

A report on the International expansion of Sainsbury's in India

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Introduction

The ever-increasing competition and globalization have compelled businesses to seek new growth opportunities. As a result, businesses are looking for new markets for their products. The retail sector, in particular, has been heavily impacted by increased competition, prompting companies to diversify their operations into foreign countries with higher consumer demand. As a result, the current report seeks to identify potential strategies that retail sectors should employ when entering international markets. Large international multiple chain corporations now shape the retail landscape, rather than small independent local shops. Because of their growing distribution channel power, retailers are no longer just customers of manufacturers. They quickly established themselves as one of their most formidable adversaries. However, this resulted in highly concentrated markets and increased competition in the retail industry itself. As a result, the value of international operations in achieving long-term growth and a competitive advantage grows.

However, no matter how successful the business is in the home country, many times expansion plans have turned out to be a failure in foreign lands. For example, Target stores in the United States have surpassed the formidable Walmart stores to become the second-largest discounter. Much of Target's success can be attributed to the fact that the company created and strategically marketed a brand around its name, thereby distinguishing the store from its competitors. However, the same venture 'Target' had to close its stores in Canada due to declining profitability due to a lack of understanding of consumer preferences and poor supply chain management. On the other hand, its competitor Walmart started performing well and opened more stores in Canada. Subsequently, it can be stated that a proper understanding of cross-border cultures is extremely vital to surviving and growing business in the new markets. As such communication and cultural sensitivity play a critical role in determining people's choices and consumer trends in foreign lands. The current report thus seeks to evaluate the significance of international and intercultural communication by assessing various theories of the cultural dimension to evaluate the cultural gaps to reduce the chances of business failure in the global market. The report thus focuses on the international expansion strategies of Sainsbury in India which is the fastest developing nation and can be a great opportunity for Sainsbury.

Company background

Sainsbury's is the second largest supermarket chain in the United Kingdom, headquartered in London. The company was founded in 1869 by John James Sainsbury, and after Tesco it is the highly preferred retail chain having approximately 16 percent market share in the retail sector. Now overlooking the growing competition with foreign brands entering the UK, the company has decided to expand its business operations in developing countries like India and China. However, India has huge market potential due to its massive population and immense consumption. Consequently, this report will evaluate how conducive the Indian market is for Sainsbury's and what cultural and communication barriers the company will have to overcome if it wants to establish its name in the Indian market.

A brief overview of the targeted developing country

With a population of approximately 125 billion people, India is the world's largest democracy. According to the United States Trade Commission's report on India's foreign trade and investment policies, India is the world's most welcoming and outgoing economy in terms of international trade (Schmidtlein, et al. 2014). However, the current socio-political state of contradicts this assertion and induces insecurity among people of foreign lands. The current situation demonstrates that, while the Government of India (GOI) is eager to encourage foreign direct investments in the country, the country's unstable political, and socio-economic conditions cause foreign investors to be wary (The Economic Times, 2019). The government's trade and export-import policies have had a significant impact on India's retail sector. According to the estimates of Gross Domestic Product (GDP) for the first quarter of 2019-20, India's real GDP growth for 2019-20 is estimated at 5%, which is a matter of concern for foreign investors, particularly retail sector firms (IBEF, 2019).

India and the UK share a strong bilateral relationship in terms of trade and commerce and to strengthen the international trade opportunities it has recently indulged in trade negotiations for Free Trade Agreement (FTA) in January 2022. Moreover, the UK is a gigging player in international trade having the fourth position in the world, while India is the fastest growing economy which stood fifth-largest economy in 2019 (Delhipolicygroup, 2022). Thus, the expansion strategy of Sainsbury's focussing on India as the target market can prove to be an excellent decision in terms of profitability and increasing brand equity. The Indian societal environment is highly diverse in all the states. Moreover, the country has diverse cultures and

traditions which creates demand for all types of goods. At the same time, The Government of India (GOI) has resorted to liberal trade policies after 1990 and brought ease of doing business for foreign investors.

Application of theories of international and intercultural communication on the selected context/Country

Although expanding in foreign lands offers immense growth opportunities and creation of a diverse workforce which include people from various nationalities; however, it also poses challenges to communication and cultural gaps that exist among people of different nations. Therefore, in 1970 Psychologist Dr. Geert Hofstede worked on people who worked in different nations to understand how to understand cultural differences and published his research work on cultural dimensions which is now widely used globally by corporates as a recognised standard for understanding cultural differences (Kanakaratne, Bray, and Robson, 2020). The Hofstede model explored the following cultural dimensions that could distinguish one culture from another:

1. Power Distance Index (PDI high versus low) - This defines the distribution of powers among the employees and the top management. A high PDI score reveals greater hierarchical inequalities, which means in countries where the PDI score is high the powers and authorities are centrally concentrated and employees rely on managers for instructions. In the UK the hierarchical structure is complicated. In India also most decision-making authorities lie in the hands of top management however they can participate in decision-making (Hofstede Insights, 2022).
2. Individualism Versus Collectivism- In some countries people are more individualistic which means that interpersonal connections are weak and people do not consider taking responsibility for others' actions. In India, the IDV score is 48 which is considered moderate (Hofstede insights, 2022). This means that people in India prefer teamwork and by and large the team takes the responsibility for the success and failure instead of blaming just one person. On the contrary, British people are highly individualistic and private and they think mostly about their own personal gains.
3. Masculinity versus Femininity- Countries having high masculine score indicates that they are driven by competition, achievement, and success and UK is one such nation. There is not much gap in the masculine score in India and UK which is 56 and 66 respectively.

This shows that both countries focus on success, achievements are and validated by material gains

4. Uncertainty Avoidance Index- This dimension shows the amount of uncertainty acceptance among the people of the country. The uncertainty index in both the countries (India and UK) is relatively low and hence it can be assumed that people in these countries are comfortable in ambiguous situations and ready to take the life and situations as they come along.
5. Long- Versus Short-Term Orientation- In both the countries the long-term orientation index stands at 51 which shows a moderate approach. Thus, people in both these countries are more accepting and do not have a pragmatic approach like Americans who prefer short-term gains and faster results.

Cultural Sensitivity in doing Business in India

The organisational culture is a synthesis of the values, beliefs, ideologies, behaviours, and perspectives of the management and the staff members. Culture is the precursor to system-specific changes, organisational performance standards, and HR policies. Specifically, the organisational culture has a significant dependence on the socioeconomic actualities and philosophy of the country in which the organisation is operational. In the business world, there are primarily two cultures: deal-focused and relationship-focused. A deal-focused culture is one in which individuals are task-oriented. Simply, the focus lies on accomplishing tasks and not on maintaining relationships (Clem and Mujtaba, 2011). On the contrary, a relationship focussed culture is more people-oriented. Notably, in such a business culture, the focus lies on developing long-lasting relationships and maintaining harmony (Aihie, 2008). Western countries, like the USA and UK, predominantly have a deal-focused culture, while the eastern countries, like India, have relationship-focused cultures (Gupta and Bhaskar, 2016). Therefore, while expanding business in other countries is it essential to have a thorough knowledge of cultural sensitivity in the targeted region.

Sainsbury is a UK-based organisation, and as discussed above, the business culture in the UK is predominantly deal-focused. Consequently, the business culture of Sainsbury is also deal-focused. Now, this deal-focused business culture is not suitable for India, the cultural orientation of this region is relationship-focused. Organizations that adhere to "deal-focused" cultures but

want to do business in India, such as Sainsbury, must recognise that mutual trust and long-term relationships are more valuable to Indians than agreements when it comes to successful business partnerships. Indians prefer to do business with people and organisations they can trust (Katz, 2008). Therefore, MNCs need to be adaptable, patient, and people-oriented to keep the business running in countries like India where people value relationships at work.

Apart from the difference in the business cultures of the west and the east, another major challenge concerning expansion in India is the diverse culture of the country. India is a culturally diverse country with religious, linguistic, regional, and political differences. It is difficult for any organisation to cope with all these differences; therefore, it is advised to look for similarities. For example, all the international IT/ITES and automobile companies are mostly located in the south of India, it is because in the south Hindi is less spoken and people other than the locals usually communicate in English, which makes the company's operation easy (Gupta and Bhaskar, 2016). Generally, Sainsbury should carefully choose a location within India where business operations are easy concerning differences in cultural orientations.

Communication Barriers concerning Expansion in India

Multinational corporations are becoming increasingly common as a result of globalisation and the rapid development of economics. However, this globalisation brings in a new challenge for managers in the form of intercultural communication. Communication is the only way for group members to work together toward the common goal of the organisation (He and Liu, 2010). However, due to different cultural orientations communication is hindered. The various barriers that are likely to obstruct smooth communication during the expansion of Sainsbury in India are listed below.

Misunderstandings caused by Cultural Differences

Cultural differences have a profound impact on communication. People in different cultures have different opinions and perspectives about different things. These differences sometimes create misunderstandings and create barriers to communication (Jenifer and Raman, 2015). For instance, in India, a relationship-focused culture is followed in which the decision-making power lies in the hands of the superiors. Employees do follow their superiors and do not take decisions on their own. On the contrary, in the UK, deal-focused culture is followed, in which the focus lies on completing the task irrespective of the directions given by the superiors. These cultural differences create a significant barrier to communication. It is because, while people in India

await approval from the seniors in the UK; people in the UK expect the task to be completed at the individual's discretion. This creates misunderstandings and impacts effective communication and business operations.

Stereotyping

Stereotyping entails passing value judgments on other people. A lack of information about individuals and groups of people leads to irrational decisions and stereotyping in cross-cultural communication. Cultural stereotypes cause anxiety by exaggerating or generalising one's perceptions of others. These stereotypes are the root causes of disagreements about the other culture, which leads to misconceptions and hinders communication (Jenifer and Raman, 2015).

Different Roles of Men and Women in Different Cultures

In every culture, there are set rules and norms to define acceptable and unacceptable behaviours. Likewise, in every culture, there are different roles defined for men, women, and children. Now, in a multicultural environment, it is often found that people fail to understand the roles and norms of other cultures. As a result, they may be violations of cultural roles and norms in a multicultural environment (Jenifer and Raman, 2015). Notably, these violations create anxiety and cultural conflicts and disrupt communication within a multicultural team.

Recommendations for Improving Intercultural Knowledge and Communication

When planning to expand a business in a new country, it is vital to learn about the culture, language, belief systems, and working style of people in the target nation. This knowledge helps streamline business operations and improves intercultural communication and collaboration. The various recommendations for improving this cultural knowledge for the expansion of Sainsbury into India are enlisted below.

Cross-Cultural Training

Sainsbury is a UK-based organisation and therefore follows a deal-focused culture. However, in India, a relationship-focused culture is followed (Jenifer and Raman, 2015). Therefore, it is recommended that Sainsbury employees and people involved in expansion should be trained in relationship-focused culture to ease their communication and collaboration with their Indian associates.

Assisting People with Cultural Communication

When there is a problem, some cultures tend to emphasise the positive, whereas others provide negative feedback. Likewise, some cultures use soft language, while others have straightforward and blunt. In simple terms, there are numerous modes of communication-based on cultural differences and each of these modes is valuable. However, employees are not always aware of these cultural communication trends, therefore, it is recommended that employees be trained in these communication modes to have a better understanding of cultural communication differences that could improve communication, coordination, and collaboration.

Create an Inclusive Environment

Stereotypes are very common in a cross-cultural setting. In a multicultural environment, people generally form stereotypes about people and individuals due to a lack of knowledge and understanding of those people and groups. This stereotyping can be avoided by creating an inclusive environment. Multicultural teams can be formed so that people from different cultures can interact and share their knowledge and ways of working with other people and vice-versa. This will help improve cultural knowledge and will also enhance communication and coordination among employees.

Language Training

Although English is a global language, it is not the first language in many countries. In India also, Hindi is the first language and English has limited use in daily routine. So, it is recommended that people know the language of the target country to ease communication and business expansion. The organisational employees must be given basic Hindi training so that they can have short conversations with locals (Jenifer and Raman, 2015).

Conclusion

From the report it can be concluded that Culture is the precursor to system-specific changes, organisational performance standards, and HR policies. Specifically, the organisational culture has a significant dependence on the socioeconomic realities and ethos of the country in which the company wants to initiate business. Moreover, cultural differences have a profound impact on communication and as such, it has become vital to understand the cultural sensitivity and how to use language to overcome communication barriers so as to create an inclusive and diverse work environment.

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