India is likely to grow making them attractive retail markets.
	44-45		Retailing trends of 2009	Cut costs	Retailers likely to take a knofe to operating costs	Consolidation and focus on core markets, negotiate beter deals with suppliers, recession is a buyers market. Examine product mix, formats and facias, re-negotiate leases and locations.
				Risk management	Disruptions from currency fluctuations, supply contracts and diversification of risk.	Managing risk in uncertain times calls for more conservative approach to doing business and re-thinking business models. Diversification will be critial to this for survival.

				Customer experience	Differentiation from competition. Quality of customer visits becomes important in recession as repeat and retention of customer is vital.	Retailers will focus on design of customer experience more and brand message which need to be tailored to the economic and consumer conditions that are fast changing.. Engaging employees properly is critical to the succes of this strategy.
				Human Capital	retailing is an intensely personal business.	Meeting the needs of different customers requires connection betewen different people from supply chain to customer and to retain good staff and mitigate employee turnover at this critical time. Use of off-shore low wage centres is popular.
				Multi-channel formats	Internet is know the most powerful tool to interact with consumers.	Retailers have note effectively used the internet so far. The development of multi channel approach for retailers and how these different interactions are managed will be vital. Retialers have been slow to exploit internet opportunities. Intergation and seamless operation are key to consumer experience.
				Think smaller	One stop shps will remain, but there is a trend towards smaller store formats	Regulatory restrictions on larger stores, fragmentation of consumer market difficult to satisfy mass market, consumer engagement is more difficult in larger stores, large population needed to travel to large stores to make them profitable. Trend towards smaller stores and niche markets.
				Think market segmentation	Dissapearance of mass market.	Increase of low and high income households. Difference internally in markets will mean retailers will focus on different market segments. Middle class is being eroded. More customised and individual approach to retailing will emerge.
				Think global	Emerging market retailers will clash with developed market retailers	With US market in decline and emerging markets relatively stronger. The global impact will be more comeptition between the largest retailers in international markets. Managing supply chain and brand both become critical.
5	Firm	44 retailers experienced declining sales in 2007	Last year 36 of the top 250 retailers experienced declining sales	Some companies have divested parts of the business to concentrate on core opeations. Dept stores, foot/apparel and electronics also suffered.	Regional variations in retail markets where credit crunch maybe impacting in some markets and less so in others at present. But this indicates a shifting between the Top 250 depending on nature of retail goods.	
5		The average top250 company generated \$14.5bn sales in 2007.	Last year average sales was \$13bn	To be a member of this elite list requires approx. retail sales of \$3bn. (last year \$2.6bn).	Sales growth of the top250 has continued in 2007. There has been a rise to \$3bn sales to join this elite list and the average sales for the group has also increased.	
5		Competition to be in the top250 is keen	Two thirds (163 companies) had less than \$10bn sales.	One-third (93 companies) had sales of less than \$5bn.	Only 40 companies out of 250 (1 in 6) had retail sales of \$20bn or more. There is a wide gap between the top and bottom of the group. At the lower end there is greater competition whilst the top group are growing to forge a wider gap from the majority in the group (Premier league).	

	26	Schwartz moved up from tenth to seventh in the top 250.	Overtaking Costco and Target	German retailer overtakes two US retailers. Hard discounter Schwartz opened 400 new stores in 2007 and owns Lidl. Sears (10) moved to 13th this year.	Schwartz (owner of Lidl) rises to 7th place and Aldi enters top 10 for the first time. German retailers have grown in 2007 whilst US retailers growth has slowed down.
	41	What should retailers do?	Retailers need to focus on market share	Subdued economic markets will focus attention on retaining customers in existing markets and less on internationalisation.	Consumers will be intensely value orientated -shifting to price sensitive model by retailers and tight / nervous consumers. Need to keep costs under control and give value for money. At top line - focus on differentiation from competition. Thus both approaches require innovative strategies by retailers in uncertain economic climate.

National		Period	June 2008-June 2009				
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
	ONS	Global	IMF approves \$2bn loan for Iceland	Iceland Banking system collapses	UK Government seeks guarantees from Icelandic Banks as many Councils had funding in Icelandic Banks.	IMF approves loan to collapsed Icelandic Banks whilst in UK Councils seek Govt intervention to guarantee Public funds in Icelandic Banks that is at risk. Sovereign crisis.	
	Reuters	Regional	Financial authorities step in to assist two largest lenders in US	Fannie Mae and Freddie Mac facing trouble.	Owners / guarantors of \$5tn worth of mortgages in the US.	Government intervention due to panic setting in as two largest mortgage lenders in US need financial stimulus.	
	Telegraph		£700bn package approved by Congress	Government intervention	Buying bad debts of banks - rescue plan announced bipartisan agreement.	House of Representatives first rejected the \$700bn package (mid Sept) and then accepted it at Beginning of October as it sent shockwaves around the world.	
	Reuters		Eurozone slips into recession	ECB announcing packages from countries	ECB Bank more complex funding as many countries involved.	Europe slips into recession in Nov 2008 as ECB also trying to bolster funding from countries to create funding for ECB.	
	Telegraph		France stimulus package announced	December 2008 French Govt announces financial package.	26bn Euro stimulus plan announced by French Prime Minsiter Nicholas Sarkozy.	Eurozone countries governments announce their economic stimulus packages as global recession takes hold.	
	BBC		Obama wins election	Democrats win 2008 election	Obama becomes first black president on the USA.	Barrack Obama elected first black president of USA - Democrats win election in November 2008.	
	Guardian	National	UK Treasury announces rise in stamp duty threshold	Increase from £125,000	Start of Stamp Duty will be £175,000 for next one year.	Stimulus by government in an attempt to get the housing market moving. Alistair Darling warns UK is facing worst economic crisis in 60 years.	
	BBC		Lloyds TSB takes over HBOS	£12bn deal	HBOS was largest mortgage lender in UK with 20% of the market.	Shares in HBOS fell 19% bu Lloyds remain stable as Lloyds agrees deal to buy HBOS for £12bn - the merged group will hold 1/3 of UK mortgages and savings with 22m customers. Unusually a National Interest clause was used in this deal to override Competition Law otherwise this would not be allowed.	
	Telegraph		Bardford and Bingley Nationalised	Northern based Bank	Partly sold to Satander and Mortgages Nationalised	Bradford and Bingley part Nationalised and part sold to Santander for £612m.	
	BBC		Government announces plans to pump money into three UK Banks	RBS, Lloyds TSB and HBOS to receive £37bn	Government package for UK banks announced	Banking crisis unfolding in UK as packages being announced for Banks by Govt.	

	Economist	UK Government announces cut in VAT	VAT was 17.5%	VAT reduced to 15% as a temporary measure	UK Government reduces VAT as reality of recessionary conditions take hold in UK.
	Telegraph	£50bn UK Government package to part Nationalise Banks	RBS / HBOS/Lloyds taking Government funding	Government takes stake in RBS - upto 82%.	Government uses tax payer funds to part Nationalise Banks in UK. RBS stake is highest at 70% with likelihood of increasing share to 80%.
Economic Trends	ONS Economic Trends	OECD warns UK that government debt is climbing too high	Twin shock of GFC and rising commodity prices in UK	Government reduces interest rates to historical low of 0.5%	UK entered into recession Q2 2008. Economy has shrunk by 5% this year. Average house prices have fallen 22% between 2007 - March 2009.
Balance of Payments	ONS Pink paper	UK has recorded a current account deficit in every year since 1984.	Prior to 1984 UK current account recorded a surplus.	1989 current account deficit reached £25bn. Declined to £1bn 1997. Climbed to £46bn by 2007.	Current account deficit reduced in 2007 and 2008 - currently stands at £25bn. UK remains an import dependent country. In 2008 deficit increased to £92bn. Export import indices rose sharply in 2008. Increase in export of services continues to grow by 13%. UK banks reported net outward investment of £60bn whereas government reported inward investment of £60bn in 2008. Direct investment in UK has doubled in last decade to reach £1tn in 2008. Trade with US 31% abd EU27 43%. UK asset investments in US highest 23%, lowest in Asia 10%.
Labour Force Survey	ONS ILO	UK unemployment rises towards highest level in 14 years	Unemployment increases to 2.5m. Highest since 1995. 1.6m last year.	7.9% of UK workforce is unemployed. Total of 2.5m unemployed and 1.6m claiming benefits.	Unemployment rising in UK due to impact of financial crisis. In particular one in five 16-24 year olds are unemployed (20%). Nearly 1m youth unemployed in UK - the lost generation. Government increased employment in Public sector by 13000 but private sector lost 230,000 jobs in same period. Cost to government of youth unemployment is £3.4m/day in benefits. Gap between claimants and actual real unemployment.
British Social Attitudes	National Centre Social Reseach	58m credit cards in issue in the UK	20 million adults use their credit card atleast once a month.	There were 2bn credit card purchases in UK in 2009. with a value of £139bn.	Due to recession the number of credit card users has decline by 1.3m in 2009 compared with 2005. Payment cards remain deep in the psyche of UK shoppers. Card fraud was £440m in 2009. Less use of cheques for payment these days. BRC estimates 76% of retail spending was on credit card in 2009. Credit card cost is highest at 34p to retailers. 8.5 p for debit card 2.5p for cash.
Population	ONS Demographics	Current UK population is 61.4m	10m projected increase in population by 2029	55% will be natural - more births than deaths 45% will come from emigration.	Working population of UK is 38M but over 21m are aged over 50. Emigration is contributing to rise in population

	ONS Population Trends		Local Authority Boundaries changed in summer of 2009 - Unitary Authorities	UK population is becoming skewed towards older people.	There will be 1m aged over 90 in UK by 2031. 500K arrived and 300K left UK - in 2007 Migration Effect.	New Migration statistics report published by ONS. Increase in childless women - economic reasons / co-habiting / career aspirations / lack of partner / older partner / well educated women. The trend is towards co-habiting +age 30 age group. 4.5m are co-habiting in UK which is 10% of the population aged 16+ in UK. Majority (73%) of co-habiting have never married whilst most of the remainder are divorced (23%). 12.5m women in UK of reproductive age of which 43% are actually foreign born. Foreign born women have contributed greater to population than UK born women.
Retail Sales	Retail Week		Top Retailers in UK are Grocery Multiples	Top 50 UK retailers	Tesco; Sainsburys; Asda; Morrison; M&S; Boots; John Lewis; Home Retail; Co-op.	Grocery Multiples have fared better than non-food sector in this recession. But inflation is impacting prices.
	Retail Research Michael D McCall		Growth of online sales and out of town shopping having negative impact on high street.	In 2005 NEF report drew attention to domination of large chain stores in UK	41% are generic (clone towns) 23% are border towns and 36% are home towns.	UK has 3rd largest retail market after US and Japan which generates 8% GDP and employs over 10% UK population. High street has been adversely impacted by out of town (clone) stores and recession. Retail sales account for 9% sales. Cautious consumer and less credit availability (Credit cards) in UK. Retail sector lost 1m jobs since 2007 to June 2009 (6.7% decline). Largest decline compared with last 11 recessions. Retail sales peaked Dec 2007 and reached a low in March 2009. Automotive saw largest decline followed by Home furnishing (housing decline).
Economic and Labour Review	ONS	Industry	Whose gone bust?	A number of high street names are going bust in 2009.	Woolworths; MFI; Zavvi amongst High street names Wedgewood going bankrupt 2008/2009.	Bauger Group of Iceland owned many High Street names going under. Other UK retailers facing bankruptcy in this recession.
	FT	Firm	Lehman Brothers files Chapter 11	15th September 2008 - Lehman not bailed out by US Government	First major bank to file Chapter 11.	Lehman Brothers files for Bankruptcy protection - Chapter 11 in US (Sept 2008) US fourth largest bank collapses.
	Telegraph		RBS part Nationalised by Government	October 2008 - UK Government takes stake in too big to fail Bank	Fred Goodwin forced to resign from Bank	too big to fail British Banks with low equity (3%) have been part Nationalised using £40bn tax payer funds by Government - overriding Competition Rules. Fred Goodwin removal a condition of Government Bail Out. Fred Goodwin learnt this news via press. Gordon Brown/Alistair Darling instrumental in political intervention. Stephen Hester brought in as new CEO of RBS.

Period		June 08-June 09					
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme	
NFS09		GLOBAL	World population is growing	Rate of growth is 1% per year.	Food production is growing at a faster rate.	Potential for food production growth is immense eg. Africa produces 7% of cereals but has 23% of global food production land. However, 40m people have been pushed into hunger due to rising food prices . There are 963m under nourished people in the world which in an increase on last year (923m).	
NFS10		REGIONAL	UK accounts for 11% of EU Food manufacturing.	UK largest share is in beverages (16%).	UK accounts for 16% GVA to EU and 9% workforce in EU context.	UK is an important part of value adding to the EU marketplace and accounts for over 10% of GVA despite being geographically small.	
NFS09	54		GM food began in US in 1996	Worldwide expansion of GM allocated land use.	125m hectares (France and Germany combined) is used for GM crop production in 2008. Argentina, Brazil, Canada, US and China - Soy, maize, Cotton, Rapeseed.	Rise of GM commercial production during the last decade as a source of food production Remains controversial and with risks? Less popular in EU. 935 consignments of imported food rejected out of 369,000 at UK ports of which 255 were from Asia.	
NFS09	10	NATIONAL	Agri-food sector contributes over £80bn GVA to UK economy	7% of GVA contributed by food sector.	3.6m people are employed in the food sector.	Productivity has improved in the food sector by 2%. But grocery multiples waste a lot of food and in the UK typically £470/year of food is thrown away. 4m tonnes of food is wasted each year with a value of £10bn at 2008 prices. (Too many BOGOF and promotion offers. Bread is the most wasted food (40%) followed by perishables. Consumers think packaging waste is a greater problem than food waste.	
	10		25 countries account for 90% of UK food supply	Annual rate of food inflation peaked in August 2008 at 12%.	Average food inflation is 5%. In June 2009, compared with Sept. 2007 food prices were substantially higher eggs 31%; beef 27%; bread 18%; poultry 17%; cheese 17%; butter 14%; milk 13%.	Food inflation in UK is higher than in other countries. This suggests that lower income families will pay more for food as a percentage of their low incomes. UK food is imported from 25 countries and is domestically produced - UK high cost of living and expensive to import food?	
	10	INDUSTRY	One third of Greenhouse gases in UK food supply.	This is attributable to farming and fishing.	The Co2 emissions of UK food supply is aprox. £7bn per year.	Carbon taxation is focusing retailers / suppliers on Co2 emission - distribution costs and energy efficiencies.	

	12	Consumers are purchasing less healthy foods.	Products high in sugar; fat; salt content are most commonly bought.	Fruit and vegetable consumption has been falling in UK.	Less healthy eating is contributing to rise in obesity in UK. In England 24% of people above age 16 and 16% of children are obese. 27% of men, 31% of women and 21% of children consume 5 a day portions. Annual cost of obesity in 2008 was £8bn. Linked to Type 2 diabetes; hyper tension; heart; cancer looking forward to 2050. Cost of obesity 45000 lost working years and 3% bill of NHS.
	12	Food safety is a concern for consumers	Consumer awareness of safety issues of products is increasing.	Over 50% of consumers rate consumer safety as a major concern.	Issues such as E coli; salmonella are a concern for consumers in UK. Food safety is a worry for 64% of people surveyed.
	12	UK Food sector	Over 90,000 stores across UK 30% are SMEs representing 26% turnover.	Over 1m employed in Food retailing ; 390,000 people employed in Fodd manufacturing across 10,000 sites in UK; £32bn of food imported yearly.	61m people spend over £150bn of Food and drink in UK of which majority is on household shopping - UK imports (£30bn+) more than exports (£18bn). Rising prices are a problem for consumers. GVA is £22bn from retailing; £22bn from manufacturers; £9bn from wholesale. Total spend in 2009 was £174bn on food and drink in UK. Spend has increased 20% since 2006. Total of 3m employed in Food and Drink of which 1m are in Food retailing.
	17	Employment in food sector in UK	There are 3m people employed.	This includes retailing, manufacturing; wholesale; catering; fishing. Employment in manufacturing has fallen 20% since 2001. 55% men employed in food retailing, higher in others.	Men and women employment is nearly 50% in food retailing and half the people employed work flexible / part time. Productivity has increased as 2% fall in employed number in retailing; Manufacturing and wholsaling greater fall in employment - efficiency or declining manufacturing? 14% of UK workforce in Food.
	18	Net capital expenditure peaked in 2004.	Capital expenditure fell by 15% upto 2006.	Capital expenditure was £4.6bn in retail industry improvement on 2006, but below the peak in 2004.	Capital expenditure has been low in Food retailing, maybe a period of consolidating a lack of proper capital expenditure can adversely effect businesses. Improving but below peak of 2004.
	19	Grocery market shares	Combined market share of top four retailers was 76% in 2009.	Tesco (30%); Asda (17.2%); Sainsbury's (16.3%); Morrisons (11.5%); Co-op (4.4%); Waitrose (3.8%); Somerfield (3.3%); Aldi (2.9%);	This year Asda; Morrisons, Aldi, Lidl and Iceland increased marketshare at the expense of others. The top 100 UK food retailing firms represent 0.2% of firms but 80% of GVA. Contrastingly microbusinesses account for 95% of firms and 13% GVA. Tesco by far is the dominant player and the big 4 control 76% market share.
	20/58	Since 2000 price of milk has increased 56%.	Farmgate price has increased 53% and processor margin has increased 26%.	At the end of 2008 milk was retailing at 66p/litre. Fargate price of 26p/litre - farmer share 40%.	Margin for farmers is 40% of retailer price. Retailer margin has increased in recent years. Purchase of milk has fallen 30% in last 30 years. Purchase of fresh meat has fallen 40% in last thirty years. Purchase of fruit and veg. up 4% and fish up 11% in 30 years. Bread, buscuits and cakes largest group of manufacturing in UK.
NFS10	19	Internet sales have risen	They account for 2.7% of sales this year. Up from 2.1% last year.	Internet sales of food and drink have risen by 30% on last year.	More people are engaging internet and shopping online. Growth trend indicates changing consumer habits and increasing access and availability of internet to consumers.

NFS09	22	Eating out market worth £31bn.	Eating out has grown by 23% since 2003.	More people are eating out.	Changing lifestyles and work/home/family trends show rise of eating out. For retailers growth of easy to cook / instant meals is also on the increase. Q1 2009 downturn in restaurants but fastfood on the rise. People may miss breakfast and children eating habits?
NFS10	20	Average stock levels of retailers have declined.	Average stock level was 13 days in 1996.	Average stock levels of retailers is 10 days.	Productivity efficiencies are becoming a source of competition. Average stock levels have fallen held by grocery multiples to 10 days.
NFS09	24	Customer base of wholesalers has shrunk	Supermarkets have gained marketshare	There is consolidation in the food and drink sector	The largest grocery multiples command greater control over the wholesale sector in Food and drink sector due to consolidation. Non-specialist retailers have declined 32% in 10 years - less competition for the large retailers.
	29	Food prices declined to mid 2007 and have since increased in real terms.	Food prices peaked in February 2009.	Food prices have risen 31% in last 10 years of which 8% is in last three years.	Food pricing is a priority concern for consumers. 60% of people identify healthy eating and pricing as the most important considerations in their shopping habits. 74% of consumers suggest food price rises has forced up household food bills and people are shopping more cautiously and buying carefully. Food accounts for 10% of UK household budgets, 16% for low income households. UK is more expensive than the EU.
	30	Fairtrade shopping has increased	9% of food was Fairtrade last year.	25% of food is Fairtrade this year.	Trend of consumers is towards Fairtrade and support for local farmers and local sourcing of products. Organic foods have dropped this year (24% to 19%). Ethical food accounts for £4.2bn sales. Free range eggs account for 32% of UK eggs know.
	39	25 countries account for 25% of UK food	Distribution of UK Food import has changed relatively little in the last ten years	UK and five other EU countries account for over 70% of UK food supply - 24 countries (Fruit and Veg); 4 countries (90% of meat); 3 countries (90% of poultry); 9 countries (90% of cereals and grains).	UK has sourced from a relatively small number of countries its food supply - 25 countries are sources of imports, but 4 supply 90% meat; 3 supply 90% poultry. This makes UK supply chain vulnerable to risks. 50% of food is from within the UK and 50% is imported. UK gets food from Netherlands (6%); Spain (5%); France (5%) Germany (3%) and Ireland (2%). Five countries account for 73% of imports.
	53	Food kilometers have risen in last ten years.	Rise if urban shopping and food distribution in UK	Increasing conjection on UK roads and more travelling is adding to Food Kilometers.	Food KM have increased in recent years. Urban shopping has increased but distribution has declined Km by 3% last year. This is a major focus for the retailers - but cities are increasingly becoming congested. Distribution HGV improvement but consumer end car usage increase. Air food miles have also increased.
	82	There are regional divides in UK	Contrasting picture north and South of UK	Scotland / north manufacturing sites for UK food production. London adds GVA - sales and demand for food.	Regional variation is eating patterns and demand for food in regions of UK. Scotland North add value through production/farming whereas South has demand for food. Public sector and Health sector account for 30% of food bought outside the home in UK (£2bn/year).

NFS10	48		Energy consumption in the industry	energy and water consumption are becoming a focus	Energy consumption has fallen across the industry due to efficiencies - natural gas, electricity; petrol; coal.	Coal usage has fallen 96% in last decade. Focus on renewables as source of energy across the industry.
IGD/Grocer	2		Structure of UK grocery industry	stores and structure	2416 Co-operative stores of which 1703 are the Co-op; 2800 Convenience multiples - Tesco (1400) and Sainsbury's (268) have taken market share;	As multi-format estates - Co-op has most 3142 outlets; Spar 2557; Tesco 2458. Supermarkets forecourts (1383) are nearly the same as oil companies (1959). Tesco has most (440) of the supermarkets vs Shell (585). As supermarket formats; Tesco (854); Iceland (707); Sainsbury's (550) Lidl (508) M&S (460).
IGD/Grocer	3		UK grocery market worth £1.41bn in 2009.	Increase of 5% on last year.	UK facing challenging trading conditions - household budgets; inflation; volatile prices; banking crisis; availability of credit - impacting spending.	Weak sterling driving up cost of imports; tight credit availability; volatile prices and banking crisis tighten household budgets. UK convenience sector increased 6% and is valued at £29bn despite 1.6% decline in convenience store numbers (Independents). Number of supermarkets increased by 14.8% - store development and new stores such as 99p / Wilkinsons.
		FIRM				

Feb 08 -Feb 09		FIRM LEVEL: TESCO ANNUAL REPORT 2009			
Ref	Level	Event	Processual Changes	Output Focus	Theme
2/32 79 124	Global	Financial management an leading market positions have served us well this year	Faced with a challenging consumer environment.	Group sales £59.4bn (15% growth); Underlying profit up 10%; Group profit up 5% - £3bn. Revenue - UK £38.1bn; Rest of Europe £8.8bn; Asia £7bn; US £208m Profit - UK £2.3bn; Rest of Europe £496m; Asia £355m; US (£142m loss).	Despite extraordinary economic environment Tesco continues to grow. Tesco is coping in the downturn - remained resilient and are 3rd largest global retailer (GpoFR). Group sales increased 15% (10% like for like) and profit up 5%. Group margin of 5.9%
5		Customers everywhere are feeling the economic strain	We are responding to their changing needs in our markets	Lowering prices. Introducing more affordable products and offering sharper promotions.	Solid sales and profit performance delivered in UK and internationally due to coping with the downturn. Sturdy growth for Tesco in difficult times built on selling food and essentials, owning property and having a broad business base - Terry Leahy CEO.
5		That is the dividend of having a long term consistent strategy.	We have invested into the slowdown and that has given us good momentum through the recession.	We are growing fast overseas; laying our networks of stores and we are opening new space in UK.	People still have to eat regardless of slowdown. Tesco have adjusted the business to offer better value and better ranges - customers and volume focus.
5/AR07		It is a very fluid situation at the moment.	Changes are happening over few weeks.	you cannot see a clear direction as yet. Things are starting to stabilise on the consumer front.	Consumer market is the barometer of how the economy is doing in different markets around the world. The impact of GFC remains uncertain but is stabilising know - changes fluid every few weeks.
5/6		What ever is going on in the outside world we keep focused on what matters long term.	We give such emphasis to the Steering Wheel - balanced score card	Price and trading is important at the moment, but there are also objectives around community and the environment.	Tesco is moving from mass consumption to green consumption. Use of Steering Wheel helps focus the company internally while so much is going on outside. But the Steering Wheel's motivation remains economic / government agenda driven? On climate change we have to run this business on 80% less carbon.
6		Tesco has a well established and consistent long term strategy for growth. In 2008/9 again we delivered a good performance.	Rationale is to broaden scope of the business to deliver strong sustainable growth by following customers at home and abroad.	Strategy to diversify was laid down in 1997 and has been foundation for success in recent years. Over last twelve years businesses developed have scale, are competitive and profitable.	Tesco's long term strategy developed 12 years ago remains foundation for successful growth and resilience today - successful international retailer, grow core business, strong in non-food as in food; develop retailing services (finance, etc) and new one - put community at heart. Coping with UK recession challenges and improving competititon; completing large store opening programme and adjusting to business locally affected by global slowdown.
8/32		International sales are up 31% to £17.9bn.	Retailing is local. Last year International sales of £13.7bn.	Customers in China are not the same as in Poland or South Korea. Excluding US, international contributed 51% of growth in sales and 45% growth in profits. In Asia sales grew 30% to £7.6bn (last year £5.9bn) and profit increased by 17.9%. In Europe sales grew 29% to £10bn (last year 7.8bn) and profit increased to £496m. Margins Asia 5%; Europe 5.6%; US N/A.	Tesco has very few ex-pats working outside the UK. Having the right people in each country. Having local people and sharing local knowldege within the Tesco brand and format. Growth in International Sales at a time of economic downturn demands closeness to customers. Tesco claim local positioning, at the sametime overarching systems are Tesco standardised. International sales are up 31% (Eastern markets doing better compared with US/Euro). International contributed 51% of growth in sales and £709m towards profit (£636m last year) International strong performance.
9		Across markets customers are changing their shopping habits.	Affected by varying degrees of the global economic downturn.	Each of our markets are different. It is up to the individual businesses to adjust their offerings locally.	Customer Insights - Dunnhumby used to help identify price sensitive items in different markets. New products introduced that are price sensitive, displays, labels information through the loyalty scheme. Loyalty card scheme in Ireland, Malaysia, South Korea and China- piloted in Slovakia, Poland, Thailand and Turkey. Economic downturn changing how people shop - adjusting the offer locally.

17		It has been a challenging year for Non-food	Consumers around the globe have been hit by economic downturn	Tesco buys many products globally and seeks to offer the best prices to customers, benefiting from scale. International sourcing office in Hong Kong buys 100,000 non food products for the group. 60% of Clothing and 40% of hardlines for UK sourced globally. For Europe 25% hardlines and 85% clothes sourced internationally.	Tesco has recently started sourcing products from Asia. Tesco has invested in buying hubs - critical mass of suppliers and shipment volumes. Establish hubs close to suppliers. International sourcing has rapidly grown in recent years. Hubs in China, India, Sri Lanka, Bagladesh, Turkey. 72,000 containers from 54 ports. Strip costs by cutting middle man and consolidate freight volumes.
67		Auditors of the accounts	Audit in accordance with international standards on Audit	PWC are the Group auditors of Tesco	PWC are the auditors of Tesco - Companies Act 1985 and EU international reporting requirement
80/88 93 98	Regional	Assets by region	Total £45.991bn assets less liabilities (£33bn)	UK £29.9bn; Rest of Europe £9.6bn; Asia £6.2bn; Other £2bn (Net assets £12.9bn) UK - core (1) ; RofE - Rep of Ireland, Hungary, Poland, Czech, Slovakia and Turkey (6) ; Asia - Thailand, South Korea, Malaysia, China, Japan and India (6). US separate (1).	UK remains the core business of Tesco. Asia is growing and catching up with Europe. Net assets of £12.9bn but also debt of £9.6bn and why has Goodwill increased to £1.6bn from 259m last year - purchase of TPF (767m goodwill?) - business reliance on property joint ventures? Loans have increased since last year -£6bn to £12bn.
4/30		Group sales of £59.4bn and Group space	4331 stores globally and 470,00 staff across 14 countries Sales by region - UK £41.5bn; Europe £10.1bn; Asia £7.6bn; US £0.2bn	China 19452 staff, 70 stores ; Czech Republic 12677 staff, 113 stores ; Hungary 21356 staff, 149 stores ; Japan 4007 staff, 135 stores; Malaysia 9872 staff, 29 stores ; Poland 23,569 staff, 319 stores; Rep of Ireland 13764 staff, 116 stores; Slovakia 8268 staff, 70 stores; South Korea 20626 staff, 242 stores; Thailand 38166 staff, 571 stores; Turkey 7025 staff, 96 stores; UK 286,394 staff 2306 stores; US 2583 staff, 115 stores.	Group space by region - 33% Asia; 30% Europe; 36% UK and 1% US. UK marketplace remains largest by stores and staff; Newer markets include US and India. Growth strategy - organic, applying skills and knowledge in scale, partnering with local businesses, developing the relationships. UK 286K staff; RofE 86K staff; Asia 92K staff; US 2500 staff.
5		Things are stabilising on the consumer front.	The GFC hit different regions at different times and the impact has been responded to each region in a unique way.	In UK consumers have had low interest rates, low fuel and bills. In Central Europe the decline came in summer/autumn of 2008. In Asia is too early to say - the decline came later with destocking of supply chains and it hit around December.	Terry Leahy views the crisis in terms of destocking and restocking of the supply chain pipeline. The crisis hit different regions over a period of 1 year and has been responded to differently in each region.
5		Nobody would have chosen to open into the scale of recession in the United States.	The recession has been particularly strong in Western United States.	Fresh and Easy is more than just a store - it is a new and different form of retailing. Customers like fresh foods and they like own brand products.	Tesco's new Fresh and Easy concept of retailing seems pleasing so far. Completely new concept at a time of recession based on Fresh produce and Own label brands to offer cheaper prices than other shops. Expanding into the recession - but does the concept work - it is not just a niche retailer.
5		We are growing and serving more customers	Different customers have different needs	Tesco needs to stay close to its customers as needs of customers change. Different form in different parts of the world.	You need strong local leadership - which emerges in different forms in different parts of the world. There is more that we have to do. But non-food, financial services and international markets are growing. Diversity vs standardisation model requires unique balance and unique leadership model in different parts of the world. But is Tesco standardising too much for volume price competition? Would CSR focused model work better?
10		In Europe these challenges have been joined by the consequences of substantial exchange rate movements	Euro and Euro-linked currencies across the EU	Fluctuations in currency have encouraged significant increase in cross-border shopping by consumers such as Ireland, Northern Ireland - Czech Rep. and Germany- Slovakia and Poland.	Exchange rate fluctuations are impacting consumer shopping habits where people live close to borders within EU. Consumers seeking to take advantage of cross-border devaluations.
11		In some markets we have moderated our space growth rate	WE have chosen to sustain growth in selling area.	Capital efficiency has improved in downturn - i.e. Build and fitting costs have reduced in slowdown markets.	Use of capital more efficiently in downturn markets enabling continued growth in selling area. Lower build costs are an opportunity if company can sustain long term.

11	Our operations in Asia and Europe trading from 1911 stores	608 hypermarkets and total of 55m sq.ft of selling space.	This year we plan to open 320 new stores with 5.4m sq.ft; 0.6m sq.ft space planned for US	Store opening and selling space increase facilitated by lower costs. Growth in downturn is derived through cost base control and investing into the downturn.
10	We delivered strong performance in Asia	Excellent progress in Malaysia, Thailand and South Korea.	China store opening programme in provinces - first freehold shopping centre in Foshun. Three further planned and sites acquired for 14. Some food deflation in China. Modest profit this year. Japan - difficult retail market saw further sharp deterioration end of 2008. New team is building on introduced Tesco model last year. Focus on building convenience sector - 13 new stores opened this year of which 6 are 24-hour. Small trading loss this year.	In China Tesco strategy is to locate in provinces near major cities. Investment in China is on-going. Japan remains a loss making market in Asia - difficult trading retail market.
118			Homeplus in South Korea - 10th anniversary. Subdued consumer spending. 36 Homever stores being integrated that were acquired in September. 63% increase in floor space grows to 3.9m sq.ft. Sales uplift of 50% on converted stores. Express stores sales growth of 64% - very encouraging. Malaysia has had exceptional year. Full benefits of Makro acquisition in 2007 reaping benefit. Fast rate of organic growth - Tesco has become market leader in this country which they entered in 2001. Economic growth has slowed, but Tesco has strong market position. Pipeline of 7 hypermarkets planned this year. Tesco Lotus delivered growth in Thailand. There is sustained political uncertainty and weakening of economy. Consumer confidence levels are low. Small format stores are performing well.	Tesco acquisition in South Korea has significantly increased selling space and progress is encouraging. Cash consideration of £259m paid to Homever stores. Tesco is market leader in Malaysia within seven years of entering the market. Political uncertainty in Thailand has exaggerated a weak economy. Overall Asian markets are profitable apart from Japan - more established presence (7 years) market leader position vs recent entry (China) requiring continued investment.
11	European growth as a whole has been strong.	Business has been impacted by slower growth in sales and profit due to global economic slowdown in all these markets.	Food and grocery has performed well but hardline sales have been slow - electronics, non-food. Hypermarket growth has been held back and smaller stores have performed better. Czech Rep. consumer demand slowdown in economy and increase in cross border shopping. Express stores well received in Prague and refit programme continues of department stores. Hungary has been in recession for three years (since 2006). Tesco strategy of cutting costs and being price sensitive - like for like sales growth. Tesco has 17% market share 14 large hypermarkets and 12 smaller stores opened offering 13% increase in space. Poland - robust growth in sales and profit. Significant wage cost inflation and energy price rise this year in Poland. Acquisition of Leader Price stores completed and integration enabled 60% uplift in sales in these stores. Tesco returning to organic growth model in Poland - six new hypermarkets and 12 compact hypermarkets.	In second half of year effects of downturn have been felt in all European markets. Deteriorating consumer confidence. Work has been done on pan European sourcing of own label brands and merchandise to strengthen position in region. Discount brand launched in European countries and garment sales are up 11%. Express stores are performing better than Department stores. Format in different countries and product ranges influence consumer appeal. Generally convenience and price are driving European market. Slowdown at luxury product end and non-food items. Tesco is market leader for clothing in Czech. Hungary has been in recession pre global financial crisis. It is a more price competitive market in which Tesco is growing organically and developing market share through more selling space or presence. Organic strategy in low margin economy. Tesco is market leader for clothing in Hungary. Poland has significant inflationary pressure suggesting economy slowing down. This will be impacting as lower disposable income. Small format stores are also doing better than the hypermarket format.

				Solid performance in Ireland despite extremely difficult economic conditions. Very tight cost control and international buying has enabled price competition for consumers. Decline in GBP to Euro currency impacted 4% of market to move over border.	Ireland economy is facing extremely difficult economic times. Tesco has shifted own label brands towards discounted or lower priced framework.
				Slovakia had excellent performance despite adoption of Euro currency in January 2009. Tesco has a market leading position in this country and are developing multi-format stores. Cross border shopping impacted. Coped in tough market conditions.	Multi-formats generally favour convenience or smaller hypermarkets that are competing on price. Euro currency fluctuation is impacting trading conditions. Market share growth in these smaller Euro countries through recessionary period.
				In Turkey Kippa - smallest but fastest growing businesses. Strong sales growth and new space. Pressure on margins due to contraction of economy in recent months. Fragmented market place - due to impact of downturn pace of growth has been slowed down in Turkey.	In Turkey Tesco has slowed rate of expansion as market is fragmented due to impact of downturn. Turkey has long term potential as it is a under developed retail market.
11/28/33		Fresh and Easy has made good progress	Trading from 115 stores - early days in US and marked change in market place due to economic downturn.	Focus on quality and freshness with new brand. Scale of economic downturn particularly in LA, Phoenix and California is impacting stretched household budgets. Consumers are seeking affordable prices, larger packs - Tesco is changing products to meet this demand US sales £208m (growth of 30%) - loss of £142m (last year loss of £62m).	A more cautious approach is being adopted in Western US due to downturn. Some changes to product offerings. Trading losses were higher than expected last year (£142m vs £100m loss expected) Similar loss expected this year. Team has grown from 65 to 2500 in two years. US business trading for 16 months - high overheads infrastructure for 100s of stores.
34		UK core business sales increased 9.5%	£41.5bn sales (last year £37.9bn sales).	2.7% growth of stores - factors affecting include inflation, downturn in customers - lower spending in stores.	Discount Brand range launched - recovering competitors and subdued consumer demand in UK in some non-food sectors. Increased productivity and good expense control. Tesco Direct initial loss of £22m absorbed. UK margin 6.2%.
13/15	National	It has been a tough year for many customers	Consumer confidence has fallen as people are worried about unemployment.	Research shows that price is ranked as the most important factor by a the largest margin in two decades	Consumers are struggling to meet household budgets - shift in consumer priorities. Price and value. New challenge is that customers shop around for the lowest prices but also do not want to compromise on quality.
24/27		Work we have done getting people back to work	The number of unemployed people is rising in the UK	Tesco has employed 3000 long term unemployed people this year which is 500 more than last year.	Government back to work scheme supports Companies towards recruiting long term unemployed. The work load of Jobcentres is also increasing due to rising unemployment in current economic climate. Regeneration schemes target companies towards deprived areas.
31	Industry	To be successful we have to ensure that our drive for cheaper prices is achieved without compromising suppliers and workers.	We work in partnership with our suppliers.	We are one of four signatories to the UK Government's statutory Supermarket Code of Practice.	Supplier Code introduced - Tesco buyers are trained towards compliance with the Code. Competition Commission is making number of changes to the Code with wider implications for the Grocery Industry.
37		UK market share	Grocery market share up slightly	22.2% market share (21.8% last year) Non-food 8.8% (8.5% last year)	Tesco market share slightly improved on last year. Difficult trading this year in UK.

3	Firm	We have made several new board appointments this year	Laurie McIlwee takes on role of Group Finance Director. Andrew Higginson appointed Chief Executive of Retailing Services Three NEDs appointed - Jacqueline Tammenoms Bakker, Patrick Cesau and Ken Hanna.	One internal move - Laurie has 9 years experience including Distribution Director - this move is part of succession planning. Three NEDs have strong experiences / roles in large companies such as Shell, Unilever, Cadbury - wealth of commercial and financial experience.	Chairman David Reid has appointed three new NEDs and one internal appointment on board. New Group Finance Director is an internal appointment as per the Tesco way - part of succession planning.
AR03		We have made several new appointments to the Tesco Board	Strengthen our Board with a wealth of experience	New Group Financial Director Laurie - has been with Tesco 9 years most recently as Distribution Director. Three new NEDs appointed - former CEO unilever, Shell and Dutch Govt, former CFO of Cadbury experiences.	Key appointment to Retail Services and Group Financial Director are both internal appointments. Where the people have demonstrated their abilities and proven track record within Tesco by delivering results. Three NED appointments heavy weight large company experiences.
3		We have made two very significant acquisitions this year.	We have acquired the remaining 50% of Tesco Personal Finance from Royal Bank of Scotland. In South Korea we purchased 36 Hypermarkets from E-land.	Move to develop an already successful financial services offering towards objective of becoming a full service retail bank. Majority of stores purchased are in Seoul - expansion in South Korea towards a lead position in the marketplace.	Majority of growth this year has been organic - 9m sq. ft space opened; Acquisitions in South Korea of stores and controlled full acquisition of partnership from RBS. In August plans announced to enter India as a cash and carry operation - complements entry into China and the United States - giving access to three important economies. RBS partnership ends after 10 years as Tesco ready to take on sole ownership towards becoming a Retail bank.
3		We know have a Community Plan for each country.	Earlier this year we launched Community Promises	Actively support local communities; buying and selling our products responsibly; caring for the environment; giving customers healthy choices; creating good jobs and careers.	The Community Plan for each country is based upon five promises. Each country know has its own plan.
3		We have opened our greenest ever store.	New store opened in Cheetham Hill in Manchester.	This store has a 70% smaller carbon footprint than other typical stores. There are now 37 green stores across the group.	Green 'blue print' of stores is gradually being extended. New stores designed to be much more efficient and CO2 friendly to reduce carbon footprint.
3		Charity of the Year record broken	Marie Curie Cancer Care is this year's charity.	Tesco raised £6.2m for the Charity of the Year - which is a new record.	Although the contribution to Charity is increasing. It is not clear how the figure is arrived at? This year Tesco charitable contribution to Marie Curie was £6.2m - a new record.
7		Our services businesses have comparatively small revenue stream	Renewed focus this year - capital and management resources deployed.	Acquisition of RBS share of Tesco Personal Finance; online shopping; Telecoms and dunnhumby.	Services investment strategy seeking to build revenue stream from online, telecoms and finance businesses along with ownership and use of data (Dunnhumby). Services growth seeking £1bn revenue in coming years.
7		Underpinning this approach is a relentless attitude	Lowest cost provider of goods and services in our chosen sectors	Tesco business model claims simplicity and low cost are key to being successful in competitive markets. Tesco skills and systems based approach.	Tesco skills and systems - customer relations; supply chain; JIT; property; store formats. Low cost model seeks to limit exposure by partnering with companies that have existing infrastructure which can be made more efficient and this limits Tesco risk exposure in early years in new markets /sectors.
7		Main challenge is to maintain balance	Living within means and pursuing a growth strategy - cost and cash.	How to manage in a downturn and exit the downturn in a stronger position - that's how tesco emerged in the last recession.	Tesco priorities are very finance focused and see downturn as opportunity for investment to grow the company in the upturn. Managing in a downturn is combination of adjustment to tight control and investments that offer upturns in future.
9		It is important to invest in future growth	This is a strategy that served us well in the past	We entered Thailand and South Korea in 1990s downturn and emerged stronger in recovery. We announced entry into Indian market last year.	Establishing a cash and carry business in India. Distribution entry rather than retail entry to establish efficient routes to market. Exclusive franchise agreement with Trent - retail arm of Tata Group which plans to grow 50 hypermarket stores over 5 years. Importantly grown share of international markets in recessionary conditions - price sensitive model is working.

13	This year we made the biggest change to our range in a decade.	We launched around 500 new products.	Discount brands at Tesco initiative - every customer can have a product to match their budget without compromising on quality. New way to shop for less.	This recession is different from last recession in UK in that consumers wanted low prices last time, this time they want low prices but quality aswell. Discount Brands range lauched this year offering range to suit different budgets.
13	We have been keeping control of costs	Focus on efficiency savings programme	Step- Change programme has delivered £540m of efficiency savings this year.	Many projects driving efficiency within the business. Improved productivity reducing energy costs, distribution and the way Tesco work. £540m savings this year made eg. 12m road miles saved due to double decked trucks. IT checking of stock.
13	We have significantly increased the level of capital investment in energy saving projects.	Delivering reductions in consumption and helping absorb rising utility costs.	New refrigeration, lighting have delivered energy savings of 8% last year despite business growth.	New energy technologies driving competitive advantage through efficiency gains.
14	We know have 3100 employess at our Hindustan Global Support Centre	Out sourcing of administrative and IT support services to India.	Labour efficiencies of outsourcing to India	Higher wage cost in UK - economic efficiency of out sourcing support services to India rather than keeping in UK - UK model?
14	Introduction of new check out technology	Faster and more accurate service	25% of UK transactions are know through self service checkouts.	Efficiency gains include moving towards self service check outs which know represents 25% of customer handling.
14	In the UK Tesco coped to deliver solid progress	Competitors have been recovering	Competitors recovering, difficult non-food trading. UK retail sales grew 9%.	UK market is highly competitive and price sensitive. Competitive offering - investing more in cutting prices, sharpening promotions and launch of Discount Brands - is this really investment or competitive forces.
14/AROS	We opened 2m sq.ft. of new sales area	362,000 sq.ft store extenions principally for Extra stores.	11 Extra hypermarkets opened - 6 from extensions to existing stores and five new stores. Total of 177 hypermarket stores and further 15 planned. Extra stores represent 40% of total sales area. 21 Supermarkets opened and 125 Express stores. Tesco strores total 2282.	Tesco growth of largest format stores and smallest format stores. Additional 6% of sales space being added in current year. The largest stores know account for 40% of Tesco sales area which is high? Drive for efficiency gains in UK - move to out of town stores is damaging the high street which is giving way to convenience stores? 622 new stores opened of which 435 international. 11.5m sq ft space - 36% UK 30% Europe 33% Asia 1% US
17	Our on-line non-food business - Tesco Direct continues to grow	Across the non-food market, customers have been cutting back on non-essential purchases.	Non-food sales of £12.5bn this year. Tesco cut 1500 product prices online this year. Tesco have been making changes to ranges and cutting prices. Hardlines sales are down in a difficult market. Overall on-line Tesco Direct sales are 50% up this year. UK non-food sales rose by 5% this year compared with 9% last year.	Despite difficult trading climate, on-line shopping is performing well. Tesco continues to increase range of products offered on its non-food online store - Tesco Direct. Non-food has been a challenging year as consumers are cautious in non-essential discretionary spending. International sourcing has helped competitive advantage. Growth in general merchandising has slowed this year compared with last year.
18	Non-food is an important part of our long term strategy	Tesco only have a small market share of the Non-food market. There is potential to grow this	Last year 600,000 sq.ft space was opened for non-food in UK alone. New non-food store in Edinburugh and Nottingham (homeplus). Tec -Direct online presence. 1.5m customers visiting site every week.	Tesco believes their remains opportunity for growth in non-food of which it has small market share. Dual strategy of store space and on-line offerings in non-food. Non-food diversifation is extending but there is variation where current economic conditions mean consumers are buying less home/DIY but are buying gaming, electronics goods. What is the right balance of range and channel for non-food?
19	Tesco Direct is designed to extend the non-food offerings.	Internet and catalogue shopping is established and growing.	12500 products online - Tesco Direct has excellent sales growth and is reducing losses. Non-food sales £6bn (2005); £6.8bn (2006); £10.4bn (2007); £11.8bn (2008); £12.5bn (2009) growth has been strong but has slowed down this year to 6%.	Consumers are shopping more online. Growth of online despite difficult economic times. However, non-food growth has slowed also due to uncertainty in the more advanced markets where consumers are internet savvy. Non-food sales doubled in 5 years but know slow growth. Group non-food £12.5bn total of which £3.8bn International.

19	General merchandise sourcing is more challenging.	We want our products to be sourced responsibly and fairly.	Global nature of supply base for general merchandise requires stronger relationship with our non-food suppliers. Tesco is reducing the number of suppliers and improving the audit of suppliers. 750 authorised auditors globally - shift to surprise audits with one month window in which auditor may visit.	Global supply chain of general merchandise demands stronger relationships. Tesco is moving to surprise audits of suppliers and has also introduced international hubs for sourcing of products globally.
20/21	Over time customers have come to trust Tesco to deliver value.	Unlike many high street banks TPF is well funded	TPF did not get involved in the toxic debt problems that impacted the sector. While banks are rebuilding their balance sheets, Tesco is offering competitive rates on their 28 financial products.	In December 2008 Tesco completed the acquisition of remaining 50% of TPF from RBS. Cash consideration of £950m was paid. At this time many consumers have lost trust in high street banks. TPF made profit of £244m against revenue of £949m. Some bad debt rise but overall capital and liquidity position is strong.
21/23	Developing Retail Services has been part of our strategy for over a decade.	We have renewed focus on Retailing Services.	Andrew Higginson relinquished his role as Group Finance Director and has taken role of Chief Executive of Retailing Services. Target of £1bn annual profit has been set in next few years.	Profit contribution to Retailing Services includes - TPF (50%); Tesco.com (25%); Telecoms (15%) and Dunhumby (10%). Tesco.com delivered 20% rise in sales to £1.9bn with profits of £109m. New role of CEO Retailing Services taken by Group Finance Director - reflects importance of this area going forward.
25/26	We have appointed 250 Community champions.	Appointments are from stores and depots of Tesco across six countries.	These members of staff will work with local schools and charities. Community Champions in 65 stores and 5 depots in UK to support local causes.	Steering Wheel - Community Plan initiative moving forward. Community Champions appointed in six countries. It is unclear whether Community Champion is additional responsibility to existing roles or a new full time role? Community Champion began in UK being rolled out to Czech; Slovakia; China and Malaysia. UK first then take best practice international.
25	Over the past year we have continued to roll out initiatives to save energy and reduce carbon footprint.	In 2007 we set ambitious targets to reduce emissions in our own buildings	Since 2006/7 we have reduced carbon intensity by 21%	Carbon footprint and energy efficiency investments to be competitive and meet government regulations. Energy consumption fell in Tesco by 8% last year.
25	We have continued to work to help customers to lead healthy lifestyles.	Providing health and nutritional information and services.	Improving nutritional content of products; programmes to get active; healthy eating information; Tesco Diets and suggestions.	Tesco is pursuing healthy living in different countries. Nutritional advice and information to help consumers in their choices. 2.4m people took part in aerobics activities in Thailand.
26/27	Our staff broke all records for our Charity of the Year	Charity of the Year is Marie Curie Cancer Care.	£6m raised by staff. New tesco for Schools and Clubs Scheme running in UK- customers can collect vouchers for local schools. We opened the greenest store in Manchester - 70% lower carbon emissions. 9.5m customers reusing their bags and 50% fewer plastic bags than May 2006. Saving of 3bn bags since May 2006. First retailer in the world to carbon label products 100 products in UK	Community projects seem to be staff/ consumer efforts. The Company itself seem to make little contribution in real terms. Healthy living - target of getting 2m people active achieved - 750K women running race for Life 500K children signed up for FA skills programme and 750K took part in Great School Run. Nuture scheme launched in 1992 now has 15000 growers in 70 countries - environmentally friendly fruit and veg.
26/27/29	Providing people with an opportunity to get on	During the year we made internal appointments.	65% of senior managers were appointed internally. We appointed 3741 new managers for stores and 149 for depots in the UK alone - 86% coming from within Tesco.	Tesco prefers to appoint people into senior roles from within the company if it can. Majority of appointments have been internally sourced and moved up, especially in UK. In UK 3500 managers appointed this year. Year ahead - plan to create 11000 jobs in the UK and 15000 jobs internationally. Plans to recruit 1000 graduates in Asia and 300 in Europe.
27	In 2007 we committed £25m to create a new Sustainable Consumption Institute.	Initiative at the University of Manchester	2008 was first year of SCI - building a team and initial research streams. Total of 12 academic staff appointed - 5 professionals, 12 PhD students and £2.3m committed to 24 projects.	SCI at University of Manchester. 24 Research projects in first year - team established.

29	This year we brought together over 2000 managers.	Triennial conference - 'Living the Values'	Our values - no one tries harder for customers; understand customers; be first to meet their needs; act responsibly for our communities. Treat people how we like to be treated; work as a team; trust and respect each other; listen support and say thank you; share knowledge and experience, enjoy work.	Conference to review last three years and embed values to all managers across the business. Tesco has had the same values for last ten years and says they are universally understood and still relevant today.
30	Clubcard helps us understand what our customers want.	We also held 200 question time forums in stores and launched an online panel of 64000 customers to give feedback.	this year we gave £400m in Club card vouchers.	National loyalty Clubcard scheme in Ireland, Malaysia, South Korea, China. Pilo schemes in Slovakia, Poland, Thailand, Turkey.
31	Supplier viewpoint Survey	Encourages suppliers to give feedback on our relationship	Survey of over 6000 suppliers during the year. This year significantly more ethical audits of own label suppliers -1233 compared with 445 the year before.	There is pressure on the big four grocery multiples to improve ethical and supplier relationships. Tesco fell short of ethical audit targets this year -improvements are being put in place.
34/71	Tesco has a strong, property based balance sheet	Capital expenditure rose to £4.7bn (last year £3.9bn).	UK cap ex £2.6bn (last year £2.3bn); International £2.1bn (last year £1.6bn) - £0.9bn Asia; Europe £0.9bn and US £0.3bn.	Tesco is reducing capital spend on mixed use building development schemes and buying less stores from competition. UK cap ex reverting to existing stores with target of 6-7% new space per year. A more cautious approach to US market during downturn - Group Cap ex will fall to £3.5bn this year. Targetting reduced debt this year -lower cap ex, divest property, lower stocks and improve working capital. Net borrowing £9.6bn (£6.4bn last year) Gearing 74%.
37	Employee retention	Last year 84%	This year 87%	Slight improvement on employee retention this year.
41	Political and charitable donations	2008 - £22,655,173	This year £28,278,867 - contribution to community projects. Gift in Kind - £57,094,208 (last year £54m). No political donations. Political events sponsored £55,000 to all parties and trade unions.	Charitable contributions made are significant but it is not clear how these are attributable. Political events sponsored - no political donations.
43/47	Current leadership	Chair - CEO relationship	David Reid (2004) - Terry Leahy (1997)	Currently four year CEO-Chair partnership. CEO from within the company. Five year rolling business plan focused on growth and return to shareholders.

Period		March 2008-March 2009		FIRM LEVEL REPORT: SAINSBURYS ANNUAL REPORT 2009		
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SAR09	01/06 AR1	Global	Sainsbury's celebrates its 140th anniversary this month.	We do so from a position of increasing fitness and strength. 2000+suppliers; 21 distribution centres; 792 stores; 30,000+ products; 150,000+ colleagues; 18m customers.	We have made fundamental improvements to our operations over the last few years.	Continued growth in sales coupled with tight cost controls has led to further improvements in profit.
	01/07		Our commitment to values has not changed	Providing customers with healthy, fresh tasty food at fair prices	We serve 18,000 customers a week; internet based delivery service is available to 88% of UK; we have 502 supermarkets and 290 convenience stores.	Sainsburys traditional heritage brand and improved service give it a market share in UK of 16%. Digital / online age is impacting retailers where consumers are changing the way they shop.
	6		The Company was founded on principle of helping people in poorer parts of London.	Helping people eat better diet despite budget constraints	Sainsbury's value - great products at fair prices with ethical approach to the business	Universal appeal targeting full range of customer needs and budgets. Claim of staying true to founding principles - but in a marketplace where difference between haves and have nots has risen - is Sainsbury's appealing to upper segment or poorer customers.
	12		We will deliver an ever improving quality shopping experience	Great products at fair prices	Best for Food and Health; Sourcing with Integrity; Respect for Environment; Making a difference to our Community; A great place to work;	Sainburys five goals on Corporate responsibility. Sainsburys was first UK food retailer to publish an Environment report in 1996. Corporate Responsibility report is also published.
	14		Sainsburys recognises the value it can bring to communities in developing countries	We are the UK's largest retailer of Fairtrade product sales. Sainsburys offers 700 fairtrade products	We sell 1/3 of all UK fairtrade. New Fairtrade development fund set up with Comic Relief for sustainable solutions for producers in developing countries. £210m of Fairtrade sold in UK.	Sainsbury's is a leader in Fairtrade in UK. However, the sustainability of Fairtrade and what the impact of it is not fully clear. Seems more about selling at fair prices rather than sustainability as goals are short term? Sainsbury's sells 700 Fairtrade products.
	2	National	2008 was a year in which growth expectations throughout the world worsened.	Expected decline in consumer confidence in the UK.	Sainsbury's performance improved during the year as a result of strength and resilience of brand.	There is much discussion about inappropriate management incentives. How reaching strategic goals can be aided by appropriate reward structures, aligning interests of all key stakeholders.
	2		In the UK high levels of government and consumer debt.	Customer attitudes is putting business conditions under pressure.	The last year has been dominated by the worldwide slowdown in economic growth triggered by the credit crunch.	It would be wrong to suggest Board fore-saw depth and intensity of financial crisis - recent sharp declines in stock market values worldwide. Ev develop our business appropriately and our solid financial performance is an advantage in current market (govt and consumer debt is high).
	6		Changing customer needs and trends	Consumers have become increasingly savvy	Rise in costs of living - significant change in mix of products they buy.	People are eating out less and cooking at home more to manage tighter household budgets. Customers are also looking around for the best deals for the quality they are after.
	19		Reduction in statutory corporation tax	Was 30% last year	This year is 28%	Corporation tax was reduced by 2% to 28% in April 2008.
	22		Unprecedented economic slow down	Reduced job security	Demand for increased value from customers	Challenging time for consumers at a time of low confidence in job security and incomes. Price positioning and broader appeal to different customers as proposition for sales.

2	Industry	The grocery sector tends to be relatively well placed in weaker economic conditions.	Higher government and consumer debt in marketplace	Most people are inclined to prioritise their weekly food shop over more discretionary expenditure.	Consumer habits change in tight economic conditions. Consumers prioritise food shopping over luxury goods, but also may seek more price sensitive deals from supermarkets. Thus, the nature of retail industry may shift towards low-end / discounter stores in these conditions. How will the branded supermarkets compete in this market? It has been a challenging period for UK retail industry.
7		IDG Award given to Sainsbury's	Award for Consumer Understanding	Innovative and appropriate solutions for customers - in particular the feed your family for a fiver.	Sainsbury's recognised for understanding consumer needs during these difficult times. MSGA programme timed well and delivered changes at right time for this type of market. Maybe more lucky and forced recovery that drove this rather actual strategy.
9/14 AR12		Freedom Food endorsed products	Outdoor meat and indoor chicken	Engagement with NGOs or National associations to endorse products as a way of offering customers independent verification of sourcing and caring perception. Sale of Freedom chicken up 130% year on year.	NGOs / National associations have become closer to the Food retailers in recent years. Their level of independence is questioned - but the trend is for endorsed products to sell well and may also enable premium pricing for consumers are willing to pay. Meeting of Govt targets ahead of legislation.
9/14 AR12		In 2009 we became the first major retailer to stop selling battery laid eggs.	2p from every woodland chicken and box eggs is paid to producers	Over £300,000 has been donated to Woddlan Trust	Consumers are prepared to pay extra for free-range eggs - but should they have to? Have farming practices been too intensive and competitive in recent years?
11		We welcomed the CC findings published in 2008.	UK grocery market is delivering a good deal for the consumer	April 2009 CC published its formal undertaking for the appointment of an Ombudsman.	Sainsbury's is against the proposal by CC to appoint an Ombudsman in the industry as it will create unnecessary bureaucracy and cost. Sainsbury's is in talks with CC and OFT with regards CCs findings and OFT investigation into fixing of retail prices.
01/04/16	Firm	Sales of £20.3m this year ; underlying profit £543m; Trading intensity £20.01 sq.ft/week.	Last year sales £19.2m; underlying profit £488m; trading intensity £19.69 sq.ft./week last year.	Increased dividend by 10% this year; net profit was lower at £289m compared with £329m.	Company's 'recovery to growth' plan March 2007- March 2010 - great food at fair prices; growth of complementary non food range; reaching more customers through additional channels; grow space; active property management; on-going. Cashflow has increased (£1206m) but also Capital expenditure has increased (£862m) in line.
2/6		Make Sainsbury's Great Again (MSGA) recovery plan stood us in good stead.	Initiatives to boost revenues and control costs.	Customers and colleagues have benefited from trading recovery and shareholders have been rewarded.	In 2006 almost all Sainsbury's debt was put on low-cost finance, so our short term bank finance needs are very limited. MSGA recovery has positioned Sainsbury's well for the current market conditions.
3		Non-food range plays an increasingly important role in our growth.	Half our new space is dedicated to non-food.	We will launch non-food offer online during the first half of 2009/10.	Growth of non-food in stores and online is significant part of growth strategy. Core food business is saturated and competitive, where retailers are diversifying into new offerings / services to compete.
02/08		We continue to be active in management of our extensive property assets	Successful programme of selling freeholds of properties	Freeholds with limited development potential are being sold to raise capital for store development	JV with British land unlocks significant opportunity to develop a number of store customer offers. Use of property assets to finance business development cycles. Property assets valued at £7.5bn.
2/30		It would be prudent to consider succession planning of Chairman	Current chairman's own recommendation made to board	Chairman has completed five years in the role - raises succession planning.	The search for successor Chairman is being undertaken as Chairman has indicated he will be stepping down in 2009. Chair /CEO/Co. Sec have been together since 2004 (5 years).

34	Committee approved following basic salaries	JK basic salary increased from £872,000	JK uplift of 3.2% to £900,000 basic	Audit committee met and reviewed Company funding and liquidity regular due to economic climate. Remuneration committee reviewed framework incentivised sales led plan and was mindful of levels in current climate. This year sales-gateway is being replaced by a profit-gateway - shift from recovery to growth incentivisation.
5	Great food at fair prices	product availability and customer service are measured in store. Price perception has improved in the year More universal appeal of own-label branded products	On-going store performance levels Pricing and promotions have contributed to customer perceptions Categorising of own-label brand - tiering of Good, Better, Best range	Segmenting own-label at different price points has enhanced brand and perception of value. Offering customers flexibility in what they buy rather than in where they shop. Focus in stores on product availability and service has also improved customer perceptions.
5	Accelerating growth of non-food ranges and services	Sales of TU clothing have improved from 20% to 40% of customers Sainsbury's bank has delivered profit of £4m	Clothing range and non-food taking more space in stores Services development as part of JV with Lloyds Bank	Growth of non-food and complementary services is diversification strategy towards one-stop shop This may become a test of customer loyalty and brand association as it is more difficult to be master of all trade rather recognised as a specialist. Also margin based competition as established players in non-food will feel challenged.
9	TU clothing is most established part of non-food	Launched in 2004, infra structure supporting brand. TU brand was also transferred to home and lifestyle range.	Fairtrade T shirts 2m sold. 40% customers buy TU. Potential to increase but space is needed to extend non-food offerings. 2000 kitchen and home products under the TU brand.	Space in stores is limiting the range of non-food offerings. Currently TU is in 290 stores but only 1/3 carry the full range. TU brand extended from clothes to home and lifestyle products. Non-food is a growth area for Sainsburys.
5	Basic's sales are up 60% year on year - final quarter of year	Sales of lower price point own-label brand has done well	Difficult financial period and tight consumer credit maybe change of shopping habits in austerity climate.	Own-label sales have improved, but more so the Basic's range is selling well. Reflective of current consumer market - in which Sainsbury's appeal is to a wider consumer range of pocket.
07/08	Basics range has been extended	650 products	2/3 products below £1 and 200 items below 50p. Focus on ingredients and sourcing of own-label products - quality and healthy products at good prices.	Sainsbury's fastest growing sub-brand with 70% of customers buying something from the range. Customers increasingly look to own label brand during the year to save money - they trust Sainsbury's own label products.
5/14 AR20	Respect for our environment	Over 200 stores have achieved savings Sainsbury's champions Reduce, Re-use, Recycle to minimise waste	53,000 tonnes of CO2 savings in 2008 and on track to reduce waste to landfill by end of 2009. Last year we recycled 120K tonnes of cardboard and 8400 tonnes of plastic film.	Environment is a focus as regulatory pressures. Charges will be applied to landfill and CO2 - thus Sainsbury's is seeking to meet the regulatory requirements and be seen as doing its part for the environment. Also this offers efficiency gains for the Company.
5/AR24	Making a positive difference to our Community	We raised over £10m to support Comic Relief Active Kids in 38000 schools.	Sainsbury's is largest corporate partner and has donated more than £40m in last ten years. Active Kids has donated £70m since 2005 to schools equipment	It is not clear what the actual cash contribution to Charities was - what is being reported may include time; customer contribution; employees or supplier contributions. Further Active Kids programme is sales based voucher programme. Nevertheless, Sainsbury's does support long term a single UK based Charity rather than change choice of Charity regularly.
6	Stronger business delivering four consecutive years of sales growth.	MSGA recovery programme	Listening to customers and improving the shopping experience	Brand resilience and flexibility has been enhanced by MSGA - which has helped during challenging economic marketplace conditions during last 12 months. We are in touch with our customers and adapt to their changes in wants and needs.
7	We take a leading stance on a range of issues	Issues that are important to our customers	Ethical and environmental concerns have become a priority	Although consumer awareness of ethical and environmental concern has risen. Scientific data on environment remains questionable. Are retailers playing on regulatory pressures and human feelings to gain trust and enhance profits - ethical product are more expensive, but where were these ethics without consumer concerns for the business.

07/08	Marketing campaigns are based on three themes	Shop and Save Switch and Save - standard range relaunched Sept 2008 Cook and Save	Competitive pricing and range of promotions Quality and value of Sainsbury's own label products Feed the family for a Fiver	Marketing campaigns are focused on price; value for money; feeding the family. Message that understands challenges of customers. Own-label ranges seek to undercut the branded products. Improvements to customer service' product availability and mostly price perception. Standard own-label relaunched (40% of own-label sales) offering 205 savings compared with leading brands. Top 200 products - appraisal and development programme.
7	We have made significant operational efficiency gains as a result of MSGA	Improving the performance of supply chain and information technology infrastructure	Focus on product availability, customer service and cost savings. During the year 75% of inflationary effect has been offset by efficiency savings.	Increase in wages, property and energy drove rise in inflation above expectations. Operational efficiency programmes delivered better processes at lower cost. New faster till scanning, double sided receipts; 100 stores with self-scanning; shelf ready packaging.
7/14 AR17	In 2008 we opened flagship store in Dartmouth Devon	Green store designed for energy efficiency	54% reduced CO2 and more than 50% energy savings (renewables); rain water harvesting 60% savings on water	Focus on best practices in store design and energy efficiency is a growing area of interest and competitive edge. Being rolled out to other stores. Average energy saving of 15% per store achieved in 200 stores. Another 100 stores targeted next year. Refrigeration accounts for 40% of energy consumption.
8	We redefined the role of deputy store managers	Elimination of duplicated activities and setting of new accountabilities / reporting lines	Training and support of a change to store management layer and duties	HR structure in stores has been streamlined - shared HR service centre in Manchester (2008). Some administrative tasks have been centralised; in-store management duties streamlined; and new reporting lines (in particular Deputy store manager role). Major shift in HR - role and responsibility in-store vs three support centres across UK (Manchester; London; Coventry).
8/AR18	Significant improvements within distribution network	Delivering costs savings. 7.7m km less travelling in two years.	New transport management system and processes; less need for temporary facilities during peak times; reconfigured depots and new facilities supporting growth across UK regions. Corby depot being refurbished and non-food transferred to Tamworth.	Earlier investments in distribution network is now delivering improved efficiency and cost savings along with better management of peaks / troughs in distribution. Sainsbury's focus and investment has delivered at the right time for this.
9/AR10	We converted a number of our own brand ranges to 100% British during the year	Sainsbury's commitment to source British products	Sandwiches and ready meals converted to British sourcing	Local sourcing of produce is a counter strategy to appease customers. The impact of supermarkets on independent businesses where they open and negative influence on local supply chains has been of concern in recent years. The low shelf-life products - dairy are being locally sourced along with some perishables.
9	Milk in a bag	Reduced packaging innovation	75% reduced packaging compared with 2 pint bottle	Milk in a bag is available in 126 stores and is good for environment. Sainsbury's innovations - traffic light recyclable packing - lead innovations in industry.
9	Majority of stores carry food and non-food ranges.	Largest store is 87,000 sq. ft.	Largest store is in Sydenham, Kent and in November the first two storey store opened in Hayes, Middlesex.	Largest store is 87,000 sq.ft and Sainsbury's has also opened a two storey store. Diversification of products and ranges is very wide and this impacts costs, store design and level of variety being offered to customers. What are their expectations?
9	There is significant opportunity and potential for growth of non-food.	Previous strategy director is now running non-food business Jan-09	Non-food operation has fully established support centre in Coventry with 450 colleagues supporting the business	Initiative from top to drive non-food business and invest in its infrastructure and support systems. New stores are incorporating space for non-food offerings also.

10/18	Performance of Sainsbury's bank continues to improve	Last year loss of £3m	This year profit of £4m. Investment in product development and customer acquisition. Steps taken in MSGA to stabilise the bank.	Bank is focused on cost control, risk management and shift towards commission based products, growing savings accounts. Sainsbury's JV with Lloyds has stabilised bank in a difficult industry / financial climate. Whilst Sainsbury's may have turned this business around due to large customer base and support - not clear what Lloyds contribution has been in this partnership?
10	Online food home delivery service continues to grow	On-going improvements to online ordering and delivery service	25 sales increase include customer retention and new customers joining. £500m business with over 100,000 orders per week. An additional 22 stores offered online services this year - 88% UK coverage.	Plan to increase online capacity in the year ahead. This is a fast growth area for the business. Plan to offer non-food online next year also. There is increasing demand for online shopping - but at the same time in-store capacity is at maximum. Is the nature of consumer shopping changing and to what extent will current retail model work.
10	Convenience is a key part of our strategy	There is potential to expand our presence in this market	Review of convenience business was undertaken under new leadership Dido Harding (joined Board in March 2008)	Accelerated growth of Convenience business - 16 convenience stores opened and 50 are planned for next year and a further 100 stores are planned for 2010/11. Two missions characterise Convenience market - 'food on the move' and 'local neighbourhood'. Testing different approaches to convenience market for accelerated expansion of Convenience stores.
10/17	Half targetted new space growth is set to come from extensions.	total new space will be split equally between food and non- food. Gross increase of 4% floor space contributed 1% sales growth.	Over next three years more than 12% gross new space will be opened During the year 13 supermarkets opened and further 13 were refurbished. 21 stores extended (total 54 extended in last three years).	Capital expenditure of £2.5bn over three years for extension of store space (12% new space) We are now opening stores over 80,000 sq.ft. In 2009/10 growth new space of 5% including acquisition of 24 stores from Co-Op Group mainly in the west of England, Wales and Scotland where Sainsburys is less well represented. Extra 500,000 customers will have access to Sainsburys within 10 minutes drive. Growth space of 5% next year (4% this year). New stores will contribute 2% sales growth next year.
11	Environment for growing space is changing	Opportunities to acquire land for development and new stores has become more available	Ability to deliver larger and more cost effective store extensions and lower cost stores is improving.	Unique opportunity available in current time to acquire land and existing sites for long term investment. Regulatory restrictions on store development seem to be more favourable in current climate.
11	Proportion of freehold / long leasehold property has increased.	65% of property is freehold / long leased. 26th March 2008 Sainsbury's invested £274m to create 50:50 JV with British Land.	We have a significant portfolio of properties with development potential.	297 freehold / long leasehold properties with development potential at a time when planning laws are permitting extensions. 128 stores are pledged as security for long term financing. New JV to develop stores and existing properties - 38 stores with 25 earmarked for development. Two stores have been extended and 10 are going through planning process. Total of 260,000 sqft space will be delivered in in next few years. Enhanced trading plus share of increased property value.
18	Underlying net finance costs increased	Up by £44m (2008 £(45)m) now £(89)m.	£30m lower net return on pension scheme and £21m higher interest due to increased level of borrowings.	Whilst level of debt is low, pension hole has risen this year and cost of debt financing has increased due to higher borrowing. Net debt March 2009 £(1671)m; £(1503)m in 2008 - an increase of £168m due to core capital expenditure (BL JV, taxation and interest).
19	Property disposals	Group recorded profit of £57m this year	Sale of surplus properties including 8 supermarkets where no further developing was achievable.	Sainsbury's factor in development potential of a site in their assessment of whether to keep / sell a site. This year supermarkets where there was no further room for development were sold (8). This year profit of £57m was higher than last year (£7m) on sale of surplus sites.
20	Capital expenditure amounted to £863m	Last year capital expenditure was £850m	£386m on new store development (£308m last year) and £385m on store extensions (£424m last year); Freeholds of stores acquired £392m (£168m last year)	Capital expenditure increased slightly. Freeholds acquired on developmental potential store sites. Strategy of developing stores and selling the site afterwards - added value from property. Expected Cap Ex 2010 £800-£900m (Three year total £2.5bn as per 2007 forecast).

	24/29		Dido Harding joined Board in March 2008	Dido moved from Tesco and is appointed Convenience Director	Four board appointments this year include John Rogers (Property Director) internal; Dido Harding (Convenience) external; Roger Burnley (new role Retail and Logistics Director) Supply Chain Director role has changed; Luke Jensen (Strategy Director) external.	Majority of board have been together for a while 2004 /2005 onwards. In particular the Chairman and CEO have been together for four years through MSGA. Some new appointments focus on Strategy; change of Supply chain role to Retail and Logistics and new Convenience Director. No changes to board in 2008/9 - 3 exec; 6 non-exec; 1 SID (8 meetings a year). Company Secretary is longest serving member (2001).
	27		Major interest in shares	Family business has been diluted and Sovereign Fund is largest holder of shares	Qatar Holdings have 27.2% shares and Lord Sainsbury's has 5.8% shares	Qatar Holdings retain largest shareholding (27%) and Lord Sainsbury's (5%) is second largest holder.
	28/AR01		Company has made no political donations	Last year cash and in kind charitable donations were £5.6m and Suppliers, colleagues and customers raised £7.4m.	This year cash and in kind charitable donations are £5.7m and Suppliers, colleagues and customers have raised £17.4m.	Charitable donations have increased this year where suppliers, colleagues and customers have raised monies. Actual company donations remain stable and actual cash amount remains unclear. We donated a record £1.1m to Comic Relief with support of customers and colleagues.
	55		Average number of employees	48,800 (2008) full time; 99,100 (2008) part time	49,700 (full time) and 98,800 (part time) this year - Total full time equivalent 97,300	Sainsburys employs some 150,000 staff - more part time than full time. Full time staff increased by 1000 this year and part time staff reduced by 1000.
	93		Five year record	Revenue increased from £16.5m to £20.3m; profit increased from £249m to £543m in 5 years.	Profitability has improved faster over last five years with steady sales growth.	Sainsburys profitability and market share has improved over last five years. They have 34 large stores; 130 (up to 55K ft) stores; 153 (25-40K ft) stores; 108 (15-25K ft) stores and 367 (less than 15K ft) stores. Total of 792 stores (727 in 2005). Largest format has been a growth area over five years (15 to 34) whilst medium size stores have declined (182 to 153).
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Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SCR09		Global				
		National				
	22	Industry	We want our stores to have a positive social impact	In 2008 we were one of 21 companies awarded the Community Mark by BITC.	We will provide 6,500 new jobs in 2009/10. We support local charities During 2008/9 we generated 5000 jobs by opening 11 new supermarkets and 20 new convenience stores.	Planned opening of 28 supermarkets and 55 convenience stores will generate positive impact on local communities. Does positive contribution take account of negative impacts of stores on local community Sainsburys do engage local residents, council members and stakeholders early on in a new store project. Not clear what are economic regeneration incentives.

2	Firm	Corporate Responsibility Committee report to the board twice a year	We work in partnership with key stakeholders including Govt, NGOs, academics, customers and colleagues.	Corporate responsibility is an alignment of issue / problem to stakeholders.	CR steering group was established in 2001, meets quarterly. The CR Committee was established in 2007 and reports to the Board twice a year. There are five values where each value has a steering group led by one member of the CR Steering Group. Changed the way targets are set - very achievable targets. Sainsbury's works with key stakeholders as partners (NGOs; gov; customers etc).
5		Healthier baskets for our customers	We will make the most popular items more healthy	100 product developers and technologists work to progressively reduce levels of fat, sugar, salt and additives in our products.	Consumer awareness and gov regulations are making supermarkets more focused on improving ingredients and nutrition of products. Healthy eating awareness and FSA pressure.
5		Front of pack nutritional labelling	Multiple Traffic Light labelling (MTL)	At a glance labelling for Guidelines of Daily Amount is now on over 5000 own brand products.	Fat, sugar, salt and additives on Multiple Traffic Light labelling - is this designed to satisfy FSA or to guide consumers. Seem more a meeting the regulations type initiative.
6		Focusing on helping customers eat healthily on a budget.	We extended the 'Basics' range	70 new lines added - of which 16 are fruit and vegetables. Expanded range now offers 600 lines.	Sales of Basics range are up 40%. Difficult economic climate. Basics is fastest growing sub-brand. Quality at affordable prices - using different cuts of meat; different shaped fruit and vegetables; i.e. Those produce that previously were rejected by Supermarkets are being accepted - probably at low cost base and sold at reasonable profits.
6		Feed your family for a fiver	Development of tip cards and receipts to feed a family of four on a budget of £5.	In 2008 we printed 38m Tip cards featuring 92 different recipes.	Was the success of this campaign its high volume of Tip cards or the actual recipes? All the items on the receipts will be Sainsbury's products purchased in-store. Self promotion idea that was successful. Campaign builds on standard receipt cards - but tailored to current economic climate.
06/24		We changed the target age of Kids range	Changed from 5-10 to now 4-8. Childhood Obesity is a growing problem in UK	Kids range is eaten by younger children - and has more stricter nutritional guidelines.	Kids range of products has been introduced with MTL labelling and target age has shifted to 4-8 years. Exerting stricter nutritional standards is a demand on suppliers rather than on Sainsbury's. It is the supply chain/manufaturer that will have modified to comply with Sainsbury's and more so regulatory demands. Childhood Obesity a growing concern in UK.
9		We are committed to open and honest relationships with our suppliers.	commitments we make and standards are set out in two documents - 'Working together' and 'Code of Conduct for Socially Responsible Sourcing'.	Sainsbury's Technical Management Academy (STMA) trained 400 individuals and will next year train non-food suppliers in China.	OFT has implemented Supermarket Code of Conduct. Sainsbury's seems more interested in training suppliers in their ways rather than working in partnership with them. The Feedback Channels are more geared to Sainsbury's interest rather than Suppliers choices and needs. How will this work with overseas Suppliers.
10		Our commitment to British products	We offer a number of British products - milk, eggs, chicken, ice cream.	WE sold more British apples and pears than any other supermarket (28%) and we purchase 45% of British tomatoes and 23% of strawberries	The right British products for which there is demand. Sainsbury's is keen to show support for British produce, but these are internationally competitive produce and local to UK
21		We work hard to minimise our packaging waste	We have reduced our packaging waste since 2004/5 by 13%	We are working to reduce our own brand packaging weight by 33% by 2015 (2009 baseline)	New initiative to reduce own-label packaging waste over the next five years. In October 2008 we removed free carrier bags from our checkouts.
24		Local Charity scheme of the Year	Customers and colleagues are invited to nominate local charity.	Three most popular charities present to a selection panel. Scheme to encourage colleagues to support local charities.	Successful pilot of Charity scheme in 2008 (15 stores) - rolled out to 166 stores. Are most popular charities the right ones to choose? Where colleagues/customer encouraged to support - what about the store supporting the charity?
25		We've been donating surplus food to local charities since 1998	Food past its sell by date but within its use by date	Food donation programme - £5m worth of Food donated to charities.	Why is so much food being over ordered by stores? Is regulation correct on sell by / use by dates? Is food donation scheme successful in helping the most vulnerable.

	27		Launched in November 2008 'You Can'	Variety of programmes aimed at enabling people to join the work force or enhance their skills	In 2008/09 we recruited 560 colleagues through Local Employment Partnerships.	Sainsburys signed up to Local Partnership Schemes - government assisted programme to get long term unemployed back into work. Voluntary scheme under RDAs struggling.
	28		We have significantly increased the percentage of female managers in our stores over last three years	Female and ethnic representation in stores has been low.	25% of Deputy Managers and 17% of Store Managers are currently female.	In 2008 we set a target of 20% Female Store managers by 2011 - on track for this. Development of diverse talent pipeline as pressure is growing for diversity at senior levels within organisations. In 2009/10 we will be conducting a piece of work to understand the issues holding colleagues from ethnic minorities back in their careers to address these.
	29		Our colleagues opinions are important to us	we communicate honestly and openly with our colleagues to listen and respond to their concerns	tell Justin' suggestions. Talk back survey 73%	We made significant changes to Talkback considerably stretching the measures with the aim of raising the bar on our performance. We know apply a stricter criteria.
	29		In 2008/9 we continued to improve our health and safety performance	Reviewed and revised Health and Safety policy	New 2 day Maanging Store Health and Safety course. Also improved training for colleagues	Reduced number of colleague accidents by 8% in 2008. Health and Safety culmative improvement of 26% in three years. Health and Safety is improving.
Sainburys Bank for period 31st Dec 2008						
Document	Ref	Level	Event	Processual Changes	Output Focus	Theme
SB09		Global				
	1	National	Bank provides financial services wholly in the UK	Bank is JV	J Sainsbury's and Bank of Scotland.	Acquistion of HBOS by Lloyds in Jan 2009.
	1	Industry	Challenges imposed by a number of one off items	Exceptional levies imposed by Financial Services Compensation scheme	Scheme to fund collapse of five other UK based financial institutions	£5m levy scheme for collapsing banks.
	12	Firm	The nature of the joint venture is such that the bank does not employ individuals.	Individuals who work for the bank have contracts of employment with either Sainsbury's or HBOS	Average weekly number of staff is full time 640 part time 48.	Unusual staffing arrangement in this JV Bank.

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MO09	0	Global	We are the fourth largest food retailer by sales	382 stores visited by 10 million customers each week	Group turnover £14.5 bn (increased from £13bn last year)	Like for like sales have increased 7.9% this year - what makes different to other supermarkets is our own supply chain, own manufacturing sites and 'Market Street'.
	0/AR03		Our vision is to become the food specialist for everyone	We are able to control cost, quality and freshness.	Brand values - Fresh, Value and Service.	Morrisons model emphasises 'Food specialist' as experts in stores and value through supply chain. They are able to exert greater control due to integrated supply chain for their own produce. Is this model competitive on the large scale with growing demand for variety of produce. -Optimisation plan (2007-2010) on going.
	12/13		Volatility in the financial markets	Impacted the economy as a whole	A view on Pensions deficit was taken last year and is held. Payment injection of £100m in pensions during the year.	Volatility in the financial markets has impacted valuations of pensions. Morrisons took a long term view last year and is accordingly injecting £100m with a long term view. In current market, schreme is £425m worse off.
	AR03		A key part of our strategy is to grow the number of stores	Extended the range of stores	Purchase of Safeways is a shift towards smaller stores for the first time for Morrisons	Morrisons developing range of physical stores to extend market presence and reach across UK. Physical store format growth preferred (What about online?).
	4	National	In the current economic environment	We expect the competitive landscape to be extremely challenging	Group's balance sheet is strong and financing arrangement are prudent	Economic climate is one of downturn in which competition is fierce for consumers. Board views outlook positively in these difficult times.
	7		We are pleased with our store sales growth.	Like for like sales increased	Industry leading growth with wide appeal	Morrisons has 12.3% of the UK Grocery market. There has been growth in South post Safeway's acquisition. Increase of 0.2% marketshare seems small but is at a time of difficult economic conditions. Morrisons still building asset base as National retailer.
	14		Company share price was 270.75 on 1st Feb 2009	fall of 9% from the start of the year.	FTSE 100 has fallen 31% and Food and Drinks sector has fallen 14% since start of the year.	During the last three years, Company share price has risen 44%, FTSE100 has fallen 28% and Food and Drinks sector has risen 19%. Morrisons acquisition and optimisationm plan has enabled better growth in a difficult market.
	16		Grocery market was worth £97bn	Increase of 5.6% on last year	Top four supermarkets have 79% of the market share	Morrisons has 12.3% of grocery market share in UK where top 4 have 79% of £97bn market. Commodity prices have increased in the year. UK consumer confidence is at its lowest ever recorded (lower than 1990 recession) Consumers are switching retailers in search of cheaper prices and value. Consumers are switching brands from premium to Value ranges.
	16		There was evidence of real change of consumer behaviour.	Consumers are eating out less and looking for cheaper froms of entertainment	Consumers are more home centric - cooking in the home, in home entertainment.	49p in every £1 spent on retail is on groceries. 13% of household budgets is on groceries. Consumers are still interested in where their fodd comes from - Health and quality - 6.5% increase in purchase of fruit and vegetables in UK- 5 a day campaign by government.
	16		Government reduced rate of VAT to 15%	Previously rate of VAT was 17.5%	With effect from 1Dec 2008 lower VAT to boost disposable income in current economic downturn.	The VAT has been reduced to 15% until January 2010 to help boost spending in downturn. Whilst this maybe good for retail in general - a lot of food is already at zero percent VAT so this will have minimal impact of food sales.
	4/AR02-AR09	Industry	Morrisons success in the past year has been recognised	Industry recognition adding to kudos of 4th largest player	Retailer of the Year - Retail Week Grocer of the Year - The Grocer Retail Industry awards - Supermarket of the Year	Morrisons has gained recognition from within the industry gaining awards from different industry recognised publishers and at the Retail Industry awards. This adds to Morrisons reputation amongst customers, employees and in the industry.

	7		Market research shows that we won customers from all major competitors	Geographically we grew in all regions	Smaller stores did well but are few in number	Small increase in market share, extending of geographical reach has yet to impact bottom line, but Morrisons is gradually optimising the integration of Safeways into its model. Still work to be done to justify acquisition approach rather than organic growth.
	7		Customers are paying more for their weekly shop	Previously cost fo shopping had been going down	Commodity price inflation (high cost of oil) filtering through to supermarket products.	Disposable incomes are decreasing due to impact of high energy prices. There is reduced availability of mortgages/credit and increasing unemployment. Supermarkets are responding to challenges being faced by customers - innovative offers on Value range. Over 21,000 price cuts this year.
	22/77		Grocery sector continues to be under close focus from the office of Fair trading.	Despite Competition Commission findings that sector is highly competitive.	OFT has issued objection statements in relation to conduct in the milk and tobacco categories.	Morrisons has made representation and is co-operating in the case of Milk - it beleives it has no case to answer. In the case of tabbacco there is a complex legal question whether industry practices are a breach of competition law.
	0/20	Firm	We make and pack out produce	Fresh produce is washed, graded and packed in our facilities We have 13 manufacturing sites - 12 in UK and 1 in Ireland. We move 16m cases of products to stores each week.	We have three bakeries producing 6m loaves, rolls and muffins. We own 3 abattoirs and supply meat to stores. We have 12 distribution centres and our own transport fleet - 680 tractors and 2000 trailers. We have 6 fruit and veg packhouses; 1 food preparation factory.	Morrisons business model with integrated supply chain in UK. Differentiation USP to other supermarkets. We control our supply chain, we are closer to source and cut out the middle man. Provenance, pace of change and freshness. But does labour intensity and heavy investment make this competitive? Morrisons in a top 5 UK Fodd producer.
	17		Market share by region	UK market share risen from 11.9% to 12.3% in three years	15.4% Scotland; 21.5% Yorkshire; 16.5% Lancashire and NE; 12.2% Wales and West; 12.6% Central; 11.4% East; 6.4% London; 6.4% South and SE; 14% South West.	Overall majority of market share across the regions has improved. South and South East remains comparatively lower (12% - 6%). Morrisons is strongest in Yorkshire (21%), Lancashire (16.5%) and Scotland (16%).
	3		In my first annual statement as Chairman, I am please that we are reporting another year of good progress.	We are confident that Morrisons offer meets and is tune with demands of our customers and the economic background.	Sales £14.5bn; profit before tax £655m (£612m last year); Dividend 5.8p - up 21%; capital expenditure increased to £678m from £402m.	Group turnover increased 12%; like for like sales up 8%, profit up 13%. This year capital expenditure has increased to £678m (last year £402m) - focus on growing the estate as part of Optimisation plan. Purchase of abattoir this year.
	3/12		Cash generation was strong	Cash from operations of £964m	Year on year increase of 28% - £208m.	Increased operational cash will be utilised to increase dividend payments to shareholders so that surplus spearate fund of £1bn can be used for business investment and growth opportunities. Increased turnover and profit conversion combined with better cost control -improved working capital.
	12		Interest received fell from last year	£21m less interest received	Falling interest rates adversely affected deposits, but interest paid remained at £70m - same as last year	Interest receivable on depositis has fallen sharply. Coporation tax payable £104m - 50% of the tax bill this year. In house tax department based on simple UK model.
	14		Net debt increased slightly	£642m this year (£543m last year)	Sharebuy back; pensions; and capital expenditures.	Despite higher investment, only £250m of £1bn facility has been utilised - strong balance sheet following refinancing last year and growth of operational cash this year. £850m funding facility still available to use.
	3/10/13		Group's pace of investment picked up	Capital expenditure in the year increased to £678m - support Optimisation and estate development	9 new stores opened; 18 stores extended; rebranding £0.5m per store - planned investment £120m unplanned investment - £80m to buy freehold of Kent distribution site and freeholds of 4 stores.	Capital expenditure increased by £276m - growing the estate with new stores opening and purchase of freehold. Expect to open 350,000 sq.ft of new retail space in the coming year, on top of the 500,000 sq.ft that is being acquired from Co-op Group/Somerfield. Morrisons looking to establish National footprint by being Nationwide Company. Freshening up the stores, improving and developing infrastructure. Unplanned investment (£120m) represents 95% of Morrisons estate.
	3/31/37 AR20		Roger Owen retired	Group Property director retired after 34 years with business and 21 years as Board member. Board has 4 NEDs and 4 Eds.	Long serving board member retiring.; Sir Ian Gibson new Chairman joined Sept 2007 following retirement of Sir Ken Morrison.	New Chairman-CEO relationship establishing where for first time family member is not involved. Sir Ken retired in Sept 2007 - new Chairman appointed and Marc Bolland CEO (2006). Chairman has Asda experience previously appointed for 3 year period. Sir KM retains 6.5% holding in the company.

	34	A review carried out by the remuneration Committee	Increase in Marc Bolland's base salary	£850,000 (last year £757,000)	CEOs mid term review increased base salary (two years into four year term) Four other board members salaries increased - to ensure competitive mid-market rates. Perfomace related bonuses upto 100%.
	4/21	Charitable donations	Colleagues across the business supported charitable activities	Remembrance Collection; Children in Need raised £250,000; nominated Charity was Protecting Generations for Generations #####	Morrisons is recognised as giving more direct funding to charities compared with other supermarkets. It is not clear whether £1m is raised by company or through employees/ customers with company contribution.
	5/92	We have identified significant potential to attract new customers	Focus on space growth and attracting new customers	Broadening the appeal to wider range of customers - national to Nationwide company. Average number of customers / store is 25928 which is below peak of 2004 (29242).	Strategy is to differentiate from other Supermarkets as a 'Food specialist'. Other supermarkets are more focused on developing their non-food crudentials. Differentiation be being closer to source - through integrated packing and manufacturing facilities. Emphasis by Morrisons is on food preparation and specialists as value added. Morrisons improving number of customers as recovery but still potential for more customers.
	5	There are significant parts of the country where we are under represented	Opportunity to expand estate and reach more customers	Shift from national to being Nationwide - seeks to add customers and space	Morrisons believe their offering appeals to broad range of customers. The differentiated model appeals to potential customers where Morrisons currently remains under represented in some areas. There are 8m households that are not within 15minutes of a store, thus they have greater potential than the other main supermarkets.
	6/14	We will continue to pursue a prudent approach to financial management	Our planned investment can be met from existing facilities.	Board concluded that £1bn surplus capital should be returned to shareholders (announced March 2008) - 2 year buy back scheme know on hold.	£146m returned to shareholders through share buyback scheme. New investment opportunities identified over and above optimisation plan. Acquisition of freeholds of 4 stores, purchase of Somerfield stores and investment in freeholds of distribution. Unplanned investment of £460m suggests ownership control in decision making remains family driven potentially.
	6/14	Board believes that further potential investment opportunities may arise	Original plan to distribute surplus funds to shareholders has changed	Maintainig surplus funds in business for medium term investment rather than returning funds to shareholders.	Morrisons board views strength in balance sheet and current down turn as investment opportunity. Rather than return large cash surplus, this is being retained in company for investment for growth.
	6	We opened 9 new stores in the year	7 replacement of existing stores and 2 re-opening of acquired Safeways stores	Decision to re-open 2 smaller Safeways stores as Morrisons led to increased sales and will be extended to other such stores.	Morrisons brand appeal and offering has resulted in better sales at 2 acquired Safeways stores (of smaller format). These were closed, but their better performance as Morrisons gives the company confidence to expand this format further in the year ahead.
	7	Continued programme of store extensions	382 stores and 11.1m sq ft of retail space.	90,000 sq ft of extensions to stores. Total of 2.7% growth of retail space.	Morrisons is confidently investing in land, buildings and brand at a time economic conditions are rapidly deteriorating. Morrisons Optimisation plan seeks to build Nationwide Company by 2010. More focused on food offerings and extending the network to broad customer appeal.
	92	Retail portfolio	382 stores and 287 petrol stations	13 (0-15); 135 (51-25); 190 (25-40); 44 (40+) stores.	Morrisons has majority supermarket / large stores and filling stations. Filling stations are mechanism for increasing foot fall at stores. After Safeways, some smaller stores have been opened and are performing well. The smaller store model performs well (consumer demand for convenience) but Morrisons model requires larger format (specialists in store).
	92/26/55	Number of employees has increased	Total number of employees 124,530 (last year 117,454)	Full time 50,934; PT 73596. 111,462 stores; 5042 manufacturing; 4886 distribution; 3140 centre.	The number of full time employees has reduced by 1000 and the number of part time employees has increased by 6000. Full time equivalent staff 89,855. Total sales area and number of staff have both more than doubled (post Safeways) along with turnover (£14bn+) but value added in efficiency to be delivered yet.
	26	Our people are our most valuable asset	Morrisons conducted colleague attitude survey in 2006	Programme of activities - Value; Leadership; Talent; and Performance. 120,000 employees taken part in Vision and Values workshop. Leadership development initiative - Leading the Morrisons way. Fresh food Academy launched in 2009.	Over the coming year we will create 5000 jobs. Food Academy play a role in developing and training people for jobs. Setting clear expectations and benchmarks for a high performance culture. Role evaluation programme across the business- clarity around role requirements. Strengthening communication across the business - short face to face monthly department meetings and briefings. Employee engagement - pride; loyalty; satisfaction and commitment - 12% improvement on last suney

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	
		27		Our employee turnover rate has improved				Last year 76%				This year up 2% to 78%					33% of staff have been with Morrisons for 5 years or more. Point of note - many staff moved across from Safeways and had to be integrated into Morrisons. Slightly improving staff survey - developed KPIs and increased interaction to progress staff satisfaction and loyalty- ongoing.									
		7		In store market Street ranges did well				Own label ranges showed growth				Trend of last years towards premium products slowed (Eat smart up 13%; Best up 5%; Organics up 10%). Contrastingly Value range re-launched this year had 50% growth.					In economic tight conditions, shift of growth from Premium own label ranges to Value ranges. Morrisons customers have been impacted by the downturn and chnged their shopping habits. Morrisons relaunched Value range this year successfully. Positioning of Morrisons brand as appealing to broad customer base probably less broad - where Waitrose, Tesco, Sainsbunys maybe more quality perceived?									
		7		Growth of Value range refected difficult economic conditions				21,000 price cuts and designed promotions				£4 meal deals and shift from 'buy one get one free' to 'half price' promotions.					Morrisons response to economic conditions shifts promotional offers from being Volume based (2 for price of 1) to being price sensitive (half price offers). The Value range has done best with growth of 50% this year.									
		8/20/AR09		Our broad appeal and involvement is illustrated by our new schools initiative				Let's Grow' is designed to help schools teach about growing food				18,000 schools have registered for the scheme- free planting, compost and tools to schools					Morrisons scheme targetting schools with new 'Lets grow' initiative. Do these schemes benefit schools or Morrisons more? Are these schemes government supported? Another voucher based scheme.									
		8		Two biggest costs are store wages and distribution costs.				In 2005/6 provision of £75m was made for restructuring of distribution				Following improvement of labour productivity, this year investment made in customer service to support sales growth.					Morrisons model remains labour intensive but scale has improved efficiency. Company is investing in distribution and in Customer Service provision this year targeting wider audience - broader customers. Specialist differentiation - 2000 bakers; 1500 Butchers; 800 Fishmongers.									
		9/11		We remain on track with our optimisation plan				Optimisation plan from 2007- January 2010				freshen-up / rebranding of stores - £0.5m per store. new uniforms and own label branding introduced. Range extension of products - more Value focused Self-scan checkouts are rolling out to over half of our stores. New HR/payroll will go fully live in 2009.					On-going optimisation plan has reinvigorated the brand and packaging of products and stores. New point of sale self service check outs are being rolled out and internal IT systems are being developed. Next year focus will be on distribution / IT investment to improve efficiencies at manufacturing sites and through the supply chain. £182m invested in 2008 in Optimisation - culmative total £250m of £450m planned budget (2007-2010). £46m IT investment next year in budget internal systems (not front end? Online format ?)									
		11		CSR initiatives focused on emissions				We have invested in store and petrol pump efficiencies				£66m in last two years on refrigeration, £18m on new trucks and trailers - improved chill chain and reduced emissions. 220 of the 287 petrol stations have new low emissions technology.					Morrisons have reduced carbon footprint by 36% since 2005 - one year ahead of plan. Investment in reffridgeration / trucks - chill chain and in petrol stations as part of CSR initiatives. Actual benefit of efficiencies are to the business.									
		21		We are committed to acting sustainably				CSR programme is championed by our CEO Marc Bolland				Reduced usage of carrier bags by 32% -505m bags saved. Group energy use reduced by 6% per sq.m. (target of 8% by 2010). Reduced volume of landfill waste by 2886 tonnes - 17% reduction since 2006.					70 targets are KPIs for CSR initiatives - programme championed by Marc Bolland CEO. CSR initiatives geared towards efficiency gains and meeting of government targets to avoid cost of landfill etc. and carbon taxes. Is CSR properly understood by Companies or is it risk management / meeting targets programme.									
		14		Optimisation Plan as a medium term profitability plan				the cost of Optimisation plan is £450m over 3 years - £180m store refreshment; £70m New abattoir; £90 new capacity in South; £110m sew business systems.				Savings from this investment are £260m in phase 1 and £200m in phase 2 - reduced wastage and better efficiencies, dual running costs.					As part of Optimisation plan, abattoir was purchased this year - increased capacity. Investments will pay for itself through savings from investment - £450m investment £460m savings. Outcome of Optimisation plan is larger business.									
		15/17/61		We agreed to purchase number of stores from Co-op Group (Dec 2008)				Subject to Office of Fair Trading approval				Stores have average of 14,000 sq.ft (small stores) rather than larger formats. 22 of the Co-op stores are in the South where Morrisons is developing a presence.					£223m agreed price for purchase of smaller format stores from Co-op. 10% refundable deposit paid subject to OFT approval. Morrisons looking to develop smaller store format into 2009/2010 in which it has a lower presence and spread further South.									
		18		We have more staff preparing food than any other supermarket.				vertically integrated supply chain and ownership of freeholds.				Fresh, Value and Service strategy of Morrisons.					Focus on positioning (for freshness; sales growth exceeding market growth (7.9% vs 5.6%). Maintaining a strong balance sheet (Credit rating upgraded Baa1 to A3 - highest in sector).									
		21		Typical store has 18,000 product lines				32% of products in a typical store are own-label products.				Morrisons model (18,000 products) has less variety than market leaders (30,000 products) but is more labour intensive and integrated.					Morrisons model prefers to produce, distribute and sell its own grown products. Smaller variety than larger supermarkets but greater integration of supply chain. Does this make it difficult to ompete in multiple formats? Or are Morrisons compromise range / quality right?									

	55	Tax charge for the period has increased	£195 this year (£58m last year)	Closure of negotiations with HM revenue and customs issues relating to Safeways acquisition	Morrisons has paid greater tax this year as issues relating to purchase of Safeways have been resolved.
	AR05	Very high price of fuel seen in our forecourts	Forecourts business grew strongly in the year	Fuel prices moved above £1/litre - worldwide spike in oil prices.	Consumers becoming price conscious and shopping around for value. Morrisons made sure their fuel pricing was competitive - supermarkets leading price competition against Shell/BP for footfall.
	AR05	Our advertising campaigns built on last year's success	Continuation of 'Fresh Choice for You' campaign	Emphasis on freshness, instore production and food provenance. We launched a high impact 'Price crunch' in April	Supermarkets are competing on brand association and price in this difficult economic market. Everyday value offers and prices.
	AR13	This year we attracted additional customers	Footfall up 4.2%	Additional 550,000 customers came through the store this year	Footfall increased by 4% and there are 28,000 staff preparing food. Employee stability was 78% this year - improving year on year (71% in 2007) i.e staff that are staying longer than one year is rising.

Period		FIRM LEVEL REPORT : CO-OPERATIVE ANNUAL REPORT 2008				
Document Ref	Level	Event	Processual Changes	Output Focus	Theme	
CO08	4	Global	we are owned by our members and led by our principles	Larger integrated Group of Co-op will impact governance and management of the business	Member based governance structure for a larger organisation. Co-operative had a good year in 2008 at a time when many shareholder based companies are going under.	Co-op member / ethical model has been resilient at a time when many shareholder companies are going bankrupt during this financial crisis time. But Co-op has also merged at this time which has added to the growth - Is this growth natural or due to Co-op being the alternative to shareholder firms at this time.
	5		There are very few businesses in the current climate reporting a set of results as good as those that we are able to report.	Benefit of merger between Co-op group and United Co-operative that took place in July 2007.	Successful bid for Somerfield has been made and CFS merger with Britannia. Growth through consolidation of Co-operatives also.	Mergers and acquisitions for Co-op Group at a time of financial crisis. Growth due to consolidation - numbers or value added to business remains unclear at present.
	10		Climate change is the primary issue in our commitment to environmental sustainability.	We are one of the world's largest purchasers of renewable energy.	We have made significant development in development of our non-renewable energy generation. Extension of wind farms; packaging projects for Food business; recycleable plastic; fish sourcing; promoting fair trade internationally. First supermarket to convert own brand hot beverages to fairtrade. Fairtrade sales increased 44% in out stores.	Climate change has become a priority for sustainability. Co-op has taken a lead on renewable energy and promoting fairtrade. Co-op has an ethical approach to sustainability and broader awareness of international issues. The Sustainability agenda is benefited due to smaller product range, closer control of own farms and early ethical decision making of sourcing.
	11		Co-op bank has declined over £1bn of finance since 1992 (ethical Policy launch).	Conflict with Bank's ethical policy.	Co-op has made commitments on human rights; animal welfare and climate change. Commercial lending has climbed to £4.4bn - at the start of 2009 updated Ethical policy was unveiled.	Co-op bank's ethical policy seems inconsistent and not focused on finance industry but more a general ethical policy which is very broad. Intention is good but the nature of ethical policy seems misaligned with finance world.
	20		Trading Group and CFS have common set of strategic priorities	Profitability, customer and employee satisfaction and corporate responsibility.	Different nature of markets means measures are slightly different. The exception to this is the area of growing and engaging membership	Co-op is jointly owned and democratically controlled by members. Growing a strong and committed membership base is integral to our vision and beliefs. Transactional and democratic contributions are necessary. The focus for 2009 is to drive membership and engagement. In 2008 we recruited 961,000 members. How active are they?
	20/21		Key performance indicators of trading group	Commercial success; Competitive advantage and Social goals.	Profit grew 4.6% above target for 2008; Employee engagement rose from 74(2007) to 77 (2008) out of 100.	Co-op group is perceived to have performed well this year. But there have also been mergers and impact of financial crisis in the marketplace that has influenced results.
	35		The Society employs 82359 persons	In 2007 Co-op employed 81385 persons	Employee satisfaction survey was of 60,000 people out of the 82359.	Generally employee satisfaction is higher in other businesses compared with the Food business
	143		On 27th Feb 2009 Group acquired Somerfield in its entirety	Acquisition cost was £1.6bn	Entirely cash consideration paid in £0.7bn cash and £0.9bn debt.	Co-op makes large scale acquisition in post financial crisis environment - Somerfield. Co-op announces merger of Bank with Britannia. Jan/Feb 2009 both announcements reflects confident outlook.

10	National	Our engagement with young people continues	Our award winning Farm to Fork scheme has become national.	Hands on experience to children of how their food is grown and chance to cook a healthy meal. 20,000 children visit our farms in 2009. 5000 Children have visited our Waste works education project which opened in Manchester.	Co-op being UK centric and with traditionally more UK centric supply side has been able to move faster towards Sustainability agenda. Initiatives have included engagement of young people as a community focused approach.
10		There was a significant media focus on animal welfare issues in 2008	Our Food Ethical policy highlighted members interest in this area.	Own brand meat produce is RSPCA accredited.	Co-op ethical / welfare approach is derived from only membership views. Further much of the supply side efforts are possible due to Co-op being UK centric than international. UK suppliers are generally more responsible, regulated and aware of ethical issues of concern to UK consumers.
10		First high street travel agent to introduce Ethical Strategy.	New radical strategy supports principles of sustainable and responsible tourism.	Focus on ensuring business operations are carbon neutral. Co-op has taken a position on opposing the third runway at Heathrow airport. From 2009 increased focus on toxic fuels, support marine reserves and Plan Bee - British Bee population.	Co-op is actively involved in UK based community agendas - such as third runway at Heathrow. Co-op usually takes a 'first to market' strategy on applying ethics to its businesses - such as in this case tourism. However, it remains unclear the basis of ethics and what this really means? Business has representation on Travel Foundation - UK charity dedicated to sustainable tourism. In 2009 Co-op will take position on campaign activities for UK environmental issues.
16		Clearly we are not immune from the turbulence within the marketplace	We are continuing to move forward with our growth and investment plans	Throughout 2009 we will continue to deliver change initiatives. Continue to meet regulatory requirements, manage costs, claims and bad debts - financial services business	Co-op is showing resilience to the turbulence in the marketplace caused by the credit crunch.
17		Investment property value decreased by £63m	This is £45m worse than in the previous year.	Investment property has declined in value for two consecutive years	Property values have declined for two consecutive years in UK - was this an indication of artificial inflation. The housing trap.
21		In 2006 Group introduced Customer Satisfaction survey	Food, Pharmaceutical and Travel business - since 2008 this has been extended to include Legal services business.	500-600 surveys are undertaken on a monthly basis. Food customer 44%, up from 33% in 2007. In Pharmaceutical business satisfaction rose from 66% in 2007 to 77% in 2008. Travel customers rose from 73% to 75% and in Legal Services was 72% this year.	The food business is the largest but it has the lowest customer satisfaction rating. Comparatively smaller businesses had considerably greater customer satisfaction. The cross trading between Co-op businesses by customers has increased from a low of 16% to 26%. Awareness of bank and insurance social responsibility is low (8%; 2%).
23		Business continuity and data protection are two areas where group has done work	Protect life, brand and business along with personal and business data	Business continuity and data protection have had work done on processes to avoid interruptions Data Protection Act 1998	Policies and procedures to ensure business continuity and data protection have been improved. This is pertinent in consideration that a number of businesses have been and are being merged into the Co-op Group
24		Key risks faced by the Group	Group is a complex mixture of financial services and retail trading businesses	Economic impact on consumer spending; adverse economic conditions; tightening of credit and recessionary pressures; damage to our reputation or brand	Respond to the economic downturn and potential risks by offering a broader appeal to different customers in our varied markets. Reputation is built on an ethical stance; brand association and membership - brand reinvigoration in process.
144		Sales and profit by region	Profit increased slightly in most of the regions across UK except for North West	Co-op is strongest in North followed by Scotland and is still developing in South West. Total Sale £9.3bn profit of £392m (2008) vs Sales £8.4bn profit £354m (2007).	Co-op is developing into a larger scale national business. Mergers have increased sales but profitability on similar scale yet to be delivered.

	3	Industry	Building on merger between Group and United Co-op (2007) we have now bought Somerfield	This will transform our Food business Lothian & Angus group voted to transfer to Co-op group.	Will provide an alternative to customers with a viable alternative to the Big 4 supermarkets Somerfield purchase will add 900 supermarket and convenience stores to Co-op group.	Co-op has agreed to acquire Somerfield and Lothian Borders & Angus group have voted to join Co-op Group. Growth by acquisition of private firm plus integration/consolidation of another Group into Co-op. Merger as a strategy for expansion. Co-op will be 5th largest player in UK retail market.
	316		Proposed merger of CFS and Britannia Building Society	Creation of a financial 'super mutual'	Larger ethical alternative to many discredited banks that have become embroiled in the credit crunch. New Super mutual will have 9m customers, 12000 employees, 300 branches, 20 corporate banking centres, £70bn assets.	Proposed merger of CFS and Britannia is on the table with Britannia members to vote. Co-op believe Britannia shares similar values as Co-op and merger is good. Point of note, there has also been rise in customers to Co-op due to bank-runs/mis-trust in traditional private banks. Is this ethical banking? Or simply alternative?
	1014		We are proud of our achievements and it is gratifying when work receives recognition	Management Award - 2008 European Business Award for Environment BITC award for International Climate Change CFS won BitC award for impact on Society Grocer Award - retailer of the year Co-op Bank ranked highest in JD Power 2008 retail banking survey. Co-op Financial Services took 'Company of the Year' BITC award and a Platinum ranking of 98% in Community Corporate Responsibility.	Co-op is recognised in the industry as an Ethical retailer. It was voted most ethical brand for the second year running. Co-op continues to be the only major financial services provider with ISO14001 environmental management standard.	Internal industry awards recognise Co-op as being ethical and community focused. However, these awards are very internally industry orientated. UK marketplace is also recognised as more regulated and consumer aware society. This gives British centric firms advantage as leaders because they operate in more stable, evidenced led, competitive and consumer intelligent markets. If Co-op Bank achieved 98% in Community Corporate Responsibility then is it really doing just 2% short of the maximum it can do in this area?
	3	Firm	At the beginning of 2009 we have seen The Co-op truly come into its own	Biggest rebranding programme in UK corporate history	Foundations being laid for exiting brand advertising campaign ever launched by Group.	Large scale rebranding and advertising campaign following recent acquisitions and mergers. Co-op claim biggest rebranding programme in UK corporate history and reputation as ethical business.
	3126		New rule book adopted by our members in October 2008	When I was elected Chair of Co-op, my first task was to lead the Constitutional Review.	Directors worked with Mutuo to understand governance in other organisations and with other members of the management team, membership - as stakeholders	Findings of review of Constitution are public and a new Rulebook has been adopted by members in October 2008. How is the Constitution different than before?
	3		The Group Board will reduce in size from 33 elected directors.	There will be 20 elected directors from June 2009 onwards.	Two new subsidiary boards are being established - three boards in total: CFS; Food business and Specialist Business boards.	Board structure is moving from single board - to three board structure - 1 plus two subsidiaries CFS, food and specialist business boards will report to Group board which will be smaller with thirteen less people. Purpose is to provide greater scrutiny of large and diverse business.
	3		Large and diverse business has made record profits in 2008	Gross sales exceed £10bn for the first time; Group operating profit £275.4m	Gross sales are up 15% and operating profit is up 60% on previous year. Like for like sales of Food business exceeded market for 12 consecutive quarters.	Group profits have risen significantly this year (60%) and sales have also risen. Payments to and on behalf of members has increased 122%. Larger group that is profitable. The governance and democratic structure has to work at all levels to achieve results like this.
	5		Gross sales passed the £10bn mark for the first time.	Revenue is trading group was up £1.2m (16.7%).	Boosted by market beating trade performance in our Food business where like for like sales were up 5%, 0.5% above the market.	Group profit has increased by 53% to £275m. Trading Group borrowings increased to £648m from £564m reflecting investment in largest rebranding programme in UK retailing history and Somerfield acquisition.

	5/17 AR03	Our food business continues to grow from strength to strength	Performance during outshone our competitors by some way.	Turnover in our food business increased by 23%, from £3.7bn to £4.5bn. Operating profit increased 38%. Full year growth likely to be 5% (ahead of market 4.5%).	Co-op have delivered 12 successive quarters of growth in a fiercely competitive marketplace. Food business will now have 8% of UK grocery market due to Somerfield acquisition.
	5	We will be the 5th biggest player in UK market place	Integration of Co-op and Somerfield will take two years with combined annual turnover of £7bn.	We will rebrand the Somerfield store in April 2009. Our brand proposition is so different from the Big 4 which distincts our offer.	Brand revitalisation of 700 stores - rebranded stores are delivering uplift of 13% reflecting look and customer service is important. Co-op claim differentiation from other larger supermarkets (4) - brand proposition is different.
	6	We launched the Co-operative bakery	All the fresh bread we sell will have the Co-op stamp of approval on it	Co-op launch their own bakery to bring baking in-house to the business and to ensure freshness of supply to Co-op stores of bread.	Fresh bread production know in-house to ensure freshness of bread. Integration of supply chain to control production to market process on daily produce.
	6	Relaunched our economy range.	Simple value' of Somerfield learning used for relaunch of the economy range.	The 'Truly irresistible' range has done well with 40% increased sales. Both cheaper and more expensive range of products are doing well.	During these difficult times, Co-op is doing well. Co-op is positioned as alternative to big 4 - but also has less variety and perceived lower quality than the major four supermarkets. However, in this economically difficult time, the offering may appeal to customers seeking range of products (UK) at reasonable prices (unlike Aldi, Lidl stores).
	6	Our vision for the future is to be the U.K's favourite community retailer.	Launch of our 'A great deal locally' campaign and 'Green dot' campaign.	Campaigns targeting tough times marketplace and green 'healthy' eating.	Campaigns targeting members and customers during difficult times. Question remains whether the larger size of Co-op can be supported by membership model of governance. Co-op campaign focused on healthy living and value - on going work to improve range and customer service. Are Co-op really different to big 4? Is the vision of community retailer really unique?
	6/26	Gary McCracken retired as CEO of Food business	CEO retiring after three year tenure in this role. Board meets atleast 11 times a year plus 2 day strategy review. There are 4 committees - Audit & Risk (11); Remuneration & Appointment (12); Values and Principles (17) and Chair's Committee.	Current board has 32 NEDs of which 25 are individual and 7 are corporate members. Transitional arrangement due to merger. Peter Marks (Trading) and David Anderson (CFS) CEOs report to the Group Board.	Board will reduce to 20 members at AGM in June 2009 - 15 individual and 5 corporate members. Corporate board members are elected where number of votes depends on amount of trade with Co-op. This oddly gives more power to those that trade more with the business - undemocratic? Individual members are instead divided into nine regions which will reduce to seven. There is no SID as board view is it's unnecessary when Board is made up of all NEDs. Values Committee is largest with 17 members. New CEO of Food business.
	28	Constitutional review	Member and Director Learning Development Manager has been appointed	Establish training and development framework for Board - induction; training and committees.	New role established to support training and development at Board level.
	6/17	Turnover in pharmacy business increased 37.5%	Sales up from £544m to £744m this year. Pharmacy has also been rebranded	Group's healthcare business has delivered credible result. Profitability has been impacted by Govt attempt to claw back profit from the business. 628 pharmacy stores have been rebranded. Healthcare has challenge of building new contracts.	Pharmacy sales have increased but profitability fell due to change in nature of Govt contracts to the healthcare industry. 210 pharmacy stores refit have delivered 5% increase in prescription compared with the unbranded stores. Pharmacy Co-op brand fore the first time on TV - channel 5 sponsor of pollen count (weather) - brand recognition.
	6	We have made significant progress on our China joint venture.	10 year production plan has been formulated and in-depth business plan for first 10 years of operation with Tasty Pharmaceuticals.	Construction of outer shell of Pharmaceutical factory wa s completed in December 2008. The inner fitting of the factory is planned for completion by September 2009.	Joint venture in supply chain of Pharmaceutical business internationally in China. Factory being set up in China. Refit of distribution centre in UK to serve 800 pharmacy stores - Europe's most advanced pharmaceutical distribution centre. Pharmacy growing into national chain with integrated supply chain being established to service this JV.

	6/17	Following two years of heavy investment in funeral care business	2008 has been a successful year for the Funeral care.	16.95% increase in sales from £234m to £274m. Merger adjusted increase in profit of £5m - £34m to £39m. Merger adjusted increase was 6.7%.	Higher than budgeted funeral volume - higher death rate. Funeral care business extends to 800 branches; 3 crematoria and 2 woodland sites plus coffin and masonry supply. £11.9m was invested this year in Funeral care vehicles and £5m in branch network - including rebranding 214 branches - integration of acquired businesses in to Co-op. Investment in Funeral care people development programme to support people engagement. First TV ad campaign of funeral care business this year.
	7	Travel business performed exceptionally well	20% increase in turnover up from £217m to £262m	Travel business turned a loss last year of £2m into a profit of £5.3m. In 2009 most significant development will be JV with Cosomos.	Travel business has turned around and delivered profit this year - an achievement during this downturn in the economy. Major driver of change was exiting loss making activities, efficiency improvements and integration - one common system. Also are consumers taking different holidays in the current market? 374 high street branches were rebranded and Travel money bureaux rolled out across estate. Online sales have grown significantly since introduction of a new state of the art website. Next year JV will provide complete holidays under the Co-op brand.
	7	Turnover in Sunwin motor fell	From £254m to £209m this year.	17% fall in turnover - challenging insurance marketplace - minor profit achieved £0.1m against loss of £1.7m last year.	Car insurance business has turned loss last year into minor profit this year. This is a challenging marketplace for car insurance at the moment.
	7	Legal business delivered a good performance	Personal injury claims have risen this year.	Operating profit fell slightly from £1.8m to £1.7m	More personal injury claims this year in the Legal Services business. Slight fall in profit.
	7	Life planning business had a record year	Operating profit of £1.9m	Market leading volume of prepayment plans - growth of marketshare in this business	New products launched in partnership with AXA Sunlife helped End of Life planning business make a good profit for this newer business.
	7	Co-operative Estate made a profit of £20m	£1.5m less than last year	Current downturn in property market - capital loss on investment portfolio was £62.3m and profit on disposal of assets was £58m.	Co-op is using property investment / disposal to support cash generation - investment in other Group projects. There is a current downturn in the property market, but Co-op still made a small profit.
	7	A big focus for 2009 will be renewables and wind farms	New sites and seeking of planning permissions to achieve target of 15% renewable energy.	Planned head-office move and eco-town in Leicestershire.	Renewables and wind-farm has become a priority - shift towards renewables to meet targets and improve energy efficiencies of the business.
	7	It has been a record year for our Farms	Profit of £5.7m this year	Rise of £3.2m profit this year - 'Grown by us' range continues to sell in store and new products added to range. New potato grading facility and grain storage facility	Strategy has been to focus on land and packhouse producing for Food retail. Farm business is working more closely with retail food business. New agreements being developed to use other peoples farms to increase production. Target of 25% British produce - quintessential British products - potatoes; strawberries; apples etc.. This suggests current in-house integration of Farm maybe a limiting factor to the business. Volume vs investment? Inhouse supply chain vs outsourcing? Is this competitive model?

8/9	Electrical; Beds; Clothing	Electrical was impacted by downturn but delivered sales of £54m Beds sales increased this year. Clothing was rebranded this year and was relocated to modern facility.	Smaller businesses are growing organically and increasing in size. Some new uniform contracts have been won by the Clothing business but it still delivered a small loss this year.	The smaller businesses require investment in storage/distribution to grow. Thus these businesses are growing but delivering low profitabilities.
10	Our approach to sustainable development has been guided by member consultation	250,000 responses to consultation from members and customers	In 2008 we launched our Food Ethical policy, In 2009 Bank updated its renowned Ethical policy and we launched our new Community plan - Young people, International and Climate change.	Co-op renewed commitment to Ethical policy. Launch of Community plan. A total of £11.5m was contributed to Communities (equivalent to 10% pre-tax profit). Sustainability for Co-op is an ethical / community plan underpinned by member/customer engagement. What about non-customers?
11	Big brand launch goes live	£10m National marketing campaign launched in Feb 2009	First time ever on 16th Feb 2009 two and half minute commercial was aired for the enter break of Coronation Street - major campaign to showcase rebranding exercise 'good for Everyone'	Largest ever advertising, Billboard campaign and TV campaign for Co-op. Enhanced shopping experience and development of stores.
13/15	Throughout the credit crunch and banking crisis Co-op Financial services has remained strong	Our strong co-operative business model - well balanced, prudent approach to growth.	Savings balances from our retail and corporate customers are in excess of those balances we lend to customers. Corporate banking sector has experienced strong growth - six new Corporate Banking Centres opened across UK. Co-op is providing service/administration to Credit Union associations. 150 of Credit Union accounts were being opened every week during 2008.	Co-op has been able to limit exposure to risks of heavy financing from other banks and wholesale markets (Co-op Financial Services). Trusted brand has attracted large number of new customers. Customer deposits increased by 20% in 2008 and represent 107% of customer lending. Current accounts strengthened - while Co-op remains prudent in its approach to lending. Is this more to do with impact of Northern Rock in UK or Credit union accounts?
14	New state of the art core banking platform	We are starting to make progress with new Enterprise Platform which will support and replace existing retail and corporate banking IT systems	New platform will create single view for the customer and is opportunity to re-engineer customer facing and internal processes to make the business customer centric.	Information Technology investment is a key part of strategy towards improving customer experience and having information platform. Speed of transactions should increase. In this case Co-op seem to be late to market for the adoption of advanced IT systems.
14	Over 92% of employees completed our employee engagement survey in Financial Services	There has been great improvement in employment culture	11 point improvement in employee survey. Move towards a performance focused culture.	Staff motivation and retention in Financial Services is improving. The business is doing better but the model is shifting towards more of performance incentivised culture.
14	In 2008 Co-operative bank launched its fifth consultation.	Many customers took the opportunity to have a say.	For the first time, customers were invited to participate in consultation.	Ethical mandate on a broad range of issues such as human rights, climate change, animal welfare - but was the design of Ethical policy and its remit too broad?
15	Co-op provides bank accounts to prisoners	Initiative for soon to be released prisoners.	Co-op supporting basic accounts for prisoners that are entering the outside world - this scheme has continued since 2006 following pilot in 2006. Scheme extended to 28 prisons.	Co-op reaches out to prisoners that are retiring to society. These people usually have poor credit ratings and are starting again.
15	We led green energy back in 1998	We source nearly all our electricity from renewable sources	UK largest solar project at co-op insurance Headoffice	Co-op takes lead in environmental and social projects in its different businesses. Are these clearly thought out before being implemented? Financial Services business is already beyond carbon neutral - 100%.
36	Political and charitable donations	Annual subscription to Co-op Party - £476,000 (£646,000 in 2007)	£12000 was paid in support of Labour party activities	Annual membership of Co-op Party has reduced this year as know mergers are completed

Global Spheres of Action	
	Top 10 retailers indicate slow down of growth in retailing. Tesco rose to 3rd place last year - it is growing through internationalisation at a time of advanced market declining sales. The Dunhumby knowledge effect and 12 year strategic shift.
	Regional variation of players is aligned to home market and the wave effect of severity that is impact of the credit crunch. Advanced market profitability is lower than emerging markets or where foreign players have low overhead entry advantage. Dynamic fast paced value markets.
	Mainland european retailers slower growth but higher margin in home markets. A subdued European market. The international factor (Middle east/UK/Far east) is driver of growth. Artificial inflation?
	Supermarket format is struggling to deliver value as a stand alone retail model in advanced markets, but is the growth format in emerging markets.
	Consolidation for growth is the trend - acquisition and JV for faster pace and volume. Resilience emerges as 'in the know' artificial organisations pulling power from the 'hard working' value creators (rise of bankruptcies; established businesses going under - nature of survival and growth is unfair competition).
	Shift of CSR as a monetised corporate board priority supporting the Green Agenda and intangible brand value.
	Major shift from National to Regional competitiveness coupled with market discriminatory instability resulting in severe global systemic shocks blamed on narrow isolated events - realities are of greater differences of knowledge and closed networks driving organisational and societal change.
	The auditor support to opening the doors to next levels of innovation
	Power shift from extraction of value towards mobilisation of value as globalisation

Regional Spheres of Action	
	Regional differences driving a greater local disparity and greater global integration.
	Consumerism and credit moving from western advanced to potential growth markets of South America, Africa, China and India. Low resistance high dependency leadership.
	Major de-coupling between general public and people in powerful positions. Rise of youth frustration and a political dismantling of public service towards a culture of blame through misinformation. Freedom for Conflict.
	Supply chain control of food production - biological and chemical genetics of food production. De-stocking and Re-stocking the supply chain and turbulence in consumer markets.
	Standardisation over Localisation of retail choice. Control of availability in marketplaces as diversification and broader stakeholder representation.
	National economic collapse of weaker national economies to drive financial strengthening at the top of the regional agendas.
	Rise of the regional political corporate entity as a mechanism.

National Spheres of Action	
	Rise and fall of the nation. Corporatism is chasing the shift of money flows where the nation itself is no longer a barrier.
	U.K. political leadership demonstrates major shift towards a governmental privatisation with disregard for political party positions. Two peas in a pod. Indicates greater collusion by fewer people at a wider global level.
	Media agenda driving lack of transparency and focus on particular issues - such as immigration whilst masking the real problem such as unemployment and shareholder / pension losses. An age of misinformation.
	Artificial power. The people in leadership are less accountable and paid more to fix the problems of each other. Those within the network have rising wealth taken from those not in the network, resulting in societal mistrust and disillusionment.
	National societal structural shock or stimulus forcing disparity and narrower control by driving individuals to ethical boundaries of compromises. Intensification of imbalance through a culture of 'work as the only success'.
	Greater secularisation and individualism of societal structures where social media and media influencing habitus and cost of living choices.
	New corporate competitive risks emerging - data, technological, biological, currency making markets more chaotic and uncertain.

Industry Spheres of Action	
	Economic downturn impacting Social and Environmental factors where few firms are growing and many firms are declining - Competitive intensity.
	Corporate shift of investment from advanced to high populated emerging retail markets. The financial judgement is based on land and buildings value as asset rather than human capital or productive value. Opportunity cost to advanced home markets -includes bankruptcy of high street names.
	Renewal as outcome of negotiating and positioning skills - consumer and supplier refocus for a cold marketplace and rise of flexible employment in the sector.
	Retail focus on individual choice for consumer and shorter term supplychains i.e. products that deliver value through repurchase rather than lifetime use. Immediate Value Retail model.
	Longer term erosion of quality of products as offering to the consumer - deteriorating investment in supplychain and manufacturing margins. Short term investment cycles.
	Service sector and Urban political agenda contributing to aggregation of risks. Reactive industry rather than Market makers.
	Regulatory collusion and corporate lobbying. Blurring of independence and fairness between institutions and organisations. (New carbon taxing).
	The competitive fightback against the Elite leader - urban efficiency retailing.

Firm Spheres of Action	
	Marginalisation through disparity between large and smaller firms. The 90 : 10 ratio.
	The Lehman effect, as narrow decisions and isolation of over independent firms, is creeping into 'too big to fail' retailing.
	The leader as short term comrade - good and bad times axes - reputational distancing networks.

Tesco Spheres of Action	
	Demonstrated individual abilities and internal proven track records are part of Tesco executive appointments process, along with heavy weight external NEDs - as key to value seekers and drivers, with a strong stable Chairman command.
	New Group Financial director at a time of aggressive investment and acquisitions into new product areas and geographic territories. Home diversity and international market presence.
	Standardisation and modular low cost retail model flexible to local needs coupled with leadership that is aligned with regulatory needs in different trading environments.
	Clear financial priorities and performance targets that are strategically aligned to a fast pace of change and decision making. The transition of FD to CEO Retailing - too cosy, not enough independence of challenge.
	Efficiency and internationalisation focus is greater than innovation and home market focus. Reflects aggressive pursuit of higher margin and volume markets - Scaling of the business.
	One-stop large stores and on-line format delivering most margins in U.K. - but has capacity been reached of store size; best practices successfully being disseminated internationally.
	Brand test on loyalty between food and non-food - first to market risk of higher costs.
	Research and knowledge generation decision making define relationships - high discretionary culture but little room for team or shared responsibility. Contrasts with a clear elite CEO/Chair partnership at the top.
	Driver of industry salaries and performance.

Sainsburys Spheres of Action	
	MSGA recovery to growth renewal of the 'Wheel of retailing' with availability, quality, service and facility offerings to achieve higher margins - shift from sales as the gateway to profit towards gateway through improved efficiencies.
	Brand application to growth of non-food and own label products. Sainsburys appeals to wider range of consumers as it has basics and quality produce (own label). Segmented adaptability offering consumer Value in difficult market, particularly basics range.
	Food margins lower compared with non-food - constraint of instore space, but also rise of technological transactions indicating online-consumer priority growing.
	Mixed ownership with Middle Eastern and family interest - shared less commercial approach and leadership culture with mutually beneficial valued outcomes. Low risk commercial focus, greater centralised leadership.
	Focused and crafted innovations that impact wider the industry. Slower pace of development.
	Less international flexibility - unrealised potential. Suppliers and consumers pulled to the British way of doing things. (Narrower view to JV with preferred control).

Morrisons Spheres of Action	
	Optimisation strategy enabling culture shift from food producer to national food retailer through acquisition.
	Transitory leadership phase - shift from family leadership to agency framework. Potential gap in commercialisation of Chair/CEO relationship and board leadership after long term owner/manager format.
	Tension between commercialisation to National retailer and family less risky control of business plus integrated supply chain and labour intensive model. Strategising needs and wants - pace of change of competitors is faster.
	Preferred format is 'mid-sized supermarket' at consumer interface. This is a low margin format in current UK marketplace where online / efficiency gains are highly competitive. A declining format.
	High staff loyalty shifting to larger national employment structure. Morrisons pulling both sides of the retail wheel at a time of contracting marketplace. Quality or Price positioning.
	Personal ambitions of family different to commercial board ambitions - wealth and status investment of brand. Experience or Innovation (North/South culture).

Co-op Spheres of Action	
	Major consolidation and rebranding following acquisition and merger.
	Complex board structure being improved for leaner decision making process. Do the board have sufficient skills and experience for diverse scrutiny of diverse business portfolio. Team skills gap.
	No frills food business is preferred in the current low cost marketplace. Lower variety and low cost base format a riser in this wheel of retailing.
	Commercialisation of membership approach and renewed Constitution indicate positioning has been historically imperfect to the competitive marketplace, but survival suggests loyalty and value offerings.
	Non-food businesses struggling and investment is heavy and little value generating - leadership not able to handle diversity of portfolio for value - high dependency on food business to support other businesses.
	Ethical media campaign supported by closer tie to NGOs as consumer perception. Maybe narrowly conceived and risk of missed opportunity for value adding commercialisation but offers a face to lower income societies concerns. The reputational culture.
	Complex supplychain development due to complex nature of decision making maybe a limiting factor for the business.

Initial List of 120 virtues

Acceptance	Forgiveness	Piety
Accountability	Fortitude	Prudence
Ambition	Friendliness	Punctuality
Assertiveness	Frugality	Purity
Beauty	Generosity	Purposefulness
Benevolence	Gentleness	Reliability
Bravery	Grace	Resoluteness
Caring	Gratitude	Resourcefulness
Charity	Helpfulness	Respect
Chastity	Honesty	Responsibility
Caution	Honour	Restraint
Cleanliness	Hope	Reverence
Commitment	Humbleness	Righteousness
Compassion	Humility	Selflessness
Confidence	Humour	Self-sacrifice
Consideration	Idealism	Service
Contentment	Integrity	Sensitivity
Cooperation	Impartiality	Silence
Courage	Industry	Simplicity
Courtesy	Innocence	Sincerity
Creativity	Joyfulness	Sobriety
Curiosity	Justice	Spontaneity
Defiance	Kindness	Steadfastness
Dependability	Knowledge	Strength
Detachment	Liberality	Tact
Determination	Love	Temperance
Devotion	Loyalty	Thankfulness
Diligence	Magnanimity	Thrift
Discernment	Majesty	Tolerance
Discretion	Meekness	Toughness
Discipline	Mercy	Tranquillity
Eloquence	Moderation	Trust
Empathy	Modesty	Trustworthiness
Enthusiasm	Obedience	Truthfulness
Excellence	Openness	Understanding
Faith	Orderliness	Unity
Faithfulness	Patience	Vitality
Flexibility	Peace	Wisdom
Focus	Perseverance	Wonder
Forbearance	Persistence	Zeal

2008/2009 - Deeper Understanding						
Disposition (arete) of						
Character (state of mind in acting)	Level	Action for Growth (Voluntary, Involuntary, Non-voluntary)	Patterns of Behaviour 2008/2009 Intpretation	CONCEPTUALISATION Islamic Ontology	Eudaimonia as a Golden Mean Ontological not axiological	
Major (Moral Hexis)	Global	Internationalisation through professionalisation of aligned markets leaving a pivotal federal Europe internally divided in a competition of extreme polarised markets.	High dependancy and low reliability mis trust / justice	Hud Chapter 11, vs 6 Al Zumar, Chapter 39, vs 7 Al Araf, Chapter 7, vs 16-17 Al Anaam, Chapter 6, vs 142	High reliability and low dependancy	
(Stable habits)						
Can be habit?	Regional	A widening of the gap and knowledge between leaders and societal stakeholders.	Dishonesty and ignorance	Qaf, Chapter 50, vs 18-24 Al Araf, Chapter 7, vs 199 Al Qasas, Chapter 28, vs 55	Honesty and practical knowledge	
	National	Greater privitisation and corporatisation is eroding middle class into haves and have nots.	Ineffective work without clear purpose	Muhammad, Chapter 47, vs 1 At-Takwir, Chapter 81, vs 29 Ar-Rad, Chapter 13, vs 11	Industry with purpose	
	Industry	Competitive intensity emerges as 'Here and Know' negotiation and positioning - dynamic value dependent on wider mobilisation of networks	Zeal	Al Ahzab, Chapter 33, vs 22 Al Imran, Chapter 3, vs 146	Zeal	
Minor (Intellectual)	Firm	Firms	Scaling and short termism for advantage	Stinginess	Al Hadid, Chapter 57, vs 24 Al Imran, Chapter 3, vs 180 Ya Sin Chapter 36, vs 47	Charity
(Practices)						
Can be taught?		Sainsburys	Broadening brand appeal such as Basics in price sensitive saturated market along with regulatory co-operation. Unrealised potential due to a preferred traditional leadership culture.	Prudence	Al Ahzab, Chapter 33, vs 59 Al Anfal Chapter 8 vs 2-4 Al Isra Chapter 17 vs 26 Al Nahl chapter 16 vs 90	Prudence
		Tesco	An overly discretionary and performance based culture maybe isolating internal firm cohesion and alienating board effectiveness that becomes reliant on evidence more than people - resulting in groups within groups.	Gluttony	Al Araf Chapter 7 vs 31 Al Takathur Chapter 102 vs 1	Temperate caring/mercy rational vs people for firm unity
		Morrisons	Morrisons model 'slower paced' in a shrinking marketplace. Late commercialising and innovation tensions of positioning driven by top	Lack of empathy	Al Baqra Chapter 2 vs 2 Al Nisas Chapter 4 vs 157	Empathy with context and marketplace for innovation/change
		Co-operative	Complexity is eroding the business structure, purpose and difficulty in diversification.	Lack of focus	Al Kahf Chapter 18 vs 28 Ya Sin Chapter 36 vs 60-62 Al -Araf, Chapter 7 vs 16-18 Al Hijr, Chapter 15 vs 39.	Focus

Deeper Understanding - Strategic Behavioural Ethical Model of Retailing Firms 2006-2009						
Disposition (arete) of Character (state of mind in acting)	Level		2005/6	2006/7	2007/8	2008/9
	Major (Moral Hexis) (Stable habits)	Global		Greed pleonexia	Cantankerousness	Attachment
Regional			Uncritical loyalty (over acceptance)	Anger	Machismoism	Dishonesty and ignorance
National			Hubris	Partiality	Self-indulgence	Ineffective work without clear purpose
Industry			Cowardice	Spitefulness	Dishonesty	Zeal
Firm		Firms	Vainglory	Resoluteness	Wastefulness (corruption)	Stinginess
Minor (Intellectual) (Practices)		Sainsburys	Fortitude	Ambitious	Tact	Prudence
		Tesco	Cleverness	Over-confidence	Narrow-minded	Gluttony
		Morrisons	Egoism	Discretion	Inflexibility (loyalty)	Lack of empathy
		Co-operative	Insensibility	Lack of Discernment	Envy	Lack of focus

	Deficiency
	Excess
	Mean

Deficient vice	Virtue	Excessive vice
Meanness	Liberality	Greed
Cantankerousness	Friendliness	Obsequiousness
Attachment	Lofty detachment	Detached
Mistrust	Trust	Over trust
Disloyalty	Integrity	Uncritical loyalty
Meakness	Gentleness	Anger
Machismoism	Community	Marianismo
Dependent on knowledge	Sensitivity to knowledge	Ignorance
Undue humility	Pride	Hubris
Partiality	Justice (fair)	Toughness
Self indulgence	Self discipline	Self sacrifice
Ineffectiveness	Effective industry	Over working
Cowardice	Courage	Rashness
Spitefulness	Righteous indignation	Affectionate
Dishonesty	Honesty	Too honest
Abdication	Zeal	Desperation
Humility	Magnanimity	Vainglory
Yielding	Resoluteness	Obstinate
Wastefulness (corruption)	Moderation	Frugal
Stinginess	Charity	Over generous
Weakness	Fortitude	Attacking
Unmotivated	Ambition	Obsessed
Disregard	Tact	Insensitive
Carelessness	Prudence	Over prudent
Obtuseness	Wisdom	Cleverness
Lack of confidence	Confidence	Over confidence
Irresolute	Openness	Single-minded
Apathy	Abstinence	Gluttony
Selfless	Altruism	Egoism
Discretion	Co-operation	Dependency
Inflexibility (loyalty)	Flexible (loyalty)	Blind faith
Lack of empathy	Empathy	Obsession
Insensibility	Temperance	Intemperance
Lack of discernment	Discernment	Folly
Envy	Kindness	Spitefulness
Ambiguity	Focus	Over detailed