

Assessing the marks and spencers retail chain



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Marks and Spencer is a British retail chain with over 800 stores in around 30 countries (600 in the UK). Food and clothing retail play a large part in the Marks and Spencer corporate strategy.

The Marks & Spencer business model has had to adapt to change and consumer trends over the years to maintain the company's position as one of the largest retailers in the world.

Marks and Spencer (M&S) is a heritage of the British retail and has been present for nearly 130 years. Throughout the years, several individuals have led the organisation and distinct patterns of leadership style can be observed. The impact of leadership style at M&S will be compared to the organisation's performance and critically evaluated against published leadership models. Covey, S. R. (1990)

Historical leadership (1880-1990) (Mathieu)

Until the middle of the 20th century, the customers and employees were divided in two classes: middle class and working class separating people who had money and the working class who hadn't. Additionally, women during

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this period seemed to have predominantly a reproducing role and did not have direct political power. Gender and classes have shaped the evolution of M&S dominated by strong powerful males from its early days [Rippin A. (2005)].

The leadership of M&S has been and still is dominated by men. Michael Marks founder of M&S had the traits of an entrepreneur. As the leadership was passed on through the family, increased competition within the heirs led to emergence of stronger characters. Michael's son, Simon Marks and later Simon's brother in law Israel Sieff changed the leadership style towards a stronger dictatorial influence. Both Marks and Sieff families had been victims of violence especially during the war and controversially established an organisation with 'systematic symbolic violence' and bullying [Rippin A. (2005)].

M&S managed to blur the gaps between the social classes, at least on the fashion aspect by the type of clothes provided by the company. Working class women could at last afford and wear elegant and aspiring clothing deemed to a superior class.

Derek Raynor took over in 1983 which was a major transition from a family business to a plc. In 1988, Sir Richard Greenbury concentrated on the operational and financial of the organisation. In the following year however, M&S failed to transform significantly and became reactive [Stockport G. J. (2000)]. As the environment became more dynamic, customers' expectation changed, competition became fiercer but M&S failed to keep up and adapt to the market. The family business became victim of their past success and

lacking of a person with exceptional calibre to lead change through its professional debut.

2. 0 Leadership transition

Changes outside and inside M&S In 1997 M&S made over 1 Billion pounds of profit and accounted for over 16% of UK's clothing market. The company was then valued at 19 Billion pounds. (1997 Annual Report).

1998-1999 marked the start of an under performing period and share price plummeted by 40% [Cape Times Business Report (1999)]. As competitors such as Zara and Next took market share from the top end of the market while the same time value offerings were attacked by the supermarkets who were increasingly entering the same market. Peter Salisbury became CEO in 1999 and started to question the M&S ways of working. He placed an emphasis on empowerment by reducing the number of hierarchical layer from eight to seven, and promoting a sense of ownership and decision-making in local stores [Stockport G. J. (2000)].

2. 1 Is there something missing

Greenbury's position came under threat as others in the ranks attempted to usurp him. For a short period, Salisbury was promoted to the post of Chief executive. However his tenure was short lived and after replacing much of the senior management team he left.

On January 2000 the M&S board appointed a new chairman from outside the business, Luc Vandeveld. Vandeveld was a Belgian accountant with a wealth of experience in managing food brands Covey, S. R. (1990)

As Van der Erve points out, Vandevælde is a transformational leader. From the word go, he makes significant changes. Initially laying off over 4000 employees and Selling the European arm of M&S [Van der Erve (2004)] and undertook a sale and leaseback of many of M&S's properties. He also experiments with a new convenience store format in London.

Vandevælde was a fairly aloof leader. In View (2005) quotes Vandevælde as advocating 'healthy selfishness'. This means defining boundaries such as working hours and putting personal needs first while being willing to defend others. His emphasis was on being able to step back and develop thinking spaces. Vandevælde did appear to reverse M&S's fortunes and profits rose from a low of 146 Million in 2001 to 781 Million in 2004.

Many critics have claimed that Vandevælde became increasingly detached from M&S during his tenure. In addition to his role at M&S he was also on the board of Carrefour and is a non-executive director of the mobile phone giant Vodafone, and Change Capital Partners [Independent (2004)].

In 2004 'Cool hand Luc' announced that he was stepping down. One member of the M&S board was quoted as saying "He read the board's mood precisely. We were fed up with how little time he was spending here, so we were close to asking him to leave." [Independent (2004)].

In June 2004, Phillip green saw the power vacuum, and made a bid for the company of 9. 1 Billion. In what became characterised as a battle, newly appointed Chief Executive Stuart Rose, the recently also appointed Chief Executive, eventually defeated Green. After a good deal of campaigning Rose managed to persuade shareholders not to take up Green on his bid. But <https://assignbuster.com/assessing-the-marks-and-spencers-retail-chain/>

as Stuart Rose had been with M&S for over 33 years and had a passion for the business, he turned down Green's bid.

Looking Rosy (Rose - 2004 - now)

According to Covey, S. R. (1990) In 2004 performance was poor, with customers defecting to competitors. Investors were uneasy and showing signs of losing confidence. There was a lack of clarity about what the brand really stands for, even though it had a high profile and evoked strong opinions. Increasingly, key competitors were showing signs of becoming much more focused and effective.

Marks & Spencer's Board was not particularly aligned., Its leadership team does not encompass the right mix of skills, knowledge and experience to enable the company to regain its long-held position as a market leader. This was the scenario which Stuart Rose stepped into, when he became CEO of UK retail giant, Marks & Spencer, in May 2004. Rose was determined to:

- make fundamental changes

- change from a bureaucratic old fashioned organisation into a modern dynamic

force

- implement the missing ' Shared Values' to complete the transformational leadership model

Stuart Rose's new leadership model led to improved performance highlighting

number of key features:

He was very deliberate in managing key stakeholder groups to buy time to create confidence in his ability to lead out of its difficulties. This was especially important in dealing with the takeover bid and creating reassurance for investors that an independent M&S under his leadership would create better returns.

He inspired confidence that he could create value. In rejecting the offer from Philip Green of £4 per share, he persuaded shareholders that the M&S share price

would rise far beyond that point. Today, it is trading in excess of £6.

He was clear and decisive about the leadership team he needed. This included

taking some tough decisions about the make-up of that team, making it smaller and more clearly accountable, but also paying attention to signals about leadership culture. Covey, S. R. (1990)

The plush headquarters at Barker Street, with all its hierarchical culture were swept away. At the same time as slimming down the top team, he simplified the management structure to make decision making faster, more accountable and transparent. Rose himself was regularly seen on the shop

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floor close to employees and customers – and he expected his team to do likewise

He immediately engaged with employees at all levels. A major side effect of the

loss of confidence in M&S was low employee morale. This had a direct effect on the way in which they interacted with customers – stories of poor service from apathetic employees abounded. Coleman, J. (1990

Rose focused on re-building employee pride and commitment. But he was also ruthless in removing some long-term employee perks which had grown to become rights. He introduced more professional, performance based contracts for staff which

were designed to reinforce and reward behaviours which support organisational

performance.

He took a personal interest in the product ranges and critical buying function of the organisation. M&S long believed that buying was a generic skill, that a buyer

of cabbages could equally well buy ladies' fashions. But with buyers being rotated around different areas of the business, the result was that some key areas, notably clothing, lacked of coherence from season to season.

Coleman, J. (1990

At the same time, he embarked on a major revamp of stores, supply chain management and advertising. The results were striking. But above all, the success of these changes are founded on confidence and belief in Stuart Rose as a leader.

4. 2.

2. 2 Rose's style changes to autocratic

For a number of years after stepping in, Sir Stuart was lauded by investors and retail experts alike. He was credited with refocusing and re-energising the business, giving it cachet among younger, more fashion savvy customers and making it more profitable.

But these bouquets have turned to brickbats over the last year or so. First, Sir Stuart faced accusations in March 2008 that he was becoming too powerful after he surprisingly agreed to combine the role of chairman with his existing position of chief executive. Blackmore, J. (1999)

Some argued that Sir Stuart garnered too much power and turned into an autocrat. But Sir Stuart has played up the necessity of decisive leadership at the time in which conditions on the High Street were deteriorating rapidly.

[reference]

On the other hand, others have cast aside doubts over claims that Sir Stuart's style has become too autocratic and place their faith in a man seen as one of the UK's most successful retailers. They will remember the trouble that M&S was in when he arrived from Arcadia in 2004, losing market share

to hipper and cheaper rivals and struggling to argue a case for remaining independent. Bevan, J. (2002)

His turnaround strategy proved highly successful and under his leadership, M&S won back its reputation for offering value for money while a strong commitment to ethical values and an environmentally-friendly approach also had a beneficial effect

2. 3 Gargantuesque ego in Rose's Style

Some investors felt that Sir Stuart garnered too much power, recognizing himself above the others or having Gargantuesque ego. Gargantuesque ego, popularly conceived as an over-inflated sense of self-importance, is a major stumbling block to effective leadership. Initially, Sir Stuart was brought in to lead Marks and Spencer's to fill a CEO role, a position that provides significant decision-making power in all areas of the business. Sir Stuart had some strong ideas and asked vital questions about measurement, accountability and processes that come from his perspective and experience. However, his emphasis on getting results, no matter what ran counter to the existing culture where people and relationships weighed in equally. Bevan, J. (2002)

2. 4 Review of employee's contracts

Recently in 2008, a worker at M&S who "blew the whistle" on the high street giant's plans to slash redundancy terms for more than 60,000 staff was suspended and faced a disciplinary hearing. Adorno, T. W. (1950)

M&S plans to cut redundancy pay by up to 25 per cent as part of proposals triggered

a fierce backlash among staff, which feared a widespread round of job cuts.

-A memo showed that a typical 49-year-old employee with 30 years of service

would see their possible pay-off fall from £35, 000 to £26, 000.

-Those aged over 41 would get three weeks pay per year worked instead of the current 3. 75, while staff aged between 22 and 40 would receive two weeks instead of 2. 5.

-The Business Involvement Group also warned the M&S board that the proposed changes had caused “ an unprecedented level of concern and anger” with staff asking “ Why do people at the bottom get the sack on the cheap while the top bosses get large payouts even when they leave having messed up?”

Initially, when Sir Stuart Rose took the reigns, one of his main objectives was to have employee-focused goals for motivation and improved performance. This objective proved successful initially however recently, the shift of strategy with the announcement of the review of employee contracts caused unprecedented anger with some questioning around the autocratic leadership style practiced by Sir Stuart Rose.

2. 5 Performance indicator (Christopher)

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Although the literature Davies, B. and Ellison, L. (1999) on the link between causal effect relationships of leadership on performance is fragmented and inconclusive, there is still a strong suggestion that different leadership styles influence organisational performance. Financial performance of the company in this period shows a steady improvement of performance for M&S year after year. The turnover increased from around 8.1 billion pounds in 2002 to around 9.1 billion pounds in 2008. The profit margin jumped from 4.13 per cent to 12.51 per cent in the same period (Figure 2). The share price, which indicates the confidence that external stakeholders have in the performance of M&S, has recently plummeted after having done so well for a few years. From the time that Rose Stuart took over as CEO, the share price managed to reach a peak of £7.42 (Table 3 and Figure 5, appendix). Table 2 also indicates a series of improvements under Stuart Rose of gross margin, return on shareholders' funds, capital employed and return on total assets. These indicators show that the company was being run efficiently and effectively. This can be attributed to the leadership.

3.0 Temporal leadership model

According to Davies, B. and Ellison, L. (1999) the different leadership styles observed in the history of M&S have shown some impact on performance but cannot be exclusively the only influencing factor. The iteration of leadership adaptation with a changing environment and the speed of adaptation have increase over the last decades. Figure 1 shows the impact of the leadership style on performance over time depending. One can observed that changes in M&S leadership style go through transition periods but one type a specific type of leadership doesn't have a direct correlation on performance neither

in the short or long term. Van der Erve [Van der Erve M. (2004)] has drawn a model based on the leadership requirement depending on the organisation growth curve and economic development dividing the different categories in temporal comfort zones. Van der Erve argues that the model can help in selecting the right type of leader with desired skills and behaviour for the development of an organisation.

According to the temporal model, the early leaders (Marks) were 'Transformers', creative and innovator and quickly evolved into 'Builders', nurturing product niche. The organisation managed to further 'grow' by expanding internationally. The drop in performance seems to have happened at a time where the leadership should have evolved in to the 'confronters' zone, questioning the established culture and open up the organisation. The focus was targeted towards operational performance rather than challenging a long running family embedded culture and failed to establish a vision.

Autocratic leadership was also accepted, at least not rejected in the last century due to the power of social classes in an instable period of World Wars was dictatorial political figures ruled by example. Davies, B. and Ellison, L. (1999)

3. 1 Transformational leadership.

While transactional leadership implies a steady state 'transformational leadership' (Leithwood and Jantzi, 1990) is a more dynamic concept. The three key components of the concept are 1) the stimulation and development of a collaborative culture 2) contribution to the continuous professional development of teachers, and 3) expansion of the problem-

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solving capacity of the school. Transformational leadership provides the vision and inspiration that is intended to energise all members of the school community. It is about 'transforming' organisations and creating new cultures in which collaboration is valued, systematic enquiry is assumed to be the proper basis of professional judgement and in which there are high levels of reflection and discussion of professional practice. It sets expectations high and assumes a strong sense of shared responsibility for attaining educational goals. Dimmock and Walker set this in a multi-cultural context: This type of leadership style seemed present in Marks and Spencer.

3. 2 Transactional leadership.

Transactions among people imply measured give and take. Services are rendered and rewarded when they meet approval. The concept is attributed to McGregor Burns (1978). He sees the transactional leader as setting the goals for the organisation and letting people know what needs to be done to achieve those goals. Faith is placed in systems, structures and data which will assist in reaching those goals. This is akin to exchange theory, a quasi market model of everything being weighed in terms of individual profit and loss in an 'economy' where there is stability of value and currency. People know where they are, what they owe and what they are due. Leaders and followers are in fixed and recognisable complementary roles. It is a steady state founded on stability and efficiency in meeting short term goals.

Transactional leadership does not appear to have any positive advocates but rather seems to be proposed as a foil to transformational leadership.

Nonetheless, Leithwood (1992) warns against dichotomising the two

concepts and argues that transactional leadership may be a stage on the way to transformational leadership. Davies, B. and Ellison, L. (1999)

This style is present all the time as it offers the operational management to perform its role of carrying out transactions within the organisation.

4. 0 Other models

4. 1 Professional leadership. It is difficult to conceive of school leadership which is not professional, but it has been invested with a distinctive meaning by Sergiovanni and others. Sergiovanni argues that authority may be derived from different sources but one of the most compelling of these is the authority which comes from transparent professional knowledge and expertise.

He or she must espouse professional values and possess appropriate professional knowledge and judgement.

5. 0 Conclusion

There has been a trend in the last few years to move away from notions of 'management' to rebrand movements, projects and organisations under the leadership banner. Management training becomes leadership development and senior management teams are being reincarnated as leadership teams. This is to create a distance between leadership and 'management', the latter seen as a more limited concept and too closely associated with managerialism, a somewhat discredited approach based on rational, 'scientific' principles. Critics, such as Gerald Grace, for example, argue that much of this is smoke and mirrors, not so much a substantive change as a change of rhetoric. Others have made theoretical distinctions between the

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concepts, between focus on systems (management) and focus on people (leadership), between administration and innovation, short term planning and long term vision, accepting or challenging the status quo. Bennis and Nanus' (1985) distinctions between doing things right (management) and doing the right thing (leadership) has assumed an almost folkloric status. These categorical separations are, however, contentious. Some take the view that management is necessarily subsumed as an aspect of leadership while others argue that in practice, as well as in theory, there are people who lead and others who manage, and that many successful teams are combined of people who bring complementary roles and skills to their collaborative work.

Ultimately, discussion of what is management and what is leadership is of less importance than what both are for. What is being led and managed? What lies at the heart of leadership? As a Leadership for Learning Network our position speaks for itself. Leadership in a school context, we contend, must first and foremost be concerned with the how, why and what of learning. The who refers, naturally, to children but is conditional on a milieu in which those who teach, those who lead, and those who manage are themselves exemplary learners.