

From Corner Store to Superstore: A Historical Analysis of Sainsbury's Co-Evolution

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Introduction

The co-evolutionary perspective acknowledges that organisational and environmental changes occur in a simultaneous and interactive manner. A key position from the co-evolution studies is that organisational adaptation and environmental selection activities are complementary. While organisations adapt to changes within their institutional environment, through strategic choice and managerial intent, simultaneously they can bring about institutional change for their own gain (Garcia-Cabrera and Durean-Herrera, 2016; Luse and Mennecke, 2014; Murmann, 2013).

The application of the co-evolutionary perspective to the organisational-environmental relationships, has uncovered significant evidences to support the position that organisations by developing institutional capacities propagate change within their institutional environment. Such capabilities included transforming themselves into pseudo-institutions (Dielemans and Sachs, 2008), building supportive political networks (Rodrigues and Child, 2003) and creating subsidiary agencies (Cantwell *et al.*, 2010). While the types of organisational capacities are well documented in the literature, little is understood about how the co-evolutionary process occurs over time (Child *et al.*, 2013; Carcia-Cabrera and Duran-Herrera, 2016; Murmann, 2013). Hence this study asks: how can an organisation co-evolve with its institutional environment?

There is a clear argument within the literature (Dieleman and Sachs, 2008; Rodrigues and Child, 2008b; Child and Rodriques, 2011) that the manifestation of 'power' between organisations and their environment during the co-evolutionary process needs to be investigated. By examining 'power' as a form of institutional capacity, it allow us to provide additional insight about the role that organisational actors during a co-evolution process (Carney and Gedajlovic, 2002; Child *et al.*, 2013). It also enables us understand the conditions which enable organisations to become catalysts of institutional change. We revisit

used the temporal bracketing strategy to separate the longitudinal data into four distinct periods. These periods are established based on the chronological order of events occurring over the period 1896-1991. Each period is separated by a major break, thus allowing for analysis and replication of theoretical ideas (Langley, 1999).

The first period, from 1869-1913, was labelled 'The Early Years'. This period encompasses the formative years of Sainsbury's. This period allows us to examine the humble beginnings of the company and gain an understanding of the family values and ethos. The second period, from 1914-1949, was labelled 'Surviving the World Wars'. This epoch demonstrates how Sainsbury's had to co-evolve with its external environment to ensure its own survival. This period also allows us to gain some understanding in the importance of building social networks and building organisational power. The third period, is called 'Leading the way' and covers the period 1950-1969. This period documents how Sainsbury's were able to rebuild following on from the war years. By being innovative and building on organisational power gained during the previous period, they were able to bring about significant change to the UK retail food market. The final period, entitled 'The hey days' focuses on the last period of significant family ownership. This period was characterised by economic boom and stability which filtered into the socio-emotional wealth of the family. Based on our contextual knowledge of co-evolution and the historical development of Sainsbury's, we able to assign meaning to the archival data. The analysis of each period is presented below.

Period 1: The Early Years (1869-1913)

Sainsbury's origins began in 1869, when John James Sainsbury and his wife Mary Ann, opened a small dairy shop in Drury Lane. The couple promised to supply good quality products at low prices and from the beginning attempted to differentiate themselves from the vast amounts of neighbouring competitors.

Transforming the Quality of British Food

Organisations' initial conditions particularly their identity exert pressures on their how they co-evolve with the environment (Child *et al.*, 2012). The initial conditions of organisations influence their maintenance of taken-for-granted organisational practices regardless of changes within their institutional environment. Sainsbury's heritage of family ownership and community engagement drove how it subsequently co-evolved with its environment.

Period 2: Surviving the World Wars (1914-1949)

The Second World War, in particular, impacted on Sainsbury's progress (Emerson, 2006). After the war ended the main concern of the family was to rebuild the firm's damaged trade and to begin the process of modernising the business. While, this period brought about significant challenges to the family, they continued to maintain their standards and to evolve their business.

During World War 2, the fall in sales was so significant that it led to Robert Sainsbury to comment 'If sales had gone any lower, we [Sainsbury's] couldn't have survived' (Emerson, 2006, p.29). The challenging environment meant that the family had to be resourceful and show resilience, while combatting the inevitable food shortages and the rising cost of goods. Throughout the war years, Sainsbury's continued to support the community in which their stores were embedded. Good relationships were maintained with their employees, who were made to feel valued and provided with security. John James Sainsbury donated significant amounts of his own funds towards the war effort (Sainsbury's, 2015).

The war years was characterised by food rationing and price controls. In October 1917, the Ministry of Food introduced food rationing and price controls to ensure the availability of staple food products for all citizens but more importantly to ensure fair prices. The Sainsbury family did not agree with the price controls. The family had developed a reputation for selling a large variety of high-quality fresh produce at low prices. Introducing

price controls and rationing meant for Sainsbury's an erosion of their competitive advantages. The commitment of Sainsbury's to ensure that prices were kept low meant they were often threatened with prosecution from the Board of Trade for refusing to comply with price rises (Sainsbury, 2015b). In one of their adverts placed during this time period, Sainsbury's noted that:

“Sainsbury's Threatened with Prosecution for Selling Too Cheaply!!:
Content with a small margin of profit, it has been our custom to pass on to our customers the benefit of lower prices obtainable by our organization. The Ministry of Food refuse to allow us to enjoy the customary rebate on our cash transactions or the savings effected by our large purchases. They compel us to raise prices to disadvantage of our hundreds of thousands of our customers” (The Times, 1918).

However, the impact of war affected Sainsbury's more than its rivals (Emerson, 2006). Nonetheless, wherever possibly, Sainsbury's kept price below the recommendations made by the Ministry of Foods. For instance, Sainsbury's was able to keep their eggs below recommended prices. This was possible due to their backward integration into the supply-chain. In 1902, the youngest son of John and Mary-Ann, Frank set up a poultry farm to directly supply the family stores with fresh eggs. The provision of fresh eggs, by Frank Sainsbury, made stores less dependent on state intervention in the setting of prices.

The First World War led to a shortage of skilled labour. Stores were put under significant pressure as many, of their predominantly male, staff left their positions to sign-on and join the war effort. The family business continued to show its dedication, support and commitment to the welfare of their staff and their families. A statement was issued, by Mr JB, to all departing staff which assured them that they would be able to return to their positions once the war was over (Sainsbury's, 2015b). To ensure that the company could continue trading, the family recruited women to fill the vacancies left by male colleagues who had joined the war-effort. Sainsbury advertised for 200 women to join the company, which

promoted thousands of applicants. A training school was established at the Blackfairs headquarters, enabling new employees to learn about the values and identity of the firm, as well as, obtaining the required skills to be able to undertake roles within the company.

Sainsbury's tradition of engaging with the local community served to enhance their reputation with the general public. From the very beginning the family business was keen to integrate itself within the wider community. This desire to be part of the community led Sainsbury's to position itself as a source of information, advice and education to its customers (Emerson, 2006).

In 1939, with the onset of rationing, households were required to register with a local retailer. Sainsbury set about putting their stores at the centre of the local communities they served. Adverts were placed in national newspapers providing advice on rationing and emphasizing the variety of goods that were available within their stores. In addition, the assisted the local community with completing the required paperwork needed to register. In the wake of food shortages, Sainsbury's introduced a "Fair Shares" point scheme. The "Fair Shares" scheme was designed to enable products in short supply to be distributed equitably. Customers were allocated a number of points according to the number of rationed food products they had registered for. The scheme encouraged customers to register and obtain all rationed food products from Sainsbury's. Adults were allocated a maximum of 16 points per four-week period which they could trade for goods covered by the scheme. Later, the UK Ministry of Foods introduced a similar point scheme.

Period 3: Leading the Way (1950-1969)

In post-war years, British retailers drew heavily on the US retailing experience; importing retailing methods, technology and merchandise (Shaw *et al.*, 2004). Retail trading stamps, was a method of establishing customer loyalty, again an idea originating from the USA. Sainsbury's however was against the adoption of trading stamps. Stamps raised costs for

retailers. Obviously, this would mean that retailers would either have to absorb the costs or recover them from customers. During the period, 1960-1963, profit margins for grocers were being significantly squeezed (Morelli, 1998). At a time when capital was required for new investment, to establish supermarkets and self-service, profits were being squeezed.

Sainsbury's were responsible for initiating and co-ordinating a campaign against trading stamps. Utilising their industry position, Sainsbury's immediately rejected the use of trading stamps. Alan Sainsbury argued that '...the stamps [w]as a dishonest gimmick which benefited neither customers nor retailers, but merely added to the costs of distribution, which were ultimately passed on to consumers through higher prices.' (Salmon, 2004b).

He went on to form the Distributive Trades Alliance (DTA). The DTA was formed in order to co-ordinate the opposition to the emergence of trading stamps amongst all sectors of the retail industry (Morelli, 1998). Sainsbury's were joined by other major retailers in the UK including Marks and Spencer, Boots, WH Smiths and John Lewis. Manufacturers were also concerned about the introduction of trading stamps. The Food Manufacturers' Federation (FMF) contacted Alan Sainsbury in 1963 to ask for help in putting manufacturers' point of view forward. Furthermore, Alan drew on his political power by sponsoring a bill in the House of Lords. The bill called for controls on advertising and to allow stamps to be exchanged for cash. Eventually the bill was passed and the Trading Stamps Act of 1964 was introduced. Not satisfied with having his bill passed into law, Alan continued to wage war against trading stamps. Investing company money in anti-trading stamp media campaign. In 1967 a series of full-page advertisements were commissioned in national newspapers. In line with their role of educators, leaflets were produced for customers explain their firm's opposition. The leaflet stated, that 'Sainsbury's makes no bones about it ... it would be impossible for Sainsbury's to maintain their high standards of quality and freshness and give trading stamps without raising prices' (Sainsbury's Archive, 2012).

planning system which is designed to prevent bad building; unfortunately, it also acts as a deterrent to imagination and to design and innovation.’ (Emerson 2006, p. 104).

The Sainsbury family continued to use their substantial networks to influence relevant parties. In October 1970, JD Sainsbury argued at the Marketing Society Conference in October 1970, ‘...Serving a large area and designed for the car shopper, with as comprehensive a range of large and small shops, department stores and supermarkets as most important high streets’ (Emerson 2006, p. 210). Furthermore, Sainsbury’s organised a special two-day seminar at St. John’s College, University of Cambridge. The seminar was entitled ‘Retail store location in the 1970s’ and both JD and Timothy Sainsbury spoke. This is a further example of the Family’s desire to build networks and gain social ‘power’. Once again, they demonstrated the desire to take on responsibilities which were beyond the remit of their individual roles within the company. By the end of the 1980s, due to retirements, it became necessary for changes to be made to the board. Since 1967, the company had been chaired by Alan, who had taken a very proactive role within the company. He had given the company direct and through his ideas and innovations shaped food retail.

Discussion of Findings

This study has investigated how a single organisation has evolved from small humble beginnings into a large well-established organisation. Building upon the founders’ original mission of selling quality products at reduced prices, has allowed the company to build a very strong corporate identity. Through the historical analysis of Sainsbury, it is clear that the firm co-evolved with its institutional environment by employing specific organisational resources to engender institutional change. The Family’s interest in the wider community and politics enable them to build organisational power which could be used to influence their institutional environment. Each of the four generations of the Sainsbury family involved within the firm, each had a very important role to play in the evolution of firm and its overall success. Each

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