

Morgan stanley case study essay



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The main focus of this essay is to present an analysis on Morgan Stanley's business condition and troubles they were facing in the past and to provide solutions to solve their struggle. First, we will evaluate Morgan Stanley's business by using the Porter's 5 Competitive Forces Model. Then, we will illustrate the changes in the firm's value chain before and after June 2005 by using the Value Chain Model. More than that, we will also analyze Morgan Stanley's business by using the Management, Organization and Technology (MOT) factors.

Lastly, we will include recommendations to solve their problems by using the MOT factors. Morgan Stanley is a global financial services firm which was founded in 1935. The corporation operates in four different segments which include Institutional Securities, Asset Management, Retail Brokerage and Discover. The Discover division was founded in 1997 through the merger between Morgan Stanley and Dean Witter Discover and Co. This merger created bags of problem towards the company. Morgan Stanley's staff did not accept the merger while Dean Witter's employees felt disrespected by outsiders.

The Retail Brokerage division did not integrate well with the other divisions. More than that, the company also faced difficulties because they did not invest enough technologically. In consequence, the company's computer system was outdated and could not handle daily tasks efficiently, computers often crashed, printers clogged, and clients often complained about their website. In addition, the company's competitors were already heavily investing in technology and this further complicates the situation. All of this occurred during the administration of Philip Purcell, the CEO at that time. In

2005, Purcell resigned and the board named John Mack as the new CEO of Morgan Stanley.

Under the administration of John Mack, the company changed its directions and began to address the technology issue. John Mack also renamed the Retail Brokerage Division into Global Wealth Management Group as part of his vision to restore the corporation's fame (Laudon & Laudon 2006). The organisation can use competitive forces model as a tool to create a plan by examining the situation in which the organisation compete (Haag, Cummings & Dawkins 2000, p. 324).

There are five forces model which helps view the business of the company within an industry. These five main competitive orces include customer force, substitute force, new competition force, current competition force and supplier force. Curtis (1998, p. 45) believes that the success of the business can be determined by looking at how the business react to these five forces.

Generally, customers can use their power to negotiate or threaten over the business whether to buy the product or service from the competitor (Curtis 1998, p. 47). There are some factors which will affect the customers' decision such as product standardised, number of sellers, role of quality and service, and so on (Wikipedia). According to the case, despite the merger between Morgan Stanley and Dean Witter, Retail Brokerage was poorly operated. The brokers had a disadvantage of not being able to do their job with an application which can provide them with both real-time stock quotes and transaction histories due to the poor outdated computer system.

Poor quality and services provided by Morgan Stanley caused dissatisfaction within customers. This eventually led to the downfall of their business when customers decided to switch over to their competitors who offer better services. Normally, customers will be easily attracted to low prices. Hence, Morgan Stanley should play their part by keeping track of the pricing of its substitute.

The existence of barriers makes it harder for new competitors to break into the financial service industry. These barriers include licensing agreement, exclusive access to natural resources, and more importantly the government's rules and regulations (Sender 2008). Morgan Stanley being the global financial services firm has covered many areas when they invested in different local markets in about 30 countries causing more difficulties for the local investors to enter the industry. Their competitors can be put into two categories namely the domestic financial services firms and the international financial services firms. Hence, we can assume that there are quite a number of competitors that Morgan Stanley is facing as they operate globally. Morgan Stanley has a capital introduction team that has developed long-standing relationships with more than 1800 global institutional investors including pensions, endowment, foundation, insurance companies.

This proves that Morgan Stanley has high level of differentiation of inputs. As it is long-standing relationship, Morgan Stanley's cost of inputs should probably be the same during that period therefore the price of the services should be the same too. Next, we will analyze changes in the firm's value chain. Base on the analysis of Morgan Stanley's case, it is obvious that Morgan Stanley was suffering from poor firm value chain before June 2005.

As we can see, the main problem that occurred was due to the fact that Morgan Stanley had underinvested in the information technology sector. Thus, this occurrence led the Retail Brokerage department to not integrate well with the rest of the company. Irregularity in platform systems created difficulties in daily operations and inefficiency in employees' performance. More than that, the computer systems were outdated in the assist of the business's everyday transaction and processes, as it lacked speed and reliability.

As a result, it reduced the company's operational efficiency and profit margin of the company. In addition, Morgan Stanley was not presented with proper information system. The average income of customers was not presented well in the company's system and this has caused major defects. All these matter led the corporation to lose high profile clients and dissatisfy top brokers. This reduced Morgan Stanley's customer platform and supplier intimacy. After June 2005, the firm's value chain has been strengthening.

Morgan Stanley had finally decided to increase their investment in technology. The new system that they had implemented to the brokers definitely helps them perform more efficiently compared to before. The brokers found that there is a better way to solve most of the difficulties that exist within critical peak hours, especially in updating latest stock market information and also client's accession. By associating towards customer's benefits, a valuable chain can be performed.

Although it might not be as important as handling hands-on information through the online services for customers, it might be second best. The

Retail Brokerage has also produced the warmest profit following by the essential changes in incorporates. Therefore, by creating a tough built value chain, more advantage from the clients can be obtained by the employees. All the benefits gained will be change into added value for customer's service quality.

Consequently, both client and supplier confidence are well enhanced. As the new head of global wealth management, I would invest in Business-to-Consumer (B2C) e-Commerce. " Business-to-consumer electronic commerce involves retailing products and services to individual shoppers" (Laudon & Laudon 2006, p. 114).

The customer can be able to get resources from the company's website and also be able to make transactions online. The customers will have more convenience in doing any transactions online. The customers will also be able to get information through the company's website without the hassle of waiting on the phone or for the broker. The research by Forrester has also shown that customers actually want more hands-on control of their portfolios and therefore want more tools and services online. By providing B2C e-commerce, we will be able to meet the expectation of our customers.

To be able to have a successful B2C e-commerce, there are 7 factors in which have to be met. These 7 factors are selection and value, performance and value, look and feel, advertising and incentives, personal attention, community relationship, and lastly security and reliability (O'Brien, 2003, p. 271). Out of these 7 factors, there are factors in which will be more important for Morgan Stanley's financial services firm which is security and

reliability. This is because transactions can be made online and thus security is very important to prevent any fraud or identity theft to happen. In our opinion, we think that Morgan Stanley's plan for integrated client information system is worthwhile.

With this system, brokers will have a better view of client portfolios. The brokers will also be able to access all relevant data such as transaction history, contact history and also portfolio performance. As for the client, the customers will not have to go through confusing mazes of figures to add up gains and losses on their year end tax reports. As a conclusion, I find that this system will benefit the company and also the customers. Besides the new system, changes in management and organization are the main factor that affect revenue and profit growth at the Global Wealth Management Group.

First of all, Global Wealth Management Group needs to upgrade their management structure and also define key leadership roles. For example, James P. Gorman can assume a new role as the Head of National Sales. In this situation, he will have a chance to oversight directly of the firm's financial advisors, and it will effective immediately. Next, a replacement of the regions and layers of management with some professionals can lessen the time taken to report to the top manager, because those professional will report directly to top managers. But it does not mean that they should replace all the regions and layers.

The layers should probably be lessened. For instance, at first maybe there were eight regions with two layers of management between Mr. Gorman and

the regional management. It may be reduce to four regions and no layers between the regional management and Mr. Gorman.

By doing this change, it may help to increase revenue and profit indirectly. On top of that, the one most important thing is that Mr. Gorman must have strong communication skills and a clear vision for the business and also re-energized the sales force to achieve maximum sales. More than that, Mr. Gorman should also be able to build strong relationship with Financial Advisors by overseeing their sales team properly.

In addition, they should be able to leverage their resources and develop their talent going forward by putting proven leaders into new management roles and also streamlining the regional sales operation. These changes are required to increase the revenue and profit of the Global Wealth Management Group. Besides that, overseeing the National Sales organization is very helpful to provide a direct leadership to the sales force and also to make sure that they are having the right goal which is to achieve their target wholeheartedly. This step is done to ensure that their sales force has the tools and resources they need to be successful. As a result of the increasing number of successful woman, it is an important issue to manage a gender class action lawsuit which includes before and current women financial advisors and also registered trainees. In this case, James Gorman must adopt new programs such as redistribution of account, management development which plans to increase the success of woman financial advisor.

Lastly, financial advisors must receive a new training in some areas such as trusts and retirement planning to alternative investments and also the

financial aspects of divorce. It will help them to advise the clients on a wide range of wealth management needs. In conclusion, Morgan Stanley's mistake in under investing in technology is truly proven. By using the Management, Organization and Technology factors, it is obvious that Morgan Stanley's step to diversify and invest more in technology truly worked out.

Recommendations such as minimizing the layers of hierarchy structure of the organization can also be seen as great methods to overcome management flaws. Morgan Stanley clearly did not do well during the administration of CEO Purcell but tides have changed ever since John Mack took over the helm as CEO of the corporation. (1 955 words) Reference: Curtis, G 1998, Business Information Systems: Analysis, Design and Practice, 3rd edn, Addison-Wesley, New York, United States of America. Haag, S, Cummings, M, Dawkins, J 2000, Management Information System: For The Information Age, 2nd edn, McGraw-Hill, United States of America. Laudon, K.

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