

Marks & Spencer

Marks & Spencer was founded on 1884 as a market stall by Marks. It became Marks & Spencer in 1894 as a partnership with Spencer. From that humble beginning Marks & Spencer became leader in the industry. And for more than half a century M & Spencer was the epitome of enlightened capitalism. It dominated the British high streets and provided shoppers with quality and value clothing unrivalled by competitors. It was one of Britain's largest high profile retailers selling variety of goods and services such as clothes, food, furniture and loan services.

But its glory has started to crumble when its profits began to fall since 1998. M & S has been facing their worst times ever. Their problems began at the start of financial year April 1999. They suffered almost from financial ruins. Since the event of its failure, M & S has been taking more than several attempts to recover their losses.

Extensive studies and researches have been conducted to find out the root causes so as to come up with appropriate strategies for development. Most of the studies started with the company's profile. Below is an analysis of the company's profile and the validity of one strategic management models to Marks & Spencer's experiences.

Marks & Spencer's organization culture is characterized as a reflection of "taken for granted fashion" that is an attitude shared by members of the organization. The beliefs and basic assumptions operate unconsciously among the members and also exist at the organizational level. The assumptions and taken for granted fashion have taken its roots from the basis of the organization's success.

During the 80's Marks & Spencer experienced a massive growth of interest in culture and symbolism in organizations. The culture and symbolism that pertain to *meaning and imagery* are

used to emphasize the 'softer' character of the organization. M & S pattern of action within the organization is treated in view of meanings and symbol rather than as a 'hard' structure of the business system. They depended too much in the image of M & S that they have overlooked the other side of the coin.

`The explanation of why people act as they do may lie not in a combination of "objective" and "subjective" factors, but in a network of meanings which constitute a "world taken for granted" (Schutz, (1964)¹. the participants. Indeed, "objective" factors, such as technology and market structure, are literally meaningful only in terms of the sense that is attached to them by those who are concerned and the end to which they are related... Organisations do not react to their environment, their members do. *People act in terms of their own and not the observer's definition of the situation* (Silverman's, 1970)²

A key for sustainability of all organization is to change and evolve continuously to match with its environment out side its window in which it operates.

Until the late 1990s M&S have been very successful. It worked to achieve this esteem by applying a structured formula to all its operations and maintained it by establishing a set of fundamental principles, which were held as core to the organization and used in all of its business activities since its birth. Their paradigm help them in the past but the same paradigm didn't worked in the present and they went through a strategic drift.

Mark & Spencer's corporate culture from its foundation to its fall in the late 1990s is described as follows:

M&S always depended on the British suppliers overlooking the impact of this system to its financial costs. They had a traditional way of having specialist buyers through an operation being performed from the central buying office from where it was distributed to stores overlooking its effect on time factor.

M & S stores used to have identical layout, design, and training among others. Store managers are not in the liberty to deviate from the specifications. Moreover, there existed severe restrictions on the ways by which store managers relate with the local customers.

And lastly, Marks & Spencer was not interested to cater to current fashion and trends.

The firms failure in terms of its culture is best expressed by Richard Greenbury, M & S chief executive from 1991, *“I think that the simple answer is that we followed absolutely and totally the principles of the business with which I was imbued... I was the business with the aid of my colleagues based upon the very long-standing, and proven ways of running it”*. (Johnson & Scholes, 2001).³

Marks & Spencer as a whole had adhered to these commitments since the time when Simon Marks founded the M & S up to all other succeeding chief executives.

Therefore the firm in its monotonous ways and adherence to hierarchal level strategies and a static outdated system of doing business experienced loss of customer's satisfaction – that is any organization's key to success. As such inevitable downfall followed.

Many analysts saw that M & S had remained too long with their traditional risk-averse formula. M & S had ignored the dynamism of the market place.

In conclusion Marks & Spencer's concluded that the role of Marks & Spencer's organizational culture has been a failure in fostering dynamic organization that led to the fall of M & S in the late 1990s. This culture has brought huge inequality between the organizations paradigm and their operating environment.

Today M & S is trying its best to keep up with time (the factor that they ignored before) in order to recover their position in the industry. New strategic approaches are being implemented to hasten the recovery.

The Validity of Porter's Strategic Business Approach to the Experiences of Marks & Spencer:

Analyzing the environment - Five Forces Analysis

The Porter's five forces generic strategies⁴ aid the business to contrast a competitive environment. Five forces looks at five key areas namely the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry.

The threat of entry

The threat of entry looks out in terms of differentiation for M & S to the customers' loyalty that can discourage potential entrants. M & S has a long time developed focus that has served as an entry barrier. As such, it is unlikely for Mark & Spencer to have new entrant in its area. M & S is an expert in this field.

The power of buyers

Marks & Spencer showed and practiced preference in using British suppliers alone. M & S became dependent on its suppliers. It experienced less power to negotiate because of few close alternatives.

The power of suppliers

Marks & Spencer's patronage of British suppliers made them reliant on them giving enough power of the suppliers over M & S.

The threat of substitutes

Substitution can reduce demand for a particular 'class' of products when customers switch to the alternatives. The alternatives came from Tesco and Sainsbury as they acted on providing added value foods. These alternatives provided threat to M & S.

Competitive Rivalry

Under competitive rivalry, Marks & Spencer really faced threat as other companies entered the industry with the same quality goods but with affordable price and up-to-date fashion. This is the area where M & S failed the most. The firm was unable to fight the current of competition.

3. The use of Competitive Strategy Model and Value Chain for Marks & Spencer's

Competitive Advantage Recovery⁵

"The value chain describes the activities within and around the organization which together create a product or service"(Johnson and Scholes, 2002)⁶

Marks & Spencer should give emphasis on the delivery of goods to its customers in the best possible way. This is a very significant way to improve profitability and to foster

competitive advantage in the market place. In this instance, clients have to receive the product that they purchase in satisfying ways such as delivering an up-to-date, fashionable high quality garment to the customer accompanied by an affordable competitive price.

There is a need for Marks & Spencer to improve its procedures on its inbound logistics, operations, suppliers, store designing, layout and many more. Their warehouses should be made clear of old stocks to give way to new up-to-dated stocks. The packaging of their products should also be given due considerations. It is recommended for M & S to consider purchasing supplies from overseas to save cost so as to provide customer product at less price. There is also a need for M & S to redesign their store in ways that give space, convenience, and comfort to customers while they are browsing, fitting and shopping.

Moreover, it is recommended for M & S to employ the use of information technology system to facilitate smooth and fast running services to its suppliers and costumers.

Apparently, Marks & Spencer are already taking steps on the same way. It is to be expected that following this model M & S will regain its competitive advantage one of these days.

¹ Schutz 1964, *Phenomenology*, [Online], 4/12/05, Available at:
<http://plato.stanford.edu/entries/schutz/>

² Dutta A. *The Marks And Spencer Case*, [Online], 4/12/05, Available at:
http://www.angelfire.com/trek/arpan_dutta/ms.html

³ Johnson & Scholes 2001 *Strategic Management*, Exploring Corporate Strategy 5th Edition.

⁴ Quick MBA Knowledge to Power Your Business 1999 – 2004 *Poerter's Generic Strategies*, [Online], 4/12/05,
Available at:<http://www.quickmba.com/strategy/generic.shtml>

⁵ Quick MBA Knowledge to Power Your Business 1999 – 2004 *The Value Chain*, [Online], 4/12/05, Available at:
<http://www.quickmba.com/strategy/value-chain/>

⁶ Johnson & Scholes 2002 *Strategic Management*, Exploring Corporate Strategy Text & Cases 6th Edition.