

The organizational study of levi Strauss



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Abstract This paper analyzes the organizational structure and design of the world's largest brand-name apparel marketers, Levi Strauss & Company. The concepts of hierarchy, change management, and employee involvement applications will be discussed, along with the organization's environment and competitive strategies.

The premise of this paper is the accomplishment of this organizational mode Levi Strauss for change and the ultimate success of the company's transformation. Levi Strauss and Company was founded in 1853 and since has become a household name in the trouser industry. They are the world's largest producer of brand-name clothing and the second largest maker of jeans in the United States. Levi Strauss started the tradition of being an apparel innovator and today, the company still upholds the commitment to offering products that are right for every generation. Levi Strauss mission statement is to seek to reflect the voices of the communities where they have a business presence and make a difference by addressing tough social issues and empowering people to solve their own problems and those of their communities The values of Levi Strauss and Company are the foundation of the company.

It is what defines them and sets them apart from the competition, sets the vision for the future, the business strategies and the decisions that are made. The four core values are empathy, originality, integrity, and courage. When they talk of empathy, they are walking in other people's shoes. Their success comes from listening to what consumers want and meeting their needs of the consumers, retail customers, shareholders and employees.

The company's long-standing traditions of community involvement and employee volunteerism continue today which contribute to their commercial success. Authenticity and innovation is what makes Levi's an original. The jeans have been worn by generations who incorporated them into their own sense of style. The ethical conduct and social responsibility illustrates the integrity that the company holds for always doing the right thing. The commercial success maintains the company's beliefs and behaviors which motivates customers trust and loyalty.

And lastly, the company has the courage to always stands up for what they believe in, whether it is challenging accepted practices or conventional perception. Their ultimate goal for Levi Strauss is making the company more competitive by implementing a number of business turnaround strategies and by changing the process of how they develop, deliver, and market the products. The organization markets their products under the leading brand names such as Levi's, Dockers, and Signature. These are the most widely recognized brands in the apparel industry.

The company's organizational level analysis begins with their strategy. The corporate citizenship states a strong belief in the company which can shape society through civic engagement and community involvement, responsible labor and workplace practices, charity, ethical conduct, and environmental awareness. The four core values of the company's mission statement of empathy, originality, integrity and courage sum up the long-term purpose of the company's goal Levi Strauss for successful strategy and transformation. Levi Strauss developed and implemented a sourcing program in 1991 that incorporates value in working with stakeholders for improvement of working

conditions in factories that produce their products, and a Levi Strauss in the communities where these are located at. They were able to gather valuable information and maximize positive effects by working with other companies and key stakeholders, such as non-governmental organizations, local governments and trade unions.

Other memberships and working groups that this organization is a part of are The Business for Social Responsibility, American Apparel and Footwear Association, and The U. S. Council for International Business. Information technology assisted the organization by obtaining a sharper customer focus and helping management make better decisions. Levi Strauss was able to acquire detailed knowledge and understanding of their customer base, which in turn, provided products which brought back interest in the Levi's brand. With the Information Technology revolution, Levi's Jeans even designed a jean with a docking station in the pocket to place one's IPOD.

Last year, they a Levi Strauss produced a mobile phone with a range of denim cases to choose from. The ideas of merging fashion and technology came from customer feedback and satisfaction. The Levi Strauss and Company Technology Center has eighty employees and is responsible for the research and development, design, engineering and manufacture of specialized sewing equipment for Levi Strauss plants. In 1999, they purchased MK Manufacturing Software which managed centralized purchasing operations for the United States and Canada factories and to support the manufacturing and inventory of the machines used to make Levi Jeans. In the company's transformation and structural change, they have managed to modify the entire process of how they develop, deliver and

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market their products by making their products more innovative and appealing to customers.

They expanded the licensing programs so they can offer more product ranges; and they a Levi Strauss improved the economics of brands for the customers. Lastly, they improved the operational efficiency by implementing new business planning and performance mode Levi Strauss that clarifies roles, responsibilities and accountabilities. The end result was steady sales and profitability for the company. The main focus of the company's human resource management is conducting activities designed to fit cultural differences and career development of employees. The employees must attend classes that teach the company's objectives, values and ethics, and a Levi Strauss how to understand the lifestyle and background of people.

The company a Levi Strauss expresses concern for the employee's work and family life by helping them balance their responsibilities. The company's corporate culture purpose is ethical conduct and a strong commitment to social responsibility. The company developed an Aspiration Statement which specified their commitment to communication and ethical management practices. Those that followed and abided by it received recognition and empowerment. They value the diversity of employee's backgrounds, experience and knowledge, and welcome the ethnic, cultural, and lifestyles of the communities where the employees live and work. Levi Strauss installed self managed teams which increase performance, improve the quality of the products, and promote originality level Levi Strauss.

The organizational system refers to the members in making team decisions, which in turn, increase effectiveness, sense of responsibility and ownership of the work. T. Gary Roger is the Chairman of the Board. John Anderson is the President and CEO. And Hans Ploos van Amstel is the Chief Financial Officer.

The organization knows they still have work to be done in order to stay on top and continue to be the most worn line of clothing in the world. Their value-driven competitiveness and major transformations has definitely set the standard in becoming a successful company. The biggest challenge and uncertainty is the massive change in the world, and what customers want. Customers are becoming more demanding and suppliers are abundant. The company is in the process of remaking Levi's for the 21st century. They set targets for the new design and implementation.

They are researching what the organization should look like and what the customers expect. By listening carefully to not only the consumers, by the employees themselves, the work and concepts will be built to everyone's satisfaction. Levi Strauss: Product Life Cycle Levi Strauss has gone discount. We see this change in distributors such as Wal-mart, Kmart and JCPenny. This is indication that Levi is in the decline stage of the product life cycle. At this point there is a downturn in the market.

For example more innovative products are introduced or consumer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting. Efficient Vs. Learning Levi Strauss has a Horizontal structure.

This dominant structure consists of the following: ? Shared tasks, empowerment ? Relaxed hierarchy, few rules Horizontal, face-to-face communication ? Many teams and task forces ? Decentralized decision making This type of structure as we will further discuss is functional with cross functional team integers is decentralized but lacks stability, efficiency, control and reliability. Intervention Strategy: Levi Strauss Company Change of an organization structure and ability to adapt occurs when three elements are in place simultaneously: (1) dissatisfaction with the present situation, (2) a compelling vision of how the change will create a better future; (3) first steps for reaching the vision. If any of these elements is missing or collectively they are less powerful than the resistance to the change, then change will not take place. Thus the first part of an intervention focuses on creating a common database and the foundation for the dissatisfaction. Following that, the intervention moves to creating a future that is far more desirable than that which caused the dissatisfaction. It ends with participants developing and implementing steps that are necessary for moving the organization and themselves forward.

We chose to focus on a large group intervention process facilitated by outside consultant OD practitioners. Reason for this is to dismantle the group think and develop strategic ideas that would be innovative and effective.

Desired Outcomes: ? Prepare, Practice and Participant in the change process ? Gain a better understanding of the business, customers, what we sell, and whose needs the products meets ? Levi Strauss vision are effectively communicated ? Renew individual Levi Strauss and organization spirit Begin thinking globally, internally and externally The goal of this

intervention is to elicit feedback and input from all members of the organization, develop an effective annual plan based on the proposed long range plan. It should be designed to accommodate full and part-time members and administrators to a one-day event which should include over 95 percent participation.

This would allow all members to engage in whole system conversations since many employees come from different parts of the system. Implementation of change management activities Perhaps the primary means to directly implement change is for the leaders to forcefully create a sense of urgency. Many organizations fail at change management because of lack of communication, failure to define objectives, project management problems, technical issue and inexperience in scope and complexity. Levi has emphasized quality, being socially responsible, and hiring the most talented people the firm can recruit. The value of each individual, the effective leadership of work groups and the success of enterprise has been the emphasis at Levi Strauss since founded. However like any other organizations, Levi has had its problems.

Being slow to adopt to new fashion trends, Levi is struggling with generation gap problem. In 2003, Levi closed its last U. S plant and decided to focus on manufacturing outside because of the cheaper cost of labor (www.levistrauss.com).

Levi has attempted to attract 14-17 year olds without turning off older people and as Levi plotted along fashion shifts occurred and passed Levi. As result many young people will not wear Levi and many hardly know about

the brand at all. These are problems that create uncertainty in the organization leading management to rethink its position and develop new strategy to remain competitive.

We decided to have an effective change management strategy Levi could implement an Open Space intervention. Open space is a large-group process that helps participants focus energy on issues or opportunities of interest, and collectively design appropriate courses of action. Although it works with as few as 8 participants, Open Space is considered a large-group intervention because it works equally well with hundreds of participants. This simple, but very powerful framework creates the right conditions for Levi Strauss management team and provides a dynamic process of discussion and cooperation. Every single participant who contributes with his knowledge and experience influences the end result. Because participants in an Open Space Conference all participate actively, and talk to others regardless of function or background, creates a high level of employee involvement, commitment among participants and much networking across boundaries, usually resulting in a much deeper understanding of the issues as well as new ideas about the way forward.

Levi Strauss Competitive Strategy-Using Michael Porter's Five Forces A competitive assessment consists of an analysis using Porter's Five Forces of Competition. The Five Forces of competition shape every industry and every market. The Five Forces Model is based on microeconomics, and is an extension of the SWOT analysis. This model is an important tool for analyzing organizations' industry structure and strategy. Michael E.

Porter identified five competitive forces that determine the intensity of competition and the attractiveness of any industry. Porter's model is based on the insight that a corporate strategy should meet the opportunities and threats in an organizations external environment. The model accounts for supply and demand, complementary products and substitutes, volume and cost production, and market structure. We will analyze the industry using Porter's model. The five forces of competition are illustrated below: 1. Threat of New Entrants 2.

Competitive Rivalry Between Existing Players 3. Bargaining Power of Customers 4. Threat of Substitutes 5. Bargaining Power of Suppliers The collective strength of these five forces determines the ability of a firm to gain market share in the apparel industry. Once an analysis has been conducted, managers can search for options to influence these forces in the interest of the organization. In the apparel industry, an organizations' main objective is to reduce competitive forces.

In detail, the five forces are illustrated in the following paragraphs (www.valuebasedmanagement.net). New Entrants Porters indicates new entrants pose a threat due to increases level capacity afforded.

For example, suppliers could drive prices down and cut into profits. We have noticed this with Levi's joint ventures with Wal-mart and JcPenny. More importantly the chance of new comers entering to market depends upon two variables, the barriers to entry and probability. The barriers for apparel industry includes economies of scale, product differentiation, capital

requirements, switching costs, accessibility of distribution channels and competing firms which includes learning curves and location.

Rivalry The intensity of rivalry among existing competitors depends upon the level of saturation within the industry. For example, for one organization to gain market share they must take it from a competitor, the level of rivalry that exist is high, often resulting in retaliation and price wars. Rivalry may stem from a variety of source which has numerous and equally balanced competitors, slow industry growth, high fixed or storage costs and overproduction and high exit barriers. **Bargaining Power of the Customer** Historically, the bargaining power of apparel retailers went unchallenged.

Fortunately, globalization of the free world and the increased availability of foreign products have increased the bargaining power of the customer. In the apparel industry, consumer markets and foreign competition forces prices down. Thus, the bargaining power of consumer market determines how much pressure it can impose on margins and volumes. Customers a Levi Strauss possess a credible backward integration threat resulting in the purchase from a rival/foreign company. However, due to worldwide economic strain it's becoming more difficult for Levi to maintain its selling power and to remain economically diverse overall, customers do not have much buying power, as they never purchase in large volume.

Here are some ways Levi Strauss can reduce the bargaining power of customers: ? Partnering ? Supply chain management ? Increase loyalty ? Increase incentives and value ? Move purchase decision away from price

Threat of Substitutes The threat substitute of competition occurs if multiple

products are found to perform the same function. Levi must recognize the customer is no longer bound to one product or rely of customer loyalty. They must consider price, availability and quality to avoid loss of market share.

Bargaining Power of SuppliersMaterials, production, operation cost and capital are necessary for any production process.

For example, suppliers comprise all sources for inputs that are needed in order to provide goods or services. Levi Strauss buyer/supplier relationship is crucial to attain growth in the apparel/retail market. Normally, the strength of a supplier affects an industry's profitability, and they can exert a major influence on a firm's goods and services. However, the suppliers bargaining power in the apparel industry is very low. The apparel retail supply business is quite fragmented. Many suppliers relies one or two distributors to buy a majority of their products.

If decided to switch suppliers, it would be devastating to the previous supplier's business. As a result, suppliers are extremely susceptible to the demands and requirements of the apparel manufacture. **SWOT Analysis** This was a SWOT provided for Levis Strauss acquired off the web and was most useful. Levi Strauss as the conclusion we thought SWOT was the best way to conclude with the Competitive assessment of Levi Strauss Company.

The analysis will present Levi Strauss's strengths, weaknesses, opportunities and threats. Strength Strong Brand Image Good Distribution Market Leader in Western Europe Good market position and partnership Efficient human resource management Weaknesses Quality Retail sales network is too big and inefficient Niche demand Multi-brand strategy and full range market

presence is cost-intensive Opportunities Better acceptance of Levi Strauss Brand The strong market position in China is a guarantee for prosperous future Partnership with Mal-mart Threats Lower Priced Asian apparel The stock price evaluations, unattractiveness of the old economy Decline Stage of life cycleCompetitive Strategy Critique First, environmental uncertainty means that managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes. (Environment here refers to more than the physical environment, such as pollution or hurricanes. It a Levi Strauss involves the economic, sociocultural, technological, legal phenomenon that affects the operation of the business (www.

soi. org). Companies have to make an effort to adapt to the rapid changes in the environment. The environment creates uncertainty for managers, who must respond by designing the organization to respond to adapt to the environment. Managers use several strategies to counter environmental uncertainty. They may use boundary spanners to link and coordinate the organization with key elements in the environment.

Boundary spanners detect and process information about changes in the environment, and then they represent the organization's interest to the environment. They help to synchronize the activities of the organization to the rapid changes in the environment. Some of their roles include scanning the technological horizon to detect any changes, sourcing information on competitors and getting feedback from suppliers and customers. Another strategy is the use of interorganizational partnerships where separate businesses make a collaborative approach to riding the wave of changes that

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stem from environmental uncertainty. Instead of going in all out competition, businesses now form alliances, sharing information through networks to ensure that they all have more information about the environment than if they had collected info on their own we see this with Levi's positioning in Wal-Mart stores.

Structural Form of Levi Strauss Company Levis Strauss led the way of flatter hierarchies, cultural diversity, empowerment, quality and globalization. Levis chosen structural form of nonhierarchical organizations have many advantages over their competitiveness that use conventional methods. For example, experience and expertise are often shared; creativity and new ideas are fostered, tested and discussed. These organizations are more cohesive and collaborate; empowerment is a key feature; and it can be highly supportive of multiple stakeholders in global environments. However, the chosen structure is more likely to have higher Group think'. Groupthink is a type of thought exhibited by group members who try to minimize conflict and reach consensus without critically testing, analyzing, and evaluating ideas.

During groupthink, members of the group avoid promoting viewpoints outside the comfort zone of consensus thinking or the herd mentality can prevail; implementing decisions can be difficult since flatter organizations serve multiple constituencies and stakeholders; and many flatter organizations are team-based organizations, often geographically dispersed and electronically networked. Levi Strauss: Diagnosing the organization's culture Culture is perhaps the most important characteristics in an organization. The first step in cultural analysis is describing the culture of the <https://assignbuster.com/the-organizational-study-of-levi-strauss/>

organization. Levi Strauss Company is often describing as being parentalistics. The framework is considered Clan culture, for example the figure below provides the framework matrix of four type's cultures of which we based our analogy. Flexibility and Discretion Clan Adhocracy Internal Focus and Integration External Focus and Differentiation Hierarchy Market Stability and Control The Hierarchy Culture key values center on maintaining efficient, reliable, fast, smooth-flowing production, for example many fast food organization fall within the section.

The Market Culture core values are competitiveness and productivity. We see Market Cultures generally in manufacturing companies such as general electric. The Adhocracy Culture is temporary characterized by a dynamic, entrepreneurial and creative workplace. For example military, NASA would be considered part of this section. Levi Strauss currently has a Clan Culture.

The Clan Culture is like an extended family where shared values and goals, cohesion, participation, individuality, and a sense of togetherness exist within the Levi Strauss organization. The primary strategic implication of a culture should be a source of competitive advantage to the organization (www.coachingandmentoring.com). Critique: Levi Strauss Organization Environment Adaption The rapidity and volume of changes have resulted in less lead time for management to analyze changes in their organizations external environment and to formulate appropriate strategies. In addition, the risks and uncertainty involved in implementing a particular strategy or set of strategies have intensified.

In summary, the turbulence in the apparel industry from the change in customers taste and the circumstances that lead to external environment challenges has an effect on the decision makers and how they effectively anticipate changing conditions. Recommendations It is recommended that employees be made aware of the competitive position of the industry in relation to its competitors; competitive related information must be fed to all staff regularly. Management and employees need to be sensitive to customer needs, trends and what the competition is doing. This should create a sense of discomfort within the organization and make members of the organization aware that things always change and that there is always rivalry in the apparel industry competing for customers.

Senior management need to reduce the levels of complacency by continually speaking of changes in the industry and that the absence of a visible crisis should not create comfort in the minds of employees. The leadership of Levi Strauss needs to inspire employees, acting with honesty and integrity. It is recommended that a planned and coordinated change management intervention be developed to focus on strategic change. Middle management needs to also be involved in these initiatives with trust existing between all levels of management, which is visibly noticed by all employees. It is strongly recommended that the organization formulate a vision for the change process during the planning phase.

Employees need to understand what the business look and feel like after the change process. It is recommended that management formulate and communicate the master plan for the business. A specific vision and mission

needs to be created and communicated. The gap between the current state and future state needs to be highlighted.

It is recommended that any future communications relating to the alignment project include the vision for the change and the strategic significance.

Communications should enhance the driving forces for change and reduce all retraining forces. Senior management needs to review their communications plan and strategies and need to measure the effectiveness. The communications plan needs to include the context of the change taking place. Future change interventions need to be honest, open and take into account the audience by being simple and straightforward.

Communications need to be frequent and need to motivate more employees to participate in the process by creating enthusiasm. Reference: Cameron, K (2007) Diagnosing and Changing Organization Culture, Retrieved June 5, 2008, www.coachingandmentoring.com Lima Tony, (2006), Five Forces Model Porter, Retrieved June 2008, www.valuebasedmanagement.net/methods_porter_five_forces.html

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