

# Heypih

[Business](#), [Company](#)



H&M, or also known for short as H&M, is a big billion dollar Swedish fashion company which engages in designing and retailing fashion products from cosmetics, outerwear and accessories for men, women and children. Operating all over the globe, throughout 43 countries with 2206 stores, there are various strategic issues which H&M need to address to keep the company moving forward and increase the market. H&M has a large international incumbents including Zara being its most significant competitor. Zara has not been around for nearly as long as H&M and it is already being considered a 'serious challenge' which makes H&M question the sustainability of the formula at hand. Using strategic management topics we can further discuss this issue. To begin the PESTEL Framework can be used in relation to strategic management and H&M. By using PESTEL we can categorize environmental factors into specific key types, which are political, economic, social, technological, ecological and legal.

These will help us to explain that environmental factors do not just revolve around economic forces but other forces which have been mentioned and all are interactive with one another. Politics are forces both throughout the globe and in specific groups within areas which influence certain behavior and reactions. These influences can come from various political movements and concerned media. For example H&M in the past opened up a store in Israel's Jerusalem Mall which is built in a previous Palestinian village of al-Malata.

Since this village has been ethnically cleansed and caused those inhabitants to be referred to as refugees in their own land. This happened throughout

the 1948 Nakba and caused worldwide protest by activists at H stores. All those protests going on around the world gave a lot of negative reputation and unneeded attention to H. Even though the Israeli Embassy in Stockholm believed that opening the store in Israel would help 'peace processes and profits' to H - it still did not affect the feelings of those protesting nor did it change the way H handled the situation at hand.

Instead H turned a blind eye to a massive human rights violation and disregarded completely what was happening and this caused activists to begin the world wide approach of operation Boycott. Something similar did happen in the past with a different clothing brand named Mummy, but they did not follow through with their stores in Israel and till today will not open a store until the apartheid system is dismantled. Additionally, in reference to Section C, Article 3 of the Responsibilities of transaction corporations and other business enterprises (2003) H is actually breaching the regulations.

It states that " Business enterprises shall not engage in nor benefit from war crimes, crimes against humanity... Other violations of humanitarian law and other international crimes against the human persons defined by international law, in particular human rights and humanitarian law' Ecological factors in PASTEL framework is anything that falls under environmental issues which is definitely something relevant to H&M. H&M produces a special collection named the 'conscious collection" using only sustainable materials.

As mentioned on their website they are trying to push for fashion for the future. With these commitments come seven promises also stated on their

website. Provide fashion for conscious customers Choose and reward responsible partners Be ethical Be climate smart Reduce, reuse, recycle Use natural resources responsibly Strengthen communities Under the PASTEL framework, technological is any influences that H uses for their material. Thanks to these, H was ranked number 21 out of 100 for the most label global brands according to inter brand in 2011, with a brand value of 16. Billion dollars. In comparison with close competitor Ezra ranked in at number 44 with 8 billion dollars' worth of brand value. This huge difference can partly be attributed to H&M's long term advertising campaigns with high-profile celebrities. In order to enhance the value of its brand name, H spends around 5% of its revenue on advertising. H has also established a strong social media presence. The company aims to become part of its customer's daily lives through its pages on Backbone,

Twitter, Instating, Google+ and Youth as well as the Chinese social media networks Yuk and Sins Webb. Through these networks followers share ideas and opinions and get quick answers to their questions. This is important for this day and ages were people do not want to wait for too long. Also new fashion videos and catwalks are constantly uploaded to Youth with millions of views. The App for uses is also new which offers the latest collection and campaigns and find out what is new.

In relation to strategic management it's important to note the Five Forces Framework hen determining the competitive forces. If an industry has low competitiveness then there will be an expected high level of profit then in comparison to an industry with high competitiveness. H has high level of

competitiveness with Ezra therefore their profit margin is close on a large scale. By using Porters Five Forces Framework we can measure 1) threat of entry 2) threat of substitutes 3) power of buyers 4) power of suppliers 5) extent of rivalry between competitors.

In regards to competitors and rivalry, the competitive rival for H is Ezra and a substitute would be somewhere like Target/Smart. Ezra would be a very dominant organization to H with its products being very similar. A low differentiation between companies is also an issue as both are assumed to be similar when spoken about with consumers. The threat of entry works in H's advantage as they have different products which Ezra does not offer - for example the conscious collection. The threat of substitution is a big one for this industry as Ezra and H&M are very closely knitted.

Firstly being price/ performance ratios. Sara's products are slightly higher prices than H but overall the prices/performance ratio is very tight. SQ.

Drawing on relevant topics in this unit, what do you consider to be H's rare and inimitable strategic capability/sis? Explain your answer. How do you think H&M can identify and leverage or exploit its rare and inimitable strategic capability/sis to achieve or sustain its competitive advantage and respond to the critical issue that you have identified in IQ?

Upon research and further reading into the topic I would consider the fact H&M has its own range the conscious collection' reaching an audience of those who are have the want to help theenvironmentto be its rare and inimitable strategic capabilities. H & M, is a environmentally conscious company, which provides economical fashion products around the globe (43

countries) in order to fulfill the seven commitments to the communities. The economic crisis was really strong and it may increase the interest of the population for cheap and fashionable clothes.

Not only has H found a gap in the fashion market, but they have found an up and coming issue and were able to reach it with a positive outcome. With all the issues worldwide, H knew it needed to invest its money into the right things to keep sales up and to also bring new sales in. With H having a big role in the fashion industry, they didn't want to come under any more negative scrutiny as this would bring a negative perception of the company. This is where the idea came across with the plan for using only sustainable materials for the release of the new range, the 'conscious collection'.

Along with this came certain commitments which included, adopting ethical practices, improving working conditions and using natural resources responsibly. The decision to introduce the range and commitments was structured very thoroughly through its strategic capabilities as these do have the ability to contribute to a long term margin and also a competitive advantage. H&M followed 'Tech' with the three generic types of dynamic capabilities as this has become the standard and most common practice in industries.

The first point is 'sensing where H has realized that there are new opportunities. No other fast fashion clothing brand has introduced an environmental friendly range at the moment in time so it was the perfect idea. Next point is 'seizing is when H&M replaced the actual gap in the market with the line. Lastly 'reconfiguring is basically what H are constantly

doing with its update of the line. As new fashion comes in and out of season constantly, H need to keep its new line up to date.

As you can tell H has big threshold capabilities which are needed for an organization to keep up to date with the requirements in the fashion market and with other competitors. In strategic management mindset using BRIO" is important to gain competitive advantage. To begin with the product which has been introduced by H&M needs to be of value to the customers so it can generate higher revenue or lower costs to the business. So in this instance this product hadn't been introduced to the fast fashion oral so the value of it is quite and exciting for the industry.

Therefore H&M with this product has taken advantage of its opportunities and threats, understands its value to customers and considered the cost. Next is the need of the product to have rarity. If a product is introduced which is valuable yet common throughout various competitors, then it's very unlikely it is going to be a major source of competitive advantage. Therefore it's important that the introduced line is something rare and will bring customers to the shop especially to view and purchase this line.

As you can tell he strategic capabilities that allows H&M to be advanced is not as straightforward and simple as suspected. In this introduction to this line H&M did keep in the mind the next step being the Inimitable capabilities. If other competitors were to introduce something along the same lines they would find it difficult and costly to intimidate or even to substitute therefore would less likely be able to match up to H&M. Lastly H&M needs to be suitably organism to support all these capabilities.

They already had the support of the formal and informal management control systems therefore they were able to fully take advantage of the given capabilities SQ. Drawing on relevant topics in this unit, explain how H&M's culture as suggested by the 'spirit of H&M' influences the current strategic position of H&M as well as its ability to respond to the strategic issue you have identified in IQ. An organization's culture is the behavior of those people within the organization and all the attachments to the meanings behind their behaviors.

It revolves around their visions, language, assumptions, understandings, beliefs, habits, norms and values. It's basically how they do things from where they are in the organization. In any organization, culture has an influence over their strategy. Even the fact the fashion industry has a certain culture would affect the way H&M run their strategies including the different countries and cities H&M would have issues in relation to geographic based cultures due to the fact they have stores in all parts of the world.

Each city would have its moralities and the usual way to do things from their knowledge which would differ from the same shop somewhere else. It's important for companies that run internationally to understand such differences H&M's history's links in to the followed and believed culture. From day one H&M wanted to make fashion affordable for everyone so it was something they stuck by quite strongly. Throughout the years of passing through different managers and management styles - the company's culture still relied on Reeling Persons style of sticking to central values and beliefs.



Even the 7 codified core values for H&M link into the rare and inimitable strategic capability, and they are: 1) Keep it simple 2) Straight forward and open minded 3) Cost conscious 4) Constant improvement 5) Entrepreneurial spirit ) Team work 7) Belief in people Within H&M's spirit is the amazing way they really focus on their employee's involvement. Because H&M has this philosophy of participatory management the company is viewed as one with experimentation, trial-and-error learning, fast decision making, and willingness to take initiatives and try new ideas.

These are the pillars of the company and without these; H&M wouldn't have the culture it has today. The active encouragement of this spirit is another key ingredient through all organization levels. This way, new things are encouraged between purchasing managers and the understanding that mistakes are okay is followed through at all levels. Even managers in the front end of the business are encouraged to experiments with the interior and exterior of the shop.

Decoration, lighting, colors, clothes displays and even locating are swiftly changed depending on sales and preferences of customers. Although any new range which may be introduced must be bounded within H&M's core ideas and values, which the conscious range clearly does. ' One of H&M's major strengths are its fantastic brand imagine and the costs of purchases. H&M has established a strong culture which is self-motivating for employees by creating unity and a high skilled work place.

The company benefits from a good image from the customers and they have a strong fame everywhere in the world thanks to its huge number of outlets.

Also the prices that H&M offer to its customers are really competitive thanks to the cost saving management way of the company. H&M's environment has a very positive outcome throughout all levels of the business and this reflects solely on the complete imagine H&M perceives. The fact that employees get a say and get a chance to get involved in all levels makes it have such a constructive workforce.

H&M has lots of freedom for employees to move around through levels of the organization but this has come under some scrutiny as there is no way to point the blame if something goes wrong. This doesn't work for everyone but for those who it does work for, it has a very motivational feel.