

# **CHAPTER 1**

## **NATURE AND SCOPE OF STUDY**

### **1.1. INTRODUCTION**

Business in the 21<sup>st</sup> century has experienced numerous evolutionary milestones in search of the ideal business model. In many ways this evolution has been sparked by the need to maintain customers, the search for new ways of creating value and ultimately the survival to continue doing business and driving sustainable profits for shareholders.

This evolution within companies and industries has emerged from the learning and insights of decades of business practices, ongoing business case studies, global transformation, socioeconomic changes and the creation of new ways and approaches in business strategy.

Commonly described as a business cycle or business journey, companies have succeeded, failed, re-invented and evolved in various shapes and sizes, either directly or indirectly, forced or acquired, given the competitive environment demands and the quest to be a leader in the respective industry in which the company has conducted its business. Within this journey, it remains a strategic imperative to understand the destination, and in so doing understand the required strategic interventions to improve operating and financial performance.

In the postmodern-day organisation, acknowledgement of the facts today is that the retail sector has changed dramatically over the past ten years. Boom periods, surplus shopping and good times have ended. We have entered an era of dramatic changes, business collapse, mergers, acquisitions and turbulent competitive environments that demand a constant review of business structure, financial performance, business practices and value creation to provide any hope of the ability to trade sustainably into the future.

Van der Westhuizen and Kok (2006:6) describes the retail SA sector as comprising companies engaged in retailing merchandise and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are therefore organised to sell merchandise in small quantities to the general public. These companies require a fair amount of skill, knowledgeable and well trained individuals to market, sell and advise customers about its products and services.

A retailer can also be defined as a company deriving more than 50% of its turnover from sales of goods to the public for household use, and can be divided into the following categories (Van der Westhuizen & Kok, 2006:7):

- Non-durables (food, beverages, petrol, electricity, washing material, personal care and reading matter).
- Services (rent, municipal services, medical care, education, short-term insurance, entertainment, communication, domestic workers, lotto or gambling, holidays and funerals).
- Durables (vehicles, furniture, appliances, household equipment and cell phones).
- Semi-durables (clothing, footwear, accessories, linen and curtains).

The researcher having 15 years of retail experience locally and internationally acknowledges that the SA retail sector is well established in terms of the geographic footprint, product and service offering, brand representation and supply chain infrastructure in comparison to developed economies' retail trade proposition.

## **1.2. INTERNATIONAL FURNITURE RETAIL INDUSTRY**

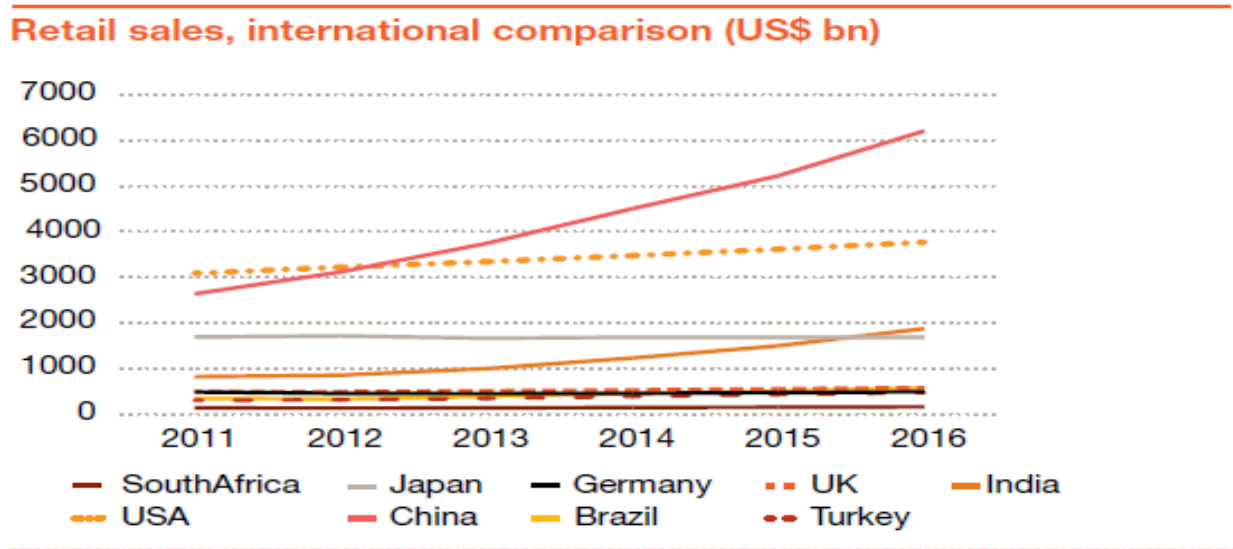
Afonina and Chalupský (2013:833) report that world-wide conditions are characterised by volatile economic and political environments in both the private sector and public sectors respectively, mainly as a consequence of world globalisation. Global environments are characterised by the transition to an alternative technological means of manufacturing; by transformation of transnational businesses; by new breakthroughs in transportation and telecommunications methods and global integration of supply chains to ensure high-speed distribution of products and services, sources and

information. Considering these types of circumstances, having the ability to exploit new opportunities, adopt different operating models, as well as utilising all resources effectively becomes critical. Strategic management approaches and methods are an important aspect to accomplishment and sustaining competitive advantage.

Rigby and Bilodeau (2013:2) after concluding a global survey of 1208 global executives, present findings of the slow and irregular emergence out of the global economic depression that has broken the old business paradigm and created new business practices. Seeking to grow their businesses during a period where market forces internally and externally of the organisation has complicated the traditional ways of conducting business. Similar dynamics are forcing business leaders to re-evaluate the investment decisions they need to make in order to grow earnings and profits with major challenges arising from the need for sustainability, pricing adjustments and product differentiation. Having potentialised the key benefits associated with cost-cutting (downsizing and outsourcing), the desperate need for brand new and creative solutions to cost reduction to enable companies to finance investment decisions or reach profit objectives.

The researcher is of the opinion that over the past 25 years, retail re-structuring has been a norm globally, with a continuing trend likely into the future. Restructuring dynamics and its implications includes the focus on the changes in horizontal competitive relationships amongst retailers, new forms of relationship with suppliers, supply chain optimisation in the bid to lower the cost of delivering product to consumers and the expansion of global retailers into foreign markets. These restructuring factors have happened parallel to game-changing perspectives of retail, requiring changes in strategies, relationships and operations.

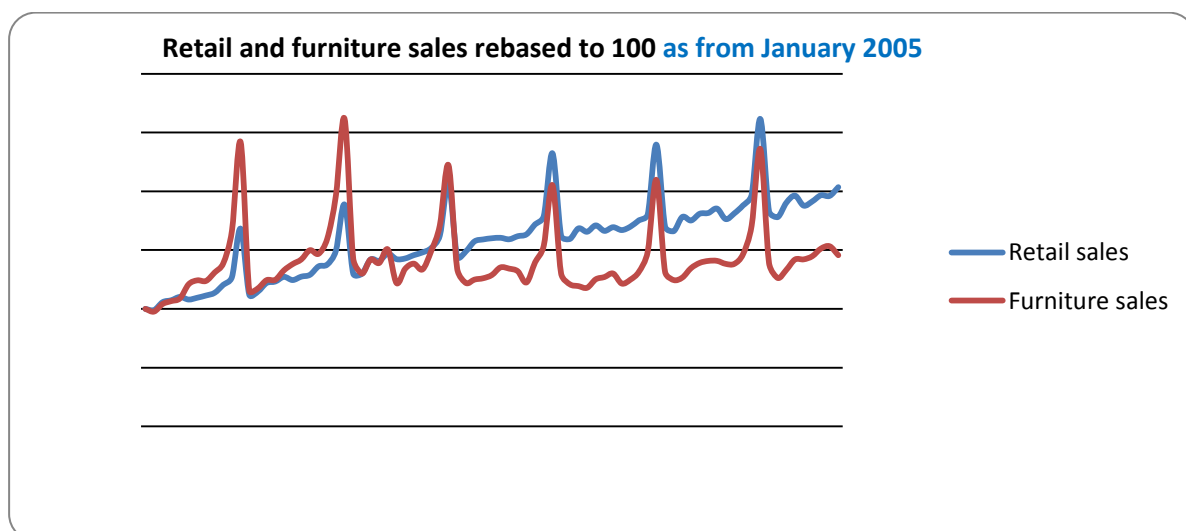
Figure 1.1: International retail sales (US\$bn)



Source: PricewaterhouseCoopers (PWC), 2012

**Figure 1.1** highlights the relatively stagnant SA retail sales outlook since 2011, in comparison to other developed and emerging countries, an indication of the depressed SA economy and the further regression trend and retail forecast that will continue into 2016. This is a further indication of the need for different and non-traditional approaches to retail trade into the future.

Figure 1.2: Global retail sales (SA Rands)

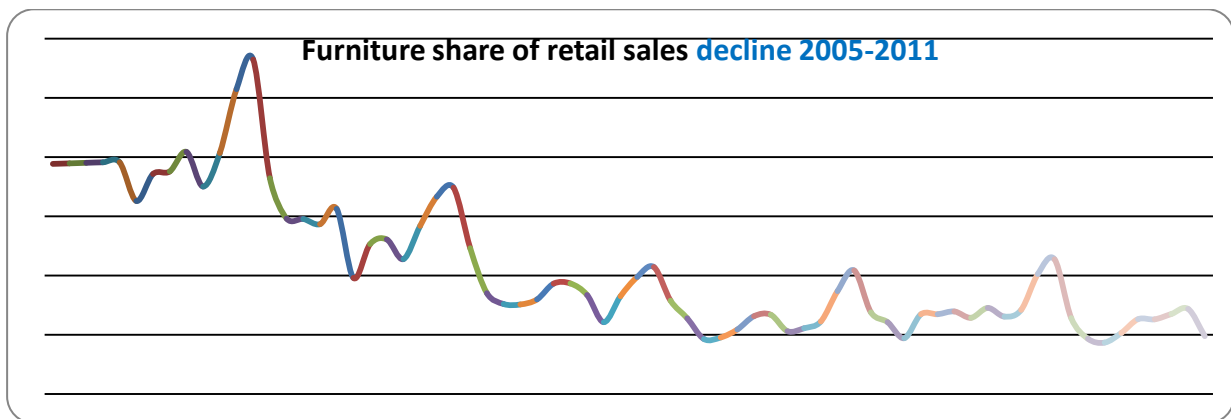


Source: Statistics SA, 2011

**Figure 1.2** highlights the widening gap between total retail sales and furniture retail sales 2005 to 2011, a further assertion that globally the spend has been focused on

essential goods and merchandise, given the economic meltdown globally. A reluctance to spend on durable goods (decrease in spend by 45% 2010-2012) as the available surplus cash of consumers (reduced by 35% 2009-2012) has been impacted by an increase in numerous cost of living variables and an increase in unemployment (increase from 23% August 2010 to 31% August 2012).

Figure 1.3: Furniture share of retail sales decline 2005 to 2011



Notes: Includes all developed and emerging economies (World Bank) and tracked over 2005 to 2011 to coincide with the implementation of the deliberate creativity intervention covered in this research study

Source: Statistics SA, 2011

**Figure 1.3** shows the gradual decline in global furniture sales from 2005 to 2011, largely as a result of the effects of the global recession, the state of uncertainty given the economic challenges in most countries and the shift away from less frequent purchases of durable and luxury goods.

On the contrary, Krafft and Mantrala (2010:2) on investigating the global retail trends and changes, document that retailing in the new millennium stands as an exciting, complex and vital business sector in most developed as well as emerging economies. Key trends and developments include changing customer needs and the increasing interest in consumerism. Products, retailer consolidation, emerging multi-channel retailing strategies, the changing nature of competition within and between retailing formats, globalisation and technological breakthroughs such as radio frequency identification (RFID) and personal selling assistants (PSAs), are having a dramatic impact on the way large retailers do business in this new century.

Korber (2006:5), CEO of Metro Germany, the second largest general retailer in Germany, states that retailing is perceived as a rather traditional business sector. Many believe that this industry is mostly concerned with making good deals, putting high pressure on suppliers, and selling at competitive prices. The marketing side of retailing is perceived as being short-term oriented and mostly concerned with price promotions. However, over the last five years, the world of retailing has changed dramatically. Retail operations have greatly increased in complexity and sophistication. Today, the retailing sector is one of the leading industries in applications of innovations such as radio frequency identification (RFID) and self-service technologies. Retailing has been the industry that has principally fostered breakthroughs in supply chain management and logistics. Retailing leads other sectors in customer data capture, data warehousing and analyses. Retailing provides the setting for research, development and applications of advanced analytical, econometrics and optimisation methods in domains like pricing and integrated marketing communications management. Retailing, specifically online retailing, is still the main commercial application area of the Internet and is at the vanguard of the globalisation of business. In conclusion, Korber (2006:5) further states that to manage such operations, retailing demands and providing employment to numerous employees with specialised training and expertise is necessary. However, many of these advances in modern retailing remain largely unknown to the outside world where the old image of retailing as a slow-moving business with few management challenges and unexciting career prospects remains prevalent. Even within the retailing profession, many practitioners remain unfamiliar with all the current trends and advances in retailing management methods, technologies and applications. Krafft and Mantrala (2010:3) in their subsequent review cite Cordes (2010:3), new CEO of Metro Germany, to be faced with similar retail challenges as his predecessor; however, the rules of the game continues to change with the introduction of advanced technology, customer intelligence software and the aggressive focus on emerging markets.

Sanberg (2010:11-25) outlines that the retail changes have encouraged the emergence of an alternative perspective of the role of retailing that places retailing as the initiator of added value activities in the economy rather than in its traditionally more passive role of building on the value being added in manufacturing. This new role places retailing in a global framework of international store operations, international sourcing of products, international flows of management and managerial know-how, and international retailer brands.

Davies and Burt (2007:156) comment that, inevitably, well-established retailers with a strong domestic retail offer and customer franchise will, at some point, seek store-based expansion outside their national borders. The assumption is generally made that what works at home can transfer to other regions, and will succeed abroad, but the international trials and tribulations of a number of leading retailers suggest that this is not always the case.

Certain retailers may have become so embedded in their domestic context that they find it very difficult to transfer their operations to other markets. What works at home does not necessarily work in another market. If this is a problem for investor-owned retailers, then it is even more difficult for the retail operations of consumer co-operatives. With their long trading histories and strong ethical stance, it might be assumed that consumer co-operatives would have no difficulty in undertaking retail internationalisation. Often they have assumed dominant positions in their domestic markets and their approach and philosophy towards trading provides a point of differentiation, a commonly perceived prerequisite for retail internationalisation. Yet, the reality is that their activities are constrained (Davies & Burt, 2007:156).

Carlyle (2012:38) reviews the use of technology in transforming the retail models, commenting that for most of recent history the experience of shopping was a physical experience of going to a store to buy a product using tangible currency or other forms of barter. Shopping required going to a real place that was identified with specific products. As the urban shopping district developed, especially in North America, this shopping experience evolved from an individual shop to an entire street or district, with inviting windows that lured one into visiting a favourite store, search for bargains, getting fashion advice and information about products. Prior to the development of the Internet, most shopping involved a physical experience to see and touch real products, make selections and ultimately taking home the purchase. The retail environment transformed through the mobility offered by the transportation and the evolution towards suburban developmental models. Looking forward, the urban lifestyle preferences of Generation X and the Millennial Generation are reversing many of those trends and revitalising urban retail zones. Virtual realities today are the experiences of a steady flow of digital transformations affecting the daily life, with new smartphone applications, quick links,

on-line shopping, endless supplies of electronic coupons, and a constant barrage of email advertisements.

Globally retail reports identify various changes, restructuring and re-organisation of the retail sectors. Gonzales and Waley (2012:1-19) summarise changes in the traditional British retail markets stating that indoor and outdoor markets selling food, household goods, and clothing are at a critical juncture; on the one hand in decline but on the other, a focus for redevelopment along gentrified lines. Crucially, is the emerging interest from the state at different levels in markets as a new regenerated commercial space that brings together various policy areas: urban renaissance, healthy living, community cohesion, urban sustainability, and re-localisation of the economy, and tourism.

East Asia is a zone presently experiencing swift retail advancement. It happens to be the most densely inhabited zone worldwide, and continues to be largely undeveloped with regard to modern-day retailing. This particular scenario has changed since the world's major grocery retailers, particularly Carrefour, Metro, Tesco, and Wal-Mart, have expanded within Asia, concentrating on East Asian markets as the primary pillar of their international expansion strategies. Furthermore, and even though virtually unrecognised within Western world media and academic literary works, similarly prominent retailers coming from Japan are likewise assertively strengthening share of the market in many of the key Asian markets (Krafft & Mantrala, 2010:46).

India, as a large retail and manufacturing market, witnessed significant development since 2001 from small unorganised family-owned retail formats to organised retailing. Liberalisation of the economy, rise in per capita income and growing consumerism have encouraged larger business houses and manufacturers to set up retail formats; real estate companies and venture capitalists are investing in retail infrastructure. The retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new innovative formats. These modern retail formats provide a wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof with malls, hypermarkets, supermarkets and specialty stores as the emerging retail formats (Jhamb & Kiran, 2012:63).

Hernandez and Simmons (2006:465), detail the challenges in the Canadian retail market in that the Canadian retail landscape has been transformed by the growth and clustering of big box retailers into a range of power retail developments. This has brought new retailers into Canada (predominantly U.S. retailers) with different business strategies that have led to different consumer behaviour. The power retail phenomenon encompasses all aspects of the retail offer (price, product, service, differentiation, value proposition, accessibility, availability) and not simply about the size of stores. These developments have led to new types of commercial clusters, namely power centres and power nodes that have challenged both planning policy and the existing retail hierarchy across Canada, and conversely, provided substantial scope for retailers and developers to exploit market opportunities.

Lastly considering retail in the biggest economy globally, the USA retail developments mirror the rapid changes and accelerated retail transitions in many other countries.

Retailing in the USA can be described as an extremely competitive, aggressive and dynamic sector. Consumers enjoy a multitude of retailers that they could prefer to patronise effortlessly. As a result of the accessibility to information over the internet, consumers have become a lot more refined and complex shoppers – increasingly aware and proficient about retailers along with the products or services on offer. Diversity and variety in consumer demands are growing throughout the population. Considering the wide range of alternate options, consumers tend to be selectively patronising retailers that meet their specific demands and requirements. Within these markets, retailers are engaging the conventional competitive strategies of low cost or differentiation. Retailers are generally building innovative approaches for reducing costs along with offering lower prices or adapting their offering to better fulfill the demands of specified market segments (Weitz & Whitfield, 2006:59).

In conclusion, responsiveness by retailers in this modern day driven by market need changes causes an almost instantaneous response by retailers to adapt and service the consumer demand. Thus, in evaluation of the underlying reasons for retail market shifts, one starting with the basic premise and rule of the law of natural selection – adapt to the environment, or die. No doubt that customer demand and the competitive landscape dictate effective and quick response from retailers, driving the form, shape, volume and nature of change.

Present day marketplace forces are generally forming a worldwide consumer marketplace that will appear dramatically different since 2010, pushing retailers to bring about fundamental improvements to their methods and business models in order to survive. Conventional campaigns will stop being sufficient to deal with trends which may drive the retail markets into the realm of extreme conditions, defining two critical questions for retailers, namely:

1. Exactly what competencies and capacities might retailers need to continue to be relevant to demanding consumers?
2. Precisely how must retail executives and professionals begin organising for these transformational phenomena?

### **1.3. SOUTH AFRICAN FURNITURE RETAIL INDUSTRY**

Global pressures and changes in retail practice and retail strategy models undoubtedly have implications for, and impact on the South African retail industry. Retailers in South Africa, albeit not directly, are impacted by global shifts and changes. In an environment with increasing competition and the growing demands for operational efficiencies, sustained profits and customer orientation, SA retailers are looking beyond their traditional business models and organisational boundaries to develop and leverage the resources and capabilities of international best practice to create superior value and drive competitive advantages in the marketplace.

Figure 1.4: SA retail sales versus total retail sales (year on year growth)

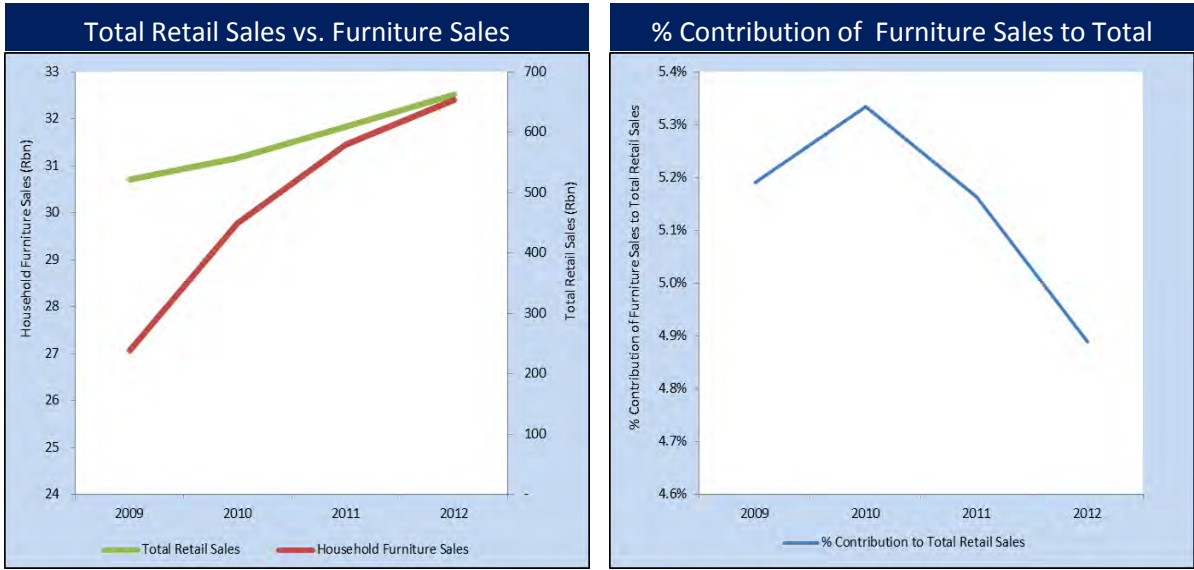


	2009	2010	2011	2012
Total Retail Sales (y/o/y growth)	4.9%	7.0%	9.1%	8.8%
Furniture, appliances & equipment (y/o/y growth)	-3.1%	10.0%	5.6%	3.0%

Source: Statistics SA, Retail Trade Sales historical data, 2013

Figure 1.4 highlights that since the global meltdown in 2008, growth within the SA furniture industry has been steadily declining, with a rapid decline since 2010, although non-furniture retail formats have maintained and sustained a steady growth with negligible decline towards 2012. Quite evident over the past five years is that the furniture industry performance, in difficult trading periods, has a far greater and faster decline than any other retail industry, and in addition a much slower recovery than other retail industries.

Figure 1.5: SA furniture retail sales versus total retail sales

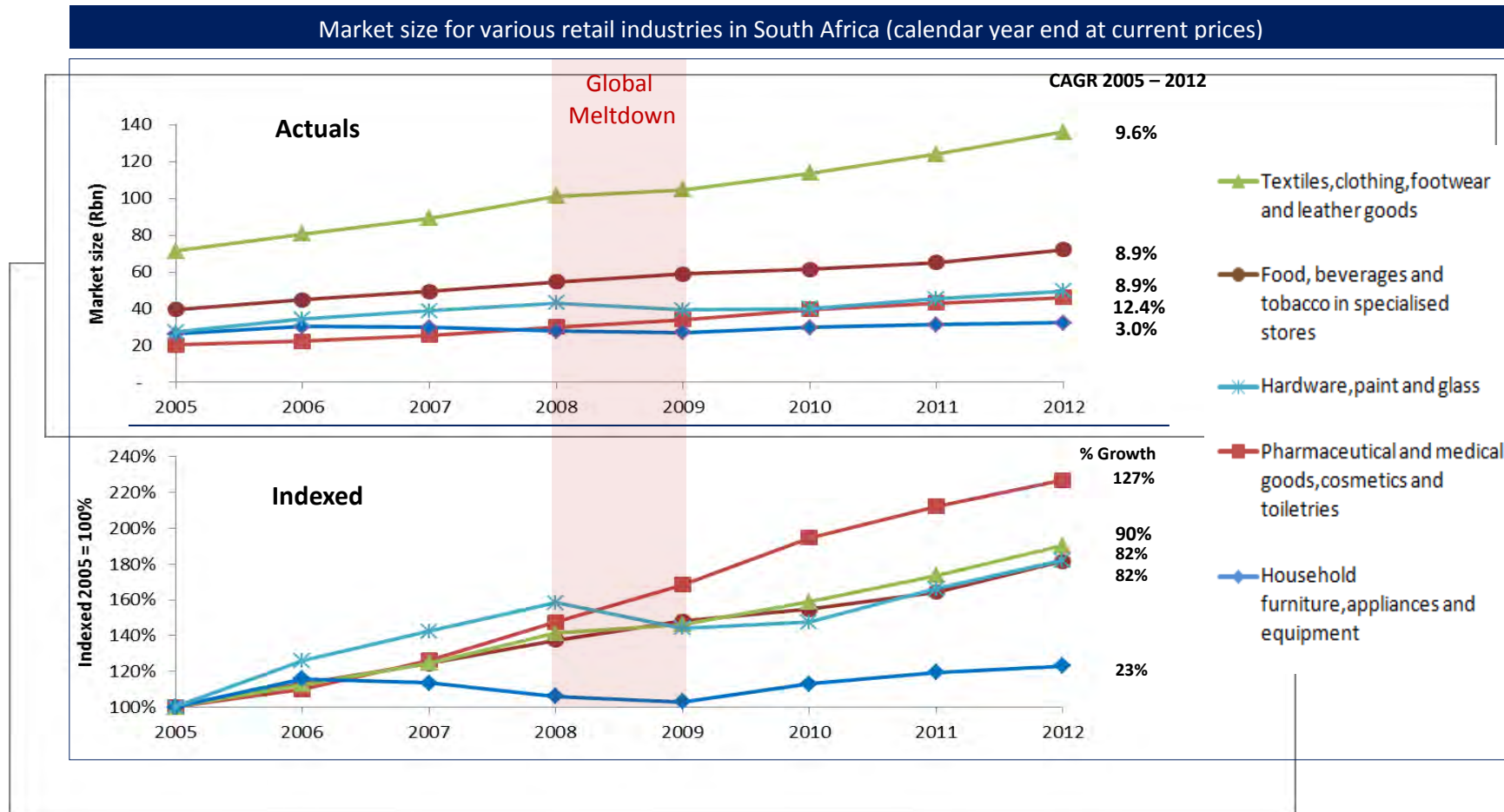


	2009	2010	2011	2012
Total Retail Sales (Rm)	521 667	558 237	609 031	662 803
Sales of Furniture, appliances & equipment (Rm)	27 077	29 784	31 451	32 408
% contribution to total sales	5.2%	5.3%	5.2%	4.9%

Source: Statistics SA, Retail Trade Sales historical data, 2013

**Figure 1.5** shows that furniture sales contribution to overall retail sales has been gradually tapering down since 2010, an indication that customers have prioritised disposable income spend with less spend dedicated to durable products, given the lower surplus cash spend on unnecessary needs and on luxury items.

Figure 1.6: SA furniture retail growth versus other retail formats

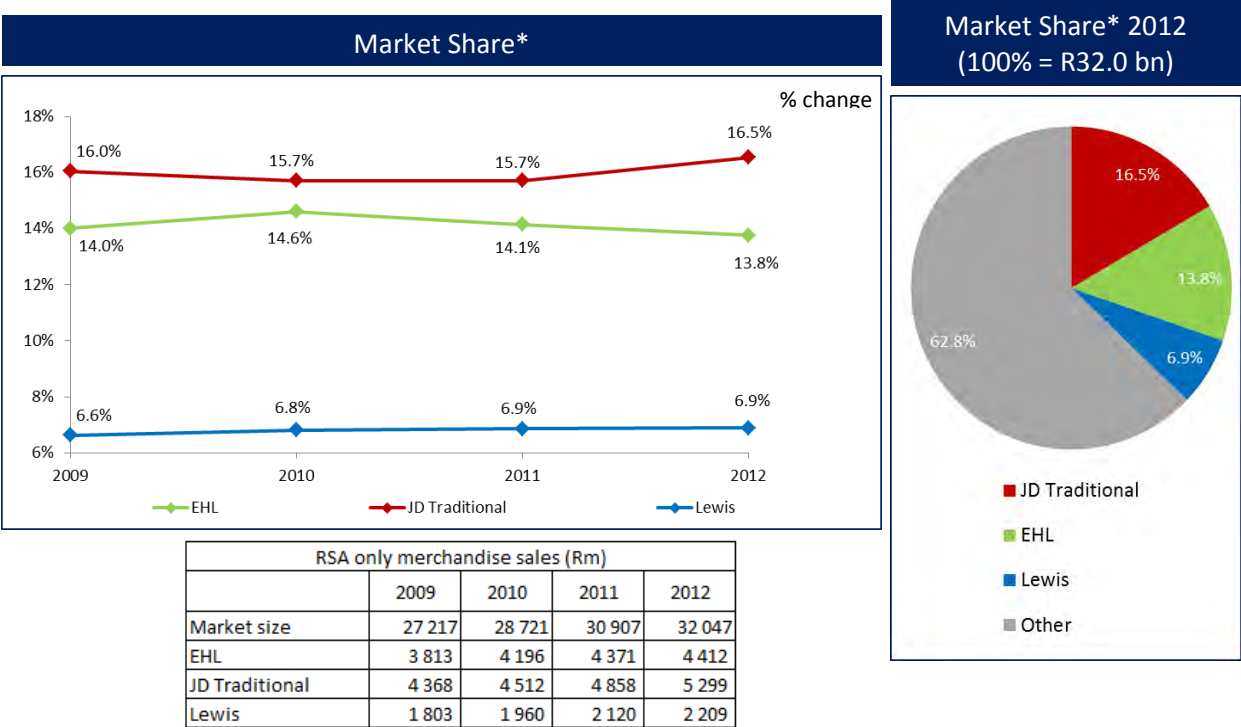


Note: Current prices include inflation, i.e. nominal data as opposed to real data

Source: Market size from Statistics SA – data extracted May, 2013

**Figure 1.6** suggests that, compared to other formats of retailing, furniture has been the smallest and slowest growing retail industry in South Africa. This trend seems to continue into 2013, with the average basket size within the furniture industry approximately 30% lower than in preceding years, an indication of less and smaller purchases.

Figure 1.7: SA furniture market share and top-line growth



Note: \*Pro forma: 12 months to June 2012 = 10 months to June 2012 + 12 months to Aug 2011 – 10 months to June 2011

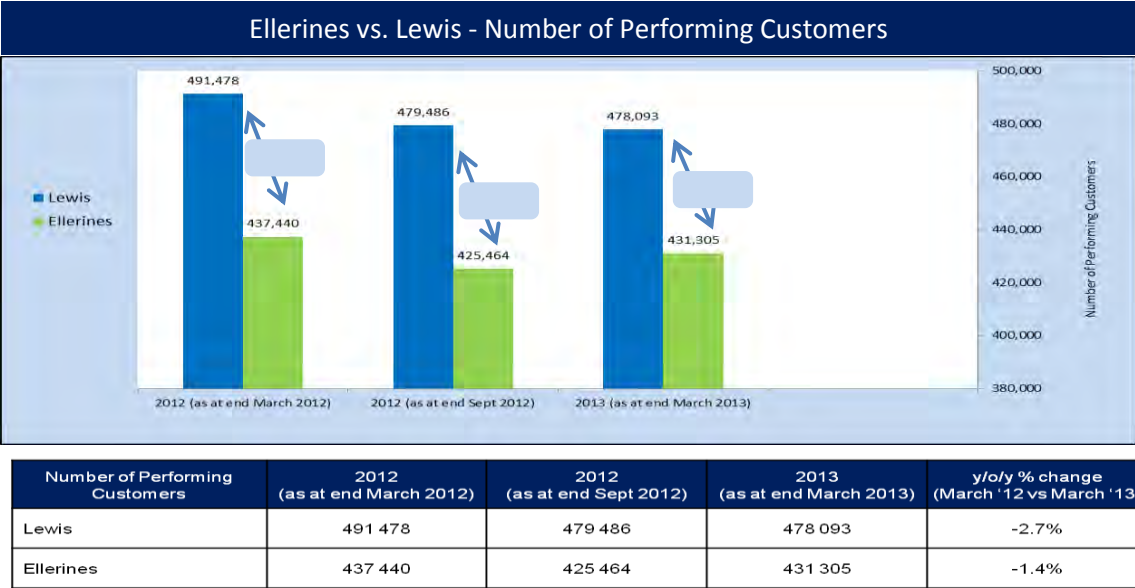
- Market share\* is for SA only as Statistics SA report retail trade sales for RSA only
- Foreign contribution was stripped out using the number of RSA stores to total stores as a proxy for JD and Lewis
- Lewis’s results have been annualised to match EHL FY as per methodology in ‘Growth Pack’

Source: Data from company annual reports for competitors, CPM for EHL and Statistics SA – data extracted 12 November 2012

**Figure 1.7** indicates that market share shifts between furniture retailers have been minimal, with no dominant share growth apparent for any specific furniture retailer, largely because of the low levels of differentiation and high regulation of the National Credit Act (Act no. 34 of 2005) (SA, 2005), Consumer Protection (Act no. 68 of 2008)

(SA, 2008) and strong focus on “reckless lending” being closely monitored by the National Credit Regulator (NCR).

Figure 1.8: Ellerines versus Lewis: number of performing customers



Source: African Bank Customer Management Department, Lewis Annual & Interim Reports, 2012 and 2013 respectively

**Figure 1.8** identifies that although Ellerines’ biggest competitor, Lewis, has over 10% more performing customers than Ellerines, it lost almost double the number of customers Ellerines lost in the same time period. This is an indication of the strategies deployed within Ellerines over the past three years, with exploring the implementation of a deliberate creativity initiative, outlined and discussed in **chapter seven and eight**.

Figure 1.9: Profit before Tax (PBT) performance



	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Ellerines	-86.6	-929.7	-172.2	404.8	343.6
Beares	-13.7	-231.0	-123.6	174.9	47.5
Geen & Richards	42.4	17.6	55.2	57.4	9.3
Furniture City	-18.4	-38.9	-16.5	-19.8	-25.0
Dial A Bed	4.3	-1.4	24.5	14.6	5.6

Source: EHL Financial and Management Accounting CPM, 2012

**Figure 1.9** clearly highlights that within Ellerines Holdings Limited (EHL), the best brand performance (PBT growth) has been delivered by the Ellerines Brand from the end FY2009. Only the Ellerines Brand has embarked on the Conceptual Deliberate Creativity Framework (CDCF) implementation (Beyonder Programme) and thus a major indicator of the effect and impact of the CDCF on Ellerines overall profitability.

Fouche and Wilkinson (2013:7) comment that the global economic challenges over the past three years have had an impact on South Africa, with GDP shrinking by 1.3% in 2009, along with the slow recovery observed since 2010, has continued to limit growth prospects across numerous industries and sectors, which includes retail and consumer goods. Along with sluggish GDP growth, elevated unemployment and structural flaws throughout the SA economy persisting, total growth forecasted for the next three years will be modest. Specifically, retail and consumer goods businesses will have to deal with restricted volume growth, growing costs and decreasing prices.

The researcher has observed that for the past ten years, some of the most prominent retailers in South Africa have developed their business models to be competitive and successful within the challenging African market. Currently SA retailers are far better equipped as well as competitive whenever expanding into various other African

economies, while the realities of supply chain challenges, inferior infrastructure and unfamiliar national, regulatory and trading conditions are generally intimidating.

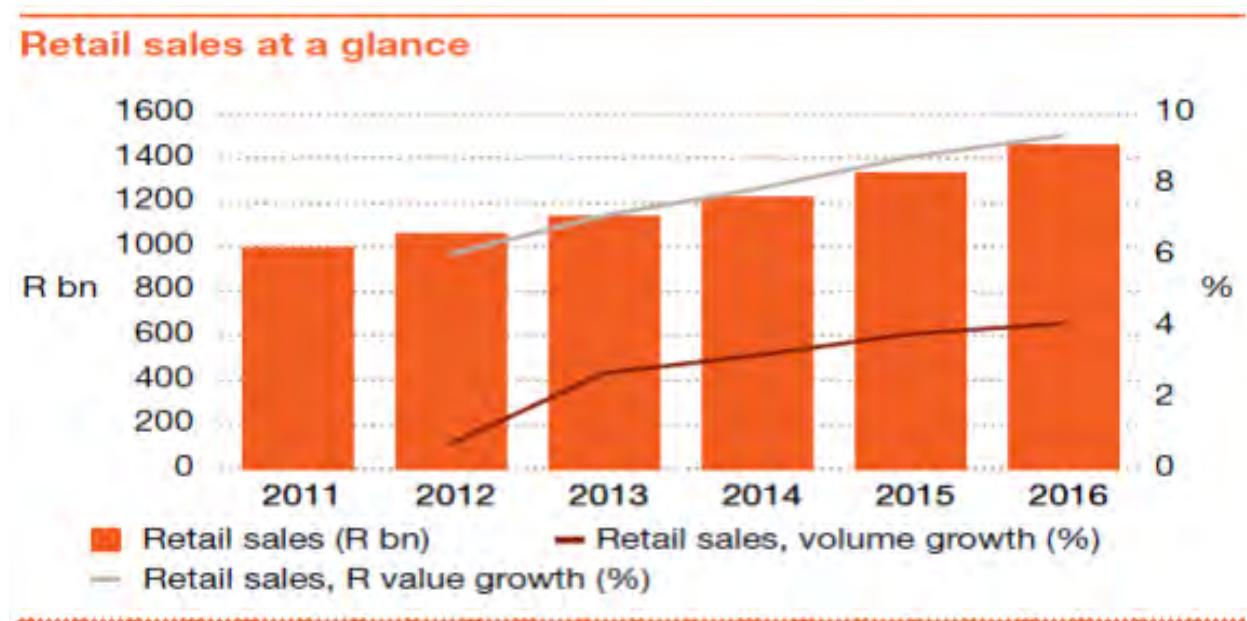
Fouche and Wilkinson (2013:7) further suggest that in spite of retail and consumer goods businesses' largely focusing on operational efficiency, an atmosphere of cautious optimism prevails as SA retailers continuously search for growth markets, inside South Africa as well as across Africa. Opportunities recognised include enticing informal trade from the lower end of the market directly into the formal retail sector and exploiting the business opportunities exposed from SA's increasing black middle class.

#### **1.4. CHALLENGES FACING THE SOUTH AFRICAN FURNITURE INDUSTRY**

The common thread running through all of the challenges facing furniture retail is the need for business agility – anticipating or responding to changing conditions. Business agility encompasses three major areas (Van der Westhuizen & Kok, 2006:9):

- Empowering employees through knowledge management (human capital) – empowered employees to grow a company's intellectual capital when they have the information and the tools to make better and faster decisions.
- Connecting customers and integrating business partners (customer capital) – multichannel retailing and more efficient supply chains combine to develop deeper and richer relationships with customers and suppliers.
- Operational excellence in business operations (structural capital) – establishing and maintaining fluid companies, allowing companies to transform strategies quickly, as well as to respond rapidly to new business opportunities.

Figure 1.10: SA retail sales future outlook



Source: PWC Planet Retail, Economist Intelligence Unit, 2012

**Figure 1.10** seems to suggest that total retail sales will have a progressive growth trend into the future, although with the declining forecasted furniture retail sales contribution (**Figure 1.5**), it seems to suggest that growth in retail sales will not be driven through furniture retail sales, rather non-durable and semi-durable goods.

Based on the aspects listed above, and considering the opportunities in the furniture sector, the sector faces a number of challenges that have led to reduced profit margins and in extreme cases, business closure and company collapse.

The last few years have seen a decline in many companies' business performance in the furniture industry. Declining sales, reduced margins, lower customer levels and deflationary profits of the domestic industry are mainly due to the following factors (DTI, 2008:15, Fouche & Wilkinson, 2012:10; Deloitte Global Services, 2013:9):

1. **Obsolete furniture retail practice** - a retail sector failing to evolve quickly as the Fast Moving Consumer Goods (FMCG), Footwear Textile Clothing Accessories (FTCA) and Food industries in redefining retail trade, adopting global best practice and moving with different models to engage and excite the customer.
2. **Technological innovation** in the domestic industry has lagged behind global best practice. Furniture retailers have not been able to move away from leveraging off the credit returns as the main source of profitability when selling

furniture. Using business intelligence to further enhance the customer experience and tap into new sources of revenue utilising existing customer information has been non-existent in furniture retail.

3. **Shortage of skills (technical capabilities)** is an important constraint in competitiveness – a problem that cuts across most of South Africa’s sectors. This is in terms of retailing as well as selling capabilities. Apart from generic training on design, South Africa lacks sufficient design tuition specifically geared towards the furniture selling. The industry accordingly lags behind most major furniture retailers worldwide in retail selling education.
4. **Research and development** that is needed to support a growing industry is non-existent.
5. **Creativity within the Furniture Sector:** one of the challenges for furniture retailers is the high concentration of the furniture traders in the retail sector. Four big companies (Ellerines Group, Lewis, JD Group, and Shoprite) with a market share of 80% dominate the market. The rest is shared among independent furniture retailers. All major retailers operate on similar cost structures, selling techniques, store designs, customer propositions, with extreme low levels of differentiation within the sector.

Given the context of the challenges facing SA Retail as listed above, creativity, change and transformation within the sector is needed to rejuvenate furniture retail and ensure profitable growth over the next decade.

## **1.5 BUSINESS ENHANCEMENT**

The global economy has changed significantly, causing the world of work to transform at such a rapid pace, demanding more flexible business models, creative business processes and exceptional leaders that can operate within a fast changing environment to ensure their businesses can survive and drive on-going sustainable profit.

Figure 1.11: Retail levers to enhance market competitiveness and positioning



Source: PWC Planet Retail, Economist Intelligence Unit, 2013

**Figure 1.11** identifies the various levers available to retailers in efforts to enhance competitiveness, drive higher differentiation, and capture more customers.

Hesselbein, Goldsmith and Beckhard (2007:3) state that companies increasingly have to run as “transnational” businesses. Their markets may still be local or regional, but their competition is global. A company’s strategy also has to be global, in respect to technology, finance, products, services, markets, information and people. Further to this phenomenon, a totally different approach is emerging, not replacing the older approaches but being superimposed on them, changing the purpose of businesses to be successful locally and internationally, and to achieve performance in the broader market.

Kearney (2006:2) asserts that, given that the pace of globalisation has accelerated over the last ten years, the same is true for the competition into brand-new markets, as the opportunities in the wealthy emerging markets are way too appealing to neglect. However, winning within the retail race will not necessarily belong to the biggest retailers. It will belong to retailers that craft the correct actions at the ideal occasions. Location continues to be important; however, timing remains crucial. The globalisation of modern retail will continue to accelerate. Since 2001, in excess of 49 retailers have

moved into approximately 90 brand-new markets. However, acceleration will not equate to success, as alternatively retailers exited 17 markets in 2005, with many expected to exit into the future. Today, several other retailers happen to be having difficulties to generate profits.

A business is more than a set of products and services. It also has a human society, and like all societies, it nourishes particular forms of culture, commonly called company culture. Every company has its own language, business model, heroes, villains and successes (Hesselbein *et al.*, 2007:25).

Seizing the right opportunity at the right time can have a big impact on the probability of success. Moving outside the comfort zone depends critically on the continued success of the company in discovering new pockets of knowledge, accessing and mobilizing the new found knowledge, and using it to create practical innovations. Delivering quick wins through pilot projects by establishing innovative and creative magnets around lead customers, global platform, or global activity to prove the value of mobilising fragmented knowledge imprisoned in local subsidiaries (Doz, Santos & Williamson, 2001:238).

Rugman and Verbeke (2004:3) offer a contrasting view in that globalisation, with regards to enhanced commercial interdependence amongst the many countries, is often an inadequately comprehended phenomenon. Challenges encountered by several multi-national companies, is the fact that they provide engineered products, which comprises inventive and differentiated services and products, as a result of large investment in capital-intensive manufacturing processes and expertise advancement. Regrettably, these types of products and services quickly forfeit its dominant status. Regardless of patents as well as brand labels, technologies frequently diffuse more quickly towards competitors compared to the needed distribution capacities that could be constructed in international markets, thus making it challenging to recover innovation costs. The challenge for almost any business which has designed a unique 'superproduct' is excelling onto a new learning curve quick enough before competition catches up to the innovation and provides substitution.

Stevenson, Shlesinger and Pearce (1999:5) comment about why power retailers succeed despite the odds in that a retail winner drives strategy, focus, culture and

dedication. These companies' products are superior, their stores are superior, their people and their training are superior, and hence they know where they are going.

Hesselbein, Goldsmith and Beckhard (1997:82) discuss new and future leaders that work in fluid and flexible management structures, suggesting that companies must be mission focused, values based, and demographics driven. In addition that the management objective is not to contain people, but lead them in realising that management is a tool to effectively lead people.

The researcher observes that the retail environment has changed dramatically over the past 20 years, with added complexity, rapid advancement in creative business approaches and the impact of technology to connect the global business world across multiple continents. Furthermore, it has become evident that the economy has changed, the market place has changed, supply has changed, competition has changed and customers have changed. Other contributions to the implications of effective leadership in this global context is echoed by Jing and Avery (2008:2-6), in that in the past four decades, the influence of leadership styles associated with organisational effectiveness has become a topic of importance amongst academics and professionals doing work in the subject of leadership (Cannella & Rowe, 1995; Giambatista, 2004; Rowe *et al.*, 2005). Possibly the most noticeable motive for this particular focus may be the extensive opinion that leadership influences the performance of organisations (Rowe *et al.*, 2005). Styles of leadership embraced are recognised by some researchers (for example, Awamleh, 1999; Conger, 1999; Dubinsky *et al.*, 1995; Yammarino *et al.*, 1993) to generally be especially critical as part of achieving organisational objectives and targets, in addition to evoking performance amongst subordinates (Barling *et al.*, 1996; Berson *et al.*, 2001; Zacharatos *et al.*, 2000).

Hesselbein *et al.* (2007:49) also argues that the temptation to follow trends and fashion is often overpowering. In the search for new, companies sometimes reinvent the old. What is important to recognise is that following the crowd will probably not permit a company to outperform the crowd. As a given, companies do what its competitors do, thus what expectation can there be of improving performance?

In conclusion the researcher affirms that regardless of the extensive recognition regarding the significance and importance of leadership, while researching the

leadership literary works, it happens to be extraordinary that the notion of leadership is lacking coherency and agreement. The majority of the leadership literary works (Jing & Avery, 2008:2) obscures the description of effective leadership in neglecting to explain dissimilarities in a number of definitions, particularly around leaders and non-leaders, effective and ineffective leaders, and additionally disregarding the concise explanation of the levels of leadership (Bennis, 1998; Bergsteiner, 2005; House & Aditya, 1997). Furthermore, limited research has expressly dealt with the association regarding leadership behaviour and organisational performance.

## **1.6. CREATIVITY IN BUSINESS**

The accelerated rate of business transformation, organisation restructuring and global challenges have undoubtedly transformed the retail landscape locally in South Africa and internationally. Over the past few years the pace of most of these transformations has been increasing dramatically. Most of these transformations provide a robust challenge throughout business and current higher education.

A very powerful business dilemma is discovering ways of building companies wherein creativity and innovation is equally revolutionary and systemic (Hamel, 2002). Creative approaches and innovative business processes serve as a primary factor for an organisation to exist and grow in the long term (Tidd, 2001:76). In spite of the successful implementation of creative aspects and innovations, merely a small number of organisations have comprehended precisely what is needed for successful creativity and innovation (Christensen, Raynor & Anthony, 2003:3).

Creativity and innovation is conceptualised as a method of transforming an organisation, frequently as a reaction to changes within the external environment, otherwise to be a pre-emptive action to influence the environment (Assink, 2006:216). Alternative views are that within the competitive retail landscape it will be the degree that internal operations take ownership for change within the business, as well as external customers see beneficial advantages and value for themselves from any change implemented by the company, that competitive leverage is established from increased customer loyalty (Paap & Katz, 2004:14).

To get any business value out of creativity, ideas need to be centred on creating and enhancing opportunity. Opportunities typically stem from two areas, namely: from within you; or from the universe (Benyon, Van Aswegen & Wainer, 2006:78).

Beagrie (2006:35) remarks that creativity is the lifeblood of any organisation, leading to innovation which in turn leads to a competitive edge. Nothing is more dangerous than an idea when it is the only one that you have. Thus it is clear that a primary impact of creativity is to create a flow of ideas, thoughts and innovations that invariably lead to differentiation and advantages in the marketplace (Benyon *et al.*, 2006:78). Both viewpoints promoting the understanding that creativity being the catalyst to establishing some form of competitive advantage, however the researcher is of the opinion that generalised creativity without a directed and specific purpose or objective would not necessarily provide a positive catalyst. Directed creativity by outlining specific outcomes, objectives and actions will produce a more enhanced catalyst to derive greater innovations.

Assink (2006:215) comments that the need to be creative and innovative is certainly revolutionary as opposed to evolutionary, as well as being a necessity with regard to survival within vibrant and sophisticated markets, as well as creating unstable economic circumstances. Assink (2006:215) further states that long-term achievements are directly related to an organisation's level of creativity and its innovation capabilities. Building specific competencies to be able to bridge this gap must certainly be a fundamental element of an organisation's strategy for advancement and growth.

McRoy and Gibbs (2009:688) affirm that leadership undergoing transformational change is often emphasised, observed to generally be the crucial element in determining effective change as well as being commonly differentiated for being distinct from management for the reason that the leadership relates directly to envisioning change. A supporting view is offered by Sellar (2001:256) stating that realigning and re-culturing means that the organisational method of doing business, along with the principles and beliefs that underpin the functioning, will need to also change.

Markides (2006:20) distinguishes regarding business model and product or service creativity, that the development of brand new business models does not always comprise the creation of unique services or products, and that business model creativity

will be the uncovering of any essentially alternative business model within an existent company. The process of producing unique business model options is certainly complicated (Chesbrough, 2010:355; Doganova & Eyquem-Renault, 2009:1562), as business model concept creation demands that the creativity team recognise as well as comprehend different and oftentimes contradictory aspects regarding stakeholders and functions impacted by new business model introductions.

Business model creativity literary works tend to concentrate broadly on business model terminology and guidelines (Magretta, 2002:90; Osterwalder *et al.*, 2005:3). Lately, researching experts have departed from this line of thought and they started to concentrate on tactical creativity opportunities (Teece, 2010:172), value creation by using business model advancement (Yunus *et al.*, 2010:310).

McRoy and Gibbs (2009:688) further argues that management literary works discloses that change happens to be complicated in nature and demands managers to use a variety of expertise and competencies to ordain the transformation process. Literary works validate that identifying the necessity to change is a central prerequisite and whenever it has taken place subsequently applying effective leadership strategies is critical. Whenever organisations necessitate transformational change this is usually a scenario of determining exactly what not to change to be able to engage with those aspects that happen to be in most need of change. With incremental change process interest is focused around environmental scanning as well as remaining clear in regards to the industry developments and best practice. The researcher affirms that all throughout these kinds of leadership challenges, leadership characteristics and attributes tend to be crucial, with various literary works uncovering the impact of leadership to emerge as fundamental foundation as an element of effective execution.

Eppler, Hoffmann and Resciani (2011:1323) state that developing unique and sustainable business models, creative concepts and thinking can be essential in improving business enhancement activities. Nonetheless establishing a creative environment to nurture and promote alternative business approaches is a difficult creativity undertaking. An increasing range of literary works demonstrates that various techniques, visual aids, coaching styles and leadership applications are able to enhance team collaboration and creativity.

According to Spinelli and Adams (2013:135), creative thinking plays an important role in recognising opportunities. It is imperative to develop a heightened sense of awareness of oneself and of the universe, such that opportunities, often unnoticed, will become clear and noticed. In essence, it is crucial to become receptive to all opportunities the universe puts your way. Like any other business tool, the most effective route to developing creativity and innovation in the workplace is to apply a systematic process of development. Whilst creativity naturally implies a disregard for systems, it is through a process that an individual's creativity is enhanced (Benyon *et al.*, 2006:78).

In conclusion, the researcher's perspective is that, given the importance and significance of creativity highlighted by various authors throughout this chapter, and furthermore that companies place high importance on critical functional departments (finance, legal, product development, marketing, human resources). However, the lack of emphasis on creativity is a major concern, hence the proposed need for a Chief Creativity Officer (CCO), that is a formal and fulltime position within an organisation to establish, promote and guide the awareness and execution of creativity and innovation within the organisation.

## **1.7. PROBLEM STATEMENT AND RATIONALE OF THE STUDY**

### **1.7.1 Introduction**

Stagnation of the SA furniture retail industry over the past 20 years, with increased pressure from global imports and evolving retail best practice, have contributed to the dismal financial performance of furniture retailers, making the sector the most undesirable for local and international investors. To revolutionise retail, what the Furniture retail industry needs is a new dimension of operating and performance framework that will enhance retail trade to ensure survival of many Furniture retailers in South Africa.

To this end, there is a need for a creativity-driven approach that will not only challenge current paradigms, but redefine furniture retailing and create new furniture retailing operating models. Using a deliberate creativity-driven approach, that will catapult

furniture retail onto a new performance curve that ultimately creates shareholder value through an enhanced customer proposition.

This research is aimed to establish whether there is a need for developing a retail deliberate creativity intervention to enhance overall business performance within the furniture retail sector in South Africa, and the successful execution of a creativity framework to ensure a company's financial success in improved profitability and shareholder value.

### **1.7.2 Dilemma and trends**

Perhaps the best definition applicable to retailing and the application of creativity in business, is the one offered by Torrance (1995:121), Jalan and Kleiner (2005:8), as a process of being sensitive to problems, deficiencies, gaps in knowledge, missing elements and disharmonies; identifying the difficulties, searching for solutions, making guesses or formulating hypotheses about the deficiencies; testing and retesting them and finally communicating the results.

To implement, sustain and cement a culture of creativity to continuously enhance business performance takes deliberate effort, on-going focus and entrenched cultural and behavioural change processes (Neethling, 2005:107). Creativity should be a culture we inherit from our company's successes over years. With that culture, creativity comes naturally and in many forms. The ability to produce work both novel and relevant, and the belief that it is of value, gets our customers coming back for more. One of the advantages of being creative is that we are constantly making exciting discoveries (Torrance, 2000:9). Thus the researcher is of the opinion that the implication of this definition for the entrepreneur is that it is creativity that enables him or her not only to identify the gap in the market, but also to find ways to fill that gap.

Given the views of various experts listed above, the researcher contends that it can be noted that a company's understanding of customers' objectives helps them to define their thinking and focus their efforts in the right direction. Because the creative company is aware that there is always more than one way to confront every challenge, with creative teams having the advantage and first-hand experience to weigh the obvious against the unexpected.

Finally, the more value-add in making things work better for customers, albeit through various business enhancement and improvement initiatives, the longer their relationship will endure with the company. Thus the potential of adopting a deliberate creativity approach within the broader strategic planning process of a company, might well be the value-add activity that provides the catalyst for closing the performance gap, through bridging and integrating the core concepts of creativity and applying these concepts within real business operations, with the explicit aim of improving business profitability.

### **1.7.3 Limitations of existing research**

Numerous creativity literature and research studies are primarily focussed in the field of education and social sciences. Associated with significance of research studies (Maree, 2012:5) is the capacity to acknowledge the limitations regarding prevailing research, and so, on this basis to produce the justification and assertion for almost any research work. A blend of robust researching knowledge, solid guidance or mentorship along with the relevant exposure to associated conventions and workshops is also necessary.

Within this research study the theoretical limitations involved searching for an appropriate creativity model or framework in the absence of a documented retail creativity model or business case. The methodological limitations involved developing the ideal research design to ensure test and data validity and the selection of the respective qualitative and quantitative data sets to support the research objectives. Contextual limitations centred around the dynamic nature of implementing the research approach and design into a functioning furniture business, testing the selected creativity interventions and extracting research data and results within a dynamic real business environment. The framing limitations were experienced in deciding the key questions that would deliver the best outcomes, given that the research study was intended to provide critical input to enhancing business performance, thus finding and extracting the appropriate creativity theory of the selected creativity models and literature and integrate this creativity theory within the real business context.

Additional limitations consisted of the following:

- Selecting the appropriate control and intervention random group of retail branches, given vast geographic dispersion of branches across South Africa.
- Selecting an appropriate good and poor performing regions and divisions without compromising the contamination in the control and intervention groups.
- Eliminating or reducing contamination completely in the control and intervention retail branches and respondents, specifically timing the execution of the deliberate creativity interventions without impacting on the day-to-day retail operations.
- Administering all the NBI and OWI electronically to all respondents across South Africa due to the internet connectivity and diverse computer skills of all respondents, thus administering some NBI and OWI manually and capturing data at later intervals.
- Dealing with staff turnover in the intervention group, in which large amounts of staff needed retraining to ensure that all respondents had been trained and exposed to the deliberate creativity interventions.
- Extracting all the best practices from retail branches to incorporate into the CDCF, and thus creating greater performance in the intervention group

#### **1.7.4 Significance of the study**

Given the plethora of retail challenges facing the South African furniture retailers, currently no evidence of a specific creativity company, institution or government department exists that explicitly focuses on the promotion and advancement of creativity theory and philosophy, and more importantly closing the creativity theory gap in providing practical creativity business tools and techniques in assisting companies to explore alternative business approaches through creativity interventions. With the Ellerines business being a loss-making company in 2009, the researcher was faced with the urgent need for considering alternative business approaches to facilitate a business turn-around intervention within the Ellerines business, to ensure the survival of Ellerines as a furniture retail company over the short term and reposition the business for long-term profitability. Thus, faced with the multitude of challenges, the researcher's consideration of using a creativity intervention as the key catalyst to execute a change

management and transformation program within the Ellerines business as a turn-around lever and build Ellerines into a profitable business entity.

Currently the work done through the Neethling Group in South Africa largely focuses on creativity theory and philosophy with no tangible business interventions that close the creativity theory gap within real business improvement and enhanced profitability.

The researcher thus embarks on a journey to establish whether a structured deliberate creativity change management framework could improve a company's competitiveness, effectiveness and profitability, and to what degree can a creativity model be used to enhance performance within a company.

### **1.7.5 Hypothesis**

By implementing and executing the Conceptual Deliberate Creativity Framework (CDCF) successfully within a company, it can be expected using a change management process to have a direct impact on business and behavioural performance.

***“Implementation of a Deliberate Creativity Framework will enhance financial and behavioural performance of a company”.***

*H<sub>0</sub>: Implementation of a deliberate creativity framework will enhance business performance*

*H<sub>1</sub>: Implementation of a deliberate creativity framework will not enhance business performance*

### **1.7.6 Research objectives**

Outlined below is a descriptive outcome of the research objectives that have been covered in the final study.

#### **1.7.6.1 Primary objectives**

The primary objective focuses specifically on deliberate creativity as a change management intervention, for the following reasons:

- Establish a retail deliberate creativity framework – as a blueprint to enhance retail business performance (profitability) and build a high performance culture in a retail business.
- A practical approach to crafting and implementing a successful change and transformation process within a retail business.
- Advance the awareness and application of creativity within retail companies in South Africa, given the fact that creativity as a practical application and tool has grown very slowly in relation to other developed and emerging countries where creativity has developed into a management science over the past ten years.
- Prove that focused creativity programmes actually increases competitive advantage and drives higher financial and behavioural performance.
- Create the ability to adapt to change and industry pressures, by implementation of a retail deliberate creativity intervention.
- Expand and contribute to new business thinking and approaches, by connecting creativity knowledge to business practices.

This thesis therefore is directed to assist South African companies to consider practical approaches in implementing a creativity framework that could have a profound impact on business performance, cultural transformation and sustained financial success over time, in so-doing:

- Driving high performance and by so doing enhancing profitability.
- Establishing a company culture of ongoing high performance.
- Sustained financial, organisational development and customer growth success.

Within any research study, by pursuing the primary objectives, the researcher also extracts and exposes secondary objectives as the by-product to achieving the primary objectives and outcomes.

#### 1.7.6.2 Secondary objectives

Secondary objectives have been to draft and outline a Retail Business Conceptual Deliberate Creativity framework (CDCF) to:

- Document and create a blue print for creativity in retail companies.
- Establish a South African retail industry creativity metrics and index.

- Establish critical literature regarding linking creativity methodology, process and practical implementation.
- Attempt to guide South African retail leaders and executives in the art of creativity execution and implementation.

In framing and identifying the furniture retail problem, the primary objective of this research has been to establish whether a retail deliberate creativity intervention could enhance the overall business performance within the furniture retail sector in South Africa, and in the process enhance financial success through improved profitability and shareholder value.

#### 1.7.6.3 Key questions that will be answered

Within this research, many questions had been answered in executing the research framework and analysing the final data. However, to ensure alignment with research objectives, certain key questions will have emphasis and be highlighted as significant to lend support to the hypothesis. The research questions adequately stipulate and explain alignment to the primary and secondary objectives.

In addition to the primary and secondary objectives outlined in chapter one, sections 1.7.6.1 and 1.7.6.2 respectively, the following business performance objectives were crafted at the start of the study.

- Find or develop a creativity intervention that could impact or change business performance.
- Develop a retail specific creativity framework that would transform a business into a high performance entity.
- Develop a creativity programme that could be used to develop a high performance team culture.
- Use of a creativity framework to implement a change management strategy that would ensure sustained profitability.
- Develop a creativity training intervention as a means to keep the workforce energised through various synergy interventions.

The research seeks to answer five key questions:

1. What are the financial benefits of creativity in a business context?
2. What are the change management and transformation requirements in implementing a creativity framework?
3. How can creativity enhance company financial value and human productivity?
4. How can companies develop and use creativity as part of the strategic development goals?
5. What role can leadership or the board of directors play in fostering creativity?

#### 1.7.6.4 Key financial metrics

To ensure financial rigour when evaluating data and performance, certain key financial metrics will be used, common to all types of retail companies in measuring profitability.

Key metrics to be used includes:

- a) Sales / Turnover (merchandise sales)
- b) Operational Expenditure (OPEX)
- c) Profit before Tax (PBT)

## 1.8. RESEARCH FRAMEWORK

The research study necessitated a combination of various research methods, namely a detailed literature study, empirical and non-empirical investigations as outlined in the subsequent **section 1.8.2**.

### 1.8.1 Research design

A design may well be described as a process or guidelines towards working on something according to specified conditions (Mouton, 2013:55). A design can be described as a blueprint regarding the way a person plans to undertake a selected activity, furthermore within researching this course of action delivers a framework that advises the researcher concerning which kind of theories, techniques and instruments the research study is likely to be based upon. It relates to preparation and execution of

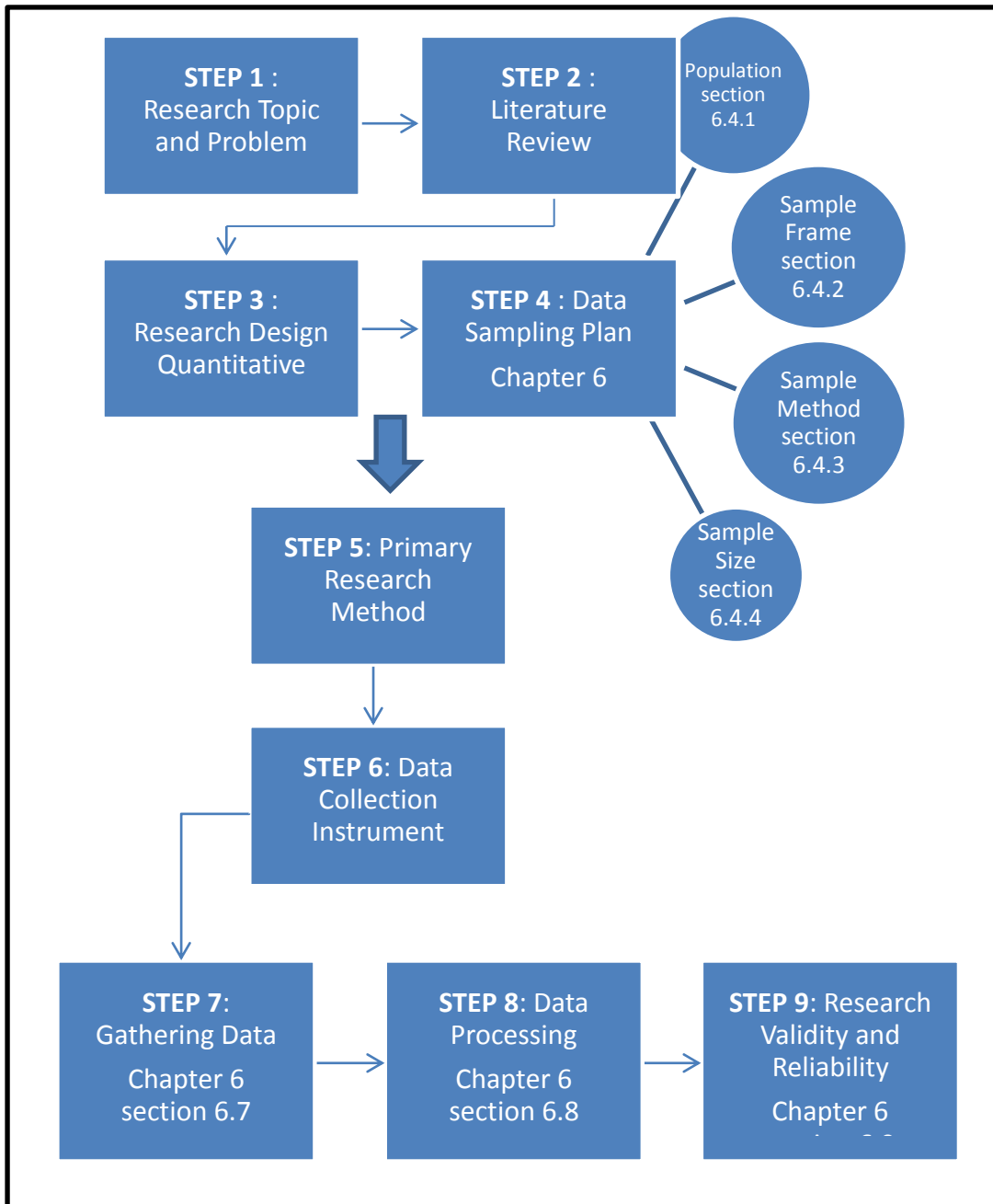
a research study, beginning with the identification of a problem along with advancing through to evaluation and analysis of the results (Maree, 2012:81).

Mouton (2013:56) outlines various considerations in framing an appropriate research design, namely the research strategy to be deployed, the selected conceptual qualitative or quantitative framework, the targeted sample selection criteria, in addition how the data will be collected.

### **1.8.2 Steps in the research process**

Typically, the researching strategy adopted a standard structure of identifying an intervention group that had been part of a creativity intervention and a control group that had no contamination to any creativity intervention and operated within the status quo. Deploying a creativity methodology and developing a performance framework to monitor the results between the two distinct groups which comprised the control and intervention groups. Considering the multiple business challenges with the Ellerines business and mapping the potential creativity outcomes that could be derived from implementing a creativity intervention, by firstly clearly stating the research problem, then finding the appropriate creativity intervention to enhance the business performance. Further developing a directed hypothesis with secondary challenges and conducting a broad creativity literature search. Beyond that, the researcher gathered data within the control and intervention groups relating to the performance challenges, organised the data within rational sequence, interpreted the data using the SPSS statistical tool and furthermore addressed the research problem (Leedy & Ormrod, 2013:30; Welman, Kruger & Mitchell, 2006:14). The particular researching process applied within this study observed the guidelines recommended by Neuman (2009:10) and Welman *et al.* (2006:12) additionally explained in Figure 1.12.

Figure 1.12: Research process steps



Source: Adapted from Neuman (2009:11) and Welman *et al.* (2006:34).

Figure 1.12 outlines the various processes applied with reference to this research study as follows:

**Step 1 [Research Topic, Problem Statement and Rationale of the study]:** It was subsequently identified that the retail furniture business and sector, had no performance enhancing framework or methodology to guide and transform retail businesses in adopting new business models to productively enable them to operate more competitively. The principal purpose of this research study is, for this reason, to develop

a deliberate creativity framework and implementation strategy to enhance business performance and in-so-doing, to improve competitiveness and business profitability.

**Step 2 [Literature Study]:** A literature study had been completed to understand factors important to the successful advancement of a conceptual deliberate creativity framework (CDCF). The comprehensive literature research confirmed the power of creativity and change management within business strategy and uncovered several creativity enhancing variables important in crafting a deliberate creativity framework.

Based on the literature, a conceptual deliberate creativity framework (CDCF) and methodology comprising four primary stages and three secondary integrative components was developed. Primary phases starting with the first phase, identifies the awareness of the current state, second phase highlights application in mobilising commitment and making changes. Phase three facilitates adoption to monitor progress of changes implemented. The final fourth phase cements integration as a means to consolidate transformation and progressing to the next performance level.

Secondary integrative phases comprise continuous improvement and movement to find new levels of performance until the pinnacle point of excelling beyond expectations. Continuous review, monitoring and re-invention to ensure relevance for survival, and finally the synergy inhibitors that continuously drive, motivate and energise to ensure sustained success over an extended period.

**Step 3 [Research Design: Quantitative]:** Research study design is defined by Bless and Higson-Smith (1995:63) and Leedy and Ormrod (2013:76), as being the standard approach towards finding a solution to a research problem. The research format creates a framework when it comes to the processes that the researcher pursues and includes the master plan according to which research participants are gathered (sampling) and data is collected and examined.

This research makes use of the descriptive quantitative research approach described by Leedy and Ormrod (2013:97) as both determining the attributes and character of an observed phenomenon and investigating potential correlations among the list of phenomena. This is a technique of developing a research question that employs numeric data extracted from a representative sample or a chosen subgroup in a well-

designed, methodical and objective means to extrapolate the conclusions to the cluster which has been observed by Leedy and Ormrod (2013:190), Maree, (2007:145) and (Mouton, 2013:155). As is commonly the case in quantitative studies, additional reliability is placed on deductive reasoning by starting with a particular theory thereafter drafting logical findings.

**Step 3.1 [Data Collection]:** As part of the attempt to complete the suggested CDCF (presented in Chapter 8), a combination of activities such as structured training, brain profile analysis, team-building interventions, team performance workshops and a structured wellness survey was applied to reinforce the transformation acceleration needed to enhance business performance and break down any negativity that created performance barriers in the workplace. Intervention group individuals, teams, managers and leaders were requested to undergo intensive training and facilitated workshops developed from the findings of the literature study and selected creativity model. Techniques of evaluating and measuring each performance variable was defined, designed and standardised with significant focus on validity and reliability. Data was gathered from the sample that represented the intervention group population along with the objective to determine, confirm or validate relationships and also to build induction generalisations which subscribe to established and current theories.

**Step 3.2 [Data Analysis]:** Results and data were then compiled into statistical data as quantitative researchers have the tendency to tighten their data to means, medians, correlations or some form of statistic.

**Step 3.3 [Data Interpretation]:** Data and information extracted from the intervention and control groups were compared, reviewed, contrasted and merged with existing creativity theory. Conclusions and recommendations are suggested in chapter 8, also containing the recommended deliberate creativity framework in chapter 8, on the basis of the creativity literature and empirical findings.

**Step 4 to 4.3 [Research Design: Qualitative]:** Mouton (2013:107) clarifies that qualitative research produces explanations of how and why individuals perform certain things. In qualitative research methodology, the researcher considers individuals in their situation referring to an inductive as opposed to deductive approach. Inductive reasoning focuses on learning and developing hypotheses from observation while

deductive reasoning moves out from the general to the specific or from theory to application. The purpose of the qualitative process would be to validate, or triangulate, the findings of the quantitative process.

**Step 5 [Outcomes and Recommendations]:** Outcomes of the research steps are typically presented inside a document or report which employs formal scientific writing and publishing, such as a research dissertation or journal papers. In this research study, the findings and conclusions of the quantitative and qualitative investigations are blended to answer the main and secondary objectives and research questions of this research study.

Supported by the above discussion, it is apparent that the research approach adopted within this research conformed to the process recommended by popular researchers particularly Neuman (2009:11) and Welman *et al.* (2006:13) (see **Figure 1.1**). This is furthermore corroborated by Leedy and Ormrod (2013:78) and Welman and co-authors' (2006:34) concept of research, namely, this research analysis observed the standard structure of asking a question that had no known or identifiable resolution. The question asked was what may possibly serve as a framework to develop a conceptual deliberate creativity strategy (CDCS), subsequently it was that no conceptual deliberate creativity framework (CDCF) existed for a retail business. The question was then engineered into a clearly stated research problem, namely, what would an effective deliberate creativity framework for the enhanced of business performance be.

### **1.8.3 Literature study**

This research study involved a detailed literary works review. Sources selected incorporated intercontinental and domestic references, books and literature reviews, along with business journal articles about the subsequent subject matter:

- Overview of the domestic and international furniture retail industry;
- Competitive forces and challenges within the South African retail industry ;
- Strategic and business enhancement levers that impact the South African retail industry;
- Creativity within the business sector and remedies in the retail industry;
- Creativity framework selection and evaluation;
- Directed creativity integrated into change management intervention; and

- Performance outcomes of a deliberate creativity intervention in a retail business.

#### 1.8.4 Data analysis plan

Table 1.1 below summarises the data analysis plan and outlines the various research and statistical techniques used within the research project.

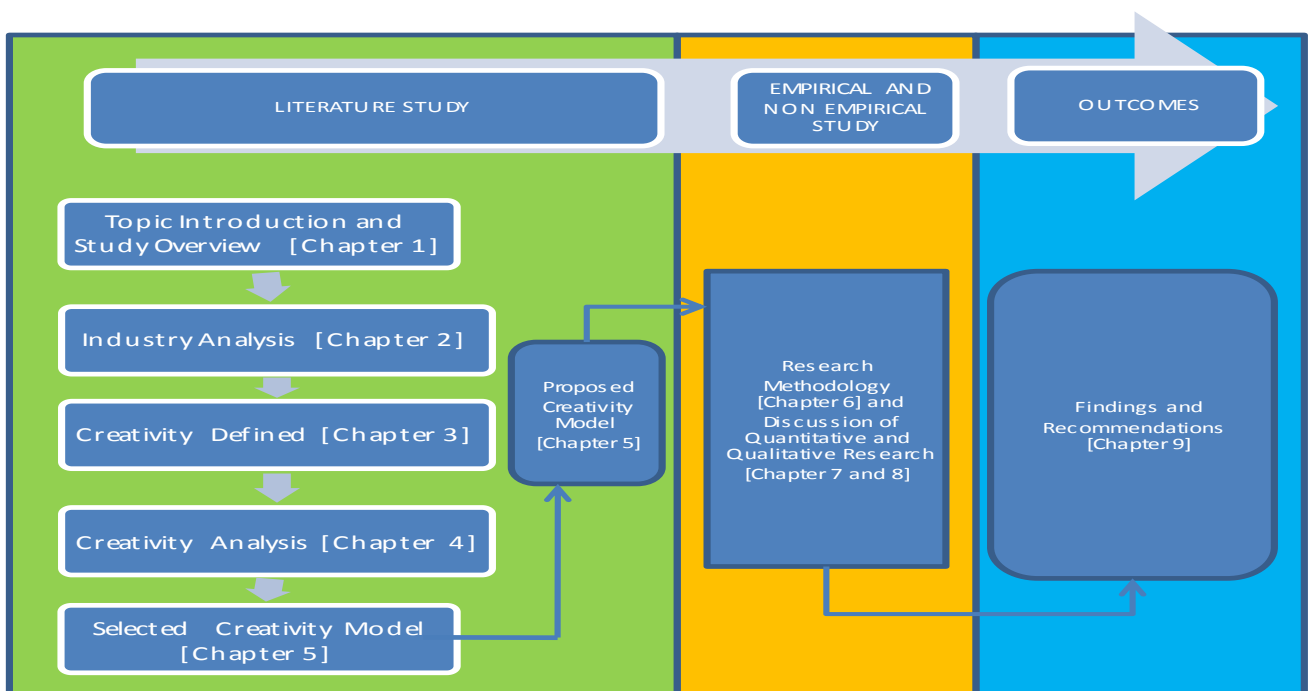
Table 1.1: Data Analysis Plan

Data Analysis Plan					
Research type	Question	Variables		Statistical techniques to be used	Reason for Choosing statistical technique
Mixed experimental design	Is there a difference in the financial indicators/ performance scores of the experimental and control group before the intervention?	Experimental / control group			Appropriate technique for testing the relationship between two categorical independent variables (one within subjects and one between subjects) and one continuous dependent variable
	Is there a difference in the financial indicators/ performance scores of the experimental and control group after the intervention?	Experimental / control group	Financial indicators/ Performance scores	MANOVA: independent samples t-test with one within subjects variable ( Before and after intercantion)	
	Is there a difference between the before and after measure for the experimental group	Before / After intervention	Financial indicators/ Performance scores	and one between subjects variable (Experimental and control group)	
	Is there a difference between the before and after measure for the al group	Before / After intervention			
	Is there an interaction between the independent variables	Before / After intervention; Experimental / control group			

## 1.9 CHAPTER OUTLINE

The literature study extends from Chapters two to four, detailing selected subject matter pertaining to the research work. Chapter five outlines the various creativity models available, selection of the creativity models deployed and the motivation for using the selected creativity model in this research study, and also further lays the foundation for building the research design. Chapter six outlines the research design applied, while chapter seven provides a synopsis of the statistical and financial findings. Chapters eight gives birth to the development of the conceptual deliberate creativity framework (CDCF), also containing the conceptual deliberate creativity framework implementation (CDCIP) and execution frameworks respectively. Included are also details of all the applicable addendums, concluding with a comprehensive list of references.

Figure 1.13: Research study outline



With reference to **Figure 1.13**, the research study includes the following chapters:

### **Chapter one: Nature and Scope of the Study**

An introduction to the international and South African retail sectors respectively, the challenges and business enhancement within retail and the impact of creativity in

business. An outline is given of the problem statement, hypothesis, research objectives and the key financial metrics to be used in the analysis of data.

#### **Chapter two: Business Enhancement and Retail**

The following is included in this chapter: Insights and discussion on business enhancement, a description of various business enhancement factors and its implications, and the available business models and approaches in directing enhancement activities within a company.

#### **Chapter three: The Concept of Creativity**

This chapter provides a detailed insight, definition and descriptive on the topic of creativity, deliberate creativity and the impact on business performance, culture and retail.

#### **Chapter four: Evaluation of Creativity Models**

This chapter entails an analysis of various creativity, innovation and problem solving models, theories and literature used as a comparative approach to identifying a relevant creativity model deployed in this research.

#### **Chapter five: Investigation and Analysis of the NBI Creativity Model**

This chapter provides a description, investigation and review of the Neethling Brain Instrument (NBI), the implications of using the NBI within the model testing, together with the motivation for selecting the NBI. A selection of research data and creativity literature in support of the selected NBI creativity framework was used in this study.

#### **Chapter six: Research Design and Analysis**

An outline of the research approach, design and methodology that has been used in this research project is given below:

#### **Chapter seven: Research Findings**

The chapter provides an outline of the Neethling creativity models and a compilation of all the research findings, learnings, statistical and financial results of testing the Neethling models and Ellerines' financial performance.

## **Chapter eight: Recommendations**

Outline of the research insights, best practice, guidelines and recommendations for creating a retail creativity framework, the building of the creativity architecture and the solutions to crafting a successful execution framework.

The chapter unveils the Conceptual Deliberate Creativity Framework (CDCF), Conceptual Deliberate Creativity Strategy (CDCS) and the Conceptual Deliberate Creativity Implementation Plan (CDCIP) used in the performance enhancement and culture transformation.

### **Addendums**

The list of relevant addendums pertaining to the study is attached in **Volume II** should further information regarding some of the topics discussed be required.

### **Bibliography**

The list of all resources used is listed in the bibliography.

## **1.10 QUALITY CRITERIA AND ETHICAL CONSIDERATIONS**

Ensuring and verifying the quality of data and data analysis are essential features of the research process (Mouton, 2013:109; Leedy & Ormrod, 2013:80). To ensure that the results of a study are reliable and valid even if they are obtained at different times or through different applications of the same assessment or measurement instruments (Welman *et al.*, 2006:181; Maree, 2012:137), the researcher needs to explain which quality assurances strategies (triangulation/crystallisation), has been applied.

Within this research study, the distinction is drawn between the internal and external validity (Mouton, 2013:100; Maree, 2012:137) of the research data. With the internal validity referring to the relationship between the dependent variable (time period) and independent variables (sales, profits, operating expenditures) in the Ellerines experiment. A causal relationship between these two variables implies that changes in the independent variable cause changes in the dependent variable, outlines in chapter 7. To be causal, this relationship must have two characteristics: a particular direction and the exclusion of external factors (Mouton, 2013:102; Neuman, 2009:172; Maree,

2012:137). External validity (Neuman, 2009:172; Welman et al., 2006:144; Maree, 2012:137) refers to the possibility of generalising findings to individuals and contexts that are different to those the researcher considered in the intended research. To control and minimise external validity (Cohen, Manion & Morrison, 2000:226; McMillan & Schumacher, 2001; Maree & Pietersen, 2008:165; Maree, 2012:138) the researcher ensured the following:

- **Insufficient realism** – selection of random participants within the control and intervention groups, ensuring that the creativity interventions were realistic and practical.
- **Ecological validity** – the testing was conducted over a three-year period, ensuring an adequate measurement timeframe within a suitable retail trade period to measure effects over normal and abnormal trading periods. Both groups were measured over the exact same period, to eliminate timing differences.
- **Demand effect** – creativity interventions were introduced within the intervention groups as standard training programmes to eliminate participants' abnormal reactions and behaviour within the test period. Abnormal reactions and behaviours in that by alerting participants that a formal research study period and test had been conducted would influence the manner in which participants would react and respond to training and the execution of the deliberate creativity interventions, thus ensuring a natural response and behaviour within the testing period. Control groups were not alerted to the fact that an intervention group existed or that a special creativity intervention had been implemented as a test within the intervention group.
- **Failure to describe (independent) variables explicitly** – the impact on the business performance through measurement in improvement in sales, profitability and operations expenditure by using a specifically selected creativity intervention was outlined in detail.
- **Instrumentation** – all statistical data was processed through independent database engines (Neethling NBI, Neethling OWI, SPSS version 22). Whereas financial data and analysis was extracted from a combination of external resources and internal (Ellerines) audited financial statements.

## **1.11 SUMMARY**

In summary, an overview of the South African and international retail industries respectively was discussed that included retail trends, challenges and the future outlook. A brief outline was presented regarding business enhancement perspectives within retail and business, together with the impact of change management and transformation on business performance. Creativity in business is discussed as a means to introduce the context and theoretical introduction to the creativity subject matter.

The problem statement is presented, together with the dilemma and trends with regards to creativity and its impact on business. A basic hypothesis, along with the primary and secondary objectives is clearly stated as the basis for the research study with the explicit aim of formulating the business performance enhancement strategy, incorporated within a transformation and change management intervention. The research methodology process, design and types are outlined together with the data collection, analyses and gathering methods.

Mention is also made of the research study limitations, the significance of the research study as well as the quality and ethical considerations for this research study.

Chapter two will provide an insight to the business enhancement approaches within retail and the impact of business enhancement activities on a business performance.