

Analysis of marks and spencer plc



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Marks and Spencer (M&S) is one of Britain's oldest and best known retailers of clothing, foods, home ware. M&S “ employ more than 60, 000 people worldwide, operate more than 450 stores in 30 countries, and serve tens of millions of customers every week”.

The company was first established by Michael Marks and Tom Spencer. Marks had immigrated to England in 1882 after fleeing anti-Semitic persecution in Russian Poland. Here he began to eke out a living selling goods on a stall in Leeds town market. Due to his lack of English he made a sign to go on his stall that read “ Don't ask the price, it's a penny”. His stall was so successful that by 1890 he had stalls in five cities across the country. Tom Spencer, joined Marks, in 1894. This partnership signified the advent of M&S as we know it today. By the turn of the century the company had expanded to 36 branches nationwide. Following the deaths of Marks and Spencer, the running of the company fell into the hands of Marks' 28-year-old son Simon. It was he that led M&S to “ break with time-honoured British retailing tradition...by eliminating wholesalers and establishing direct links with manufacturers”. The company continued to grow and in 1926 it became a PLC. Two years later it launched its now famous St Michael brand and in 1931 in a drive to “ concentrate on goods that had rapid turnover” it introduced food departments into stores.

During World War II approximately half of the company's stores were damaged or destroyed in air raids. However the business rebuilt and in 1964 Simon Marks handed over the running of it to his brother-in-law Israel Sieff. In the subsequent decade M&S began to expand abroad in North America and later Europe.

Sieff's son, Marcus Sieff became chairman in 1972. He was replaced by Derek Rayner 12 years later. Rayner became the first chairman to be hired from outside the Marks family. During Rayner's tenure as chairman M&S expanded into financial services by launching their own charge card. Rayner retired in 1991 and CEO Richard Greenbury took charge.

In the 1990's M&S began to rapidly expand across Europe and into Asia, opening stores in Germany, Hong Kong, Hungary and Spain. In 1999 following growing criticism of Greenburys' failure to expand the business fast enough and embrace new ideas he was succeeded by, Peter Salsbury. In that same year " continued poor sales led Marks and Spencer to cut 700 jobs, close its 38 stores in Canada and part company with its clothing supplier of 30 years, William Baird".

Following this continued poor performance the company, was subject to an unsuccessful takeover bid by Phillip Green of the Arcadia group. In response to this M&S appointed Belgian Luc Vandeveldel as CEO. The following spring M&S announced a recovery plan to rescue the struggling chain, which involved selling off the majority of its global operations. Consequently, " unhappy with the company's direction and its departure from older values, Marks and Spencer board members Sir David Sieff (the last remaining founder member), Sir Ralph Robins and Sir Michael Perry left the board in July 2001".

Within a year and a half of Vandeveldel's appointment " profits began rising, but although at the time Vandeveldel was credited with a revival, it proved to be short-lived", because by 2004 sales had fallen again and the brand had

lost some of its credibility. In light of this it was felt drastic changes were needed and in May 2004 Stuart Rose, formerly head of Arcadia, was named CEO. Since his appointment Rose has instituted change programmes within the organisation and given it new strategic direction. The effects of these changes are already beginning to be seen and M&S is showing clear signs of recovery. However it is too early to say whether this improvement is sustainable.

M&S was set up and run by a family for a long part of its history, its values and culture derived from that. For many years it was viewed as being very patriarchal and inward looking. The perception people had of the company up until the 1980's was of quality, affordability and reliability, embodied in the St Michael brand. During this time leadership of the business was very strong but inward focused. However, recent changes in the market place have presented a great challenge to the company which it is still addressing.

PERCEPTION

According to Huczynski and Buchanan “ it is our perception of reality that shapes and directs our behaviour, not some objective understanding of it”.

Marks and Spencer's corporate objectives are incorporated in its mission statement. This outlines what the business is and what it should be. Mission statements set out in writing what the firm wants to achieve and often include information on the values of the business. M&S outlines its core business as clothing and Food. Its financial objectives is to deliver shareholder value in terms of increase returns, but also in terms of increase sales and market share in retailing. Its beliefs and values are outlined as “ Our

customers continue to see Marks & Spencer as the place to shop for special food, produced to exacting standards”. M&S also sees its workforce as an important part of its plan and also considers modernising its stores as a key corporate objective.

- Vision: The standard against which all others are measured
- Mission: Making aspirational quality accessible to all
- Values: Quality, value, service, innovation and trust

M&S also outlines its corporate social responsibility in its mission statement and considers the needs of other stakeholders too.

Customer Perception

Once established, from the customers’ point of view, M&S was considered the epitome of quality, affordability and reliability which reached its apogee in the 50’s and 60’s when customers used to scramble to acquire M&S’s reproductions of catwalk fashion. M&S’s clothes lines became so popular that in the 50’s “ limits were set on production as everyone wanted the affordable stylish Paris inspired 1950’s glamour”. This perception changed during the 90’s. As ever increasing choice was available on the high street and a growing number of competitors emerged as rivals in M&S’s core markets. Retailers such as Top Shop, Warehouse and Gap offered more fashionable designs and labels, whereas others such as Next and Debenhams offered better value. Even food chains such as Tesco, Waitrose and Sainsbury’s began to encroach on M&S’s market share in the prepared food markets. In light of this people began to view the company as out-dated and old fashioned. This negative perception of the company is just now beginning to be counteracted for reasons which I will detail later in discussing leadership.

Employee Perception

From the stand point of employees M&S was viewed as an employer of choice in the mid-20th century. People felt secure in their employment and viewed a career in M&S as highly desirable. In the post-war period the company imposed a more explicit human relations policy. As Marcus Sieff, the incumbent chairman at the time, put it “ the chief executive has a duty to treat his employees as he would like to be treated himself, to do as he would be done by”. This image was reinforced by the way M&S treated its staff, “ stores were furnished with good staff canteens, rest rooms, medical and dental care, hairdressers, chiropodists, clean toilets and good training facilities”. By the 1980’s and 90’s it had stopped being viewed as a viable career path and became characterised as ‘ dead-end job’. This was reflected in the pay, management and promotional structures in place at the time. This is something subsequent CEO’s have had to address.

The Market

A company’s branding and marketing strategies are important tools in shaping the perception of it in the marketplace. Here, M&S has never conformed to the norms and actually created a virtue out of not advertising. Instead, M&S relied until the 90’s on word-of-mouth to promote the company’s brand and image. This strategy is very cost-effective and renowned for being extremely powerful in influencing customer behaviour. As a recent study shows “ word-of-mouth is now the number one most-trusted source of product information on a global scale, with advertising a distant second”. “ Seventy per cent of consumers across the globe trust friends, family, or other people first when searching for information or ideas on products to buy”. M&S’s decision not to enter into mainstream advertising

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has reinforced its image of being a “ household name” so famous, that like Rolls Royce it did not need to advertise since the quality of its goods and services were undisputed.

The St Michael’s brand was also very powerful with its connotations of religion which brings to mind values such as honesty, loyalty and devotion.

Therefore a big departure came for M&S around the turn of the century when they decided to launch one of the biggest advertising campaigns in retail with the slogan “ Your M&S”, embodied by well known models and celebrities from different ages such as Twiggy, Jodie Kidd, Shirley Bassey. This has been hugely successful and has the effect of putting the company firmly back in the hands of the public, giving them a sense of ownership and a stake in its success.

CULTURE

This is the set of beliefs and attitudes of both employees and management that helps to influence decision making and behaviour within the organisation. The simple way of explaining culture is the way the things are done in a business.

According to Huczynski and Buchanan “ an organization’s culture focuses on the values, beliefs and meanings used by its members to grasp how its uniqueness originates, evolves and operates”. Edgar Schein makes the distinction between three levels of culture within an organisation distinguished by their visibility to and accessibility by individuals, “ surface manifestations of culture, organisational values and basic assumptions”.

Organisational culture and values: “ The views of the original founder as modified by the company’s current senior management”

In the case of M&S we can see that the original culture derived from the founders and the founder’s family. In a sense you can say that they were family values, with an overtone of religion, let us not forget that St Michael is the “ champion of the Jews” and that Michael Marks was a Jew.

Culture in the early days was based on quick turnover, honesty, hard work and no frills attached. These values evolved into the company’s culture which became paternalistic, an approach is commonly associated with family run businesses. The repercussions of this culture are such that if you are not in the family you cannot rise to the top. This has an effect all the way through the company right down to the employees on the shop floor.

From the mid-19th century family organisations had the strongest sense of culture, one based on loyalty, paternalism and community. However in the 1960’s, post war restructuring concentrated on capital mobility, acquisitions and mergers. The old forms of identification tended to break down and anyone who spoke of solidarity or loyalty was seen as archaic. With rapid organisational growth it became very difficult for firms to maintain the family touch. So by the turn of the 21st century Marks and Spencer had become vulnerable to hostile takeovers with its ever falling share prices and low profit margins. The inward looking culture of the company and the absence of strong leadership were blamed for its poor performance.

Stuart Rose's vision after he was given the position of CEO was to revert back to old values and simplify a culture which had become too confused and confusing.

The type of culture of Marks and Spencer is a customer driven culture.

Customer driven culture is where every where in the business makes a real effort to improve customer service, market research, employing right people, and training. The business is trying to up date the technology e- commerce.

It also has a positive culture where staff and workers communicate well.

They also regard change as opportunity than not a treat. I also found they are dynamic, this where a business is always looking to change the way they work. Always looking for new ideas.

The way I have noticed this is by changing the displays to make it appeal more to customers.

LEADERSHIP

According to Huczynski and Buchanan leadership is “ the process of influencing the activities of an organized group in its efforts toward goal-setting and goal achievement”. They go on to mention that “ leadership appears to be a critical determinant of organizational effectiveness”.

It is useful to distinguish between leadership and management. These two concepts are sometimes seen as synonymous as leadership is seen as one component of the management role. However, other commentators on the subject make clear distinctions between the two. Leaders are portrayed as “ someone who develops drives new initiatives, [whereas] managers achieve stability”.

Warren Bennis and Burt Nanus make the point that “ managers do things right, while leaders do the right thing”.

Due to the complex nature of this topic a great effort has been made to distinguish the qualities that make a successful leader. This line of research has been greatly influenced by the great man theory. This argued that “ leaders reach positions of influence from which they dominate and direct the lives of others by force of personality”. In M&S’s history, men such as, Sir Marcus Sieff could be seen to fall into the “ great man” category.

Leadership in the early years was very much in the hands of the family and based on traditional family values. It was strong but essentially inward looking. By the late 90’s when M&S was in trouble there was a need for a change of leadership.

Nowadays a more distributive form of leadership is required. One which creates “ a vision of a possible future that allows [the leader] and others to see more clearly the steps to take, building on personal capacities and strengths”. Examples of these types of leader would be Luc Vandavelde and Stuart Rose.

Under Vandavelde’s leadership a recovery plan was put in place based on getting the company closer to its customers and returning the company to its core strengths. Recovery was based around focusing on the UK, selling only their own brand and retaking command of their supply chain. His vision was to return Marks and Spencer’s to its reputation for quality, value, service and innovation.

Once articulated, the vision is shared through events designed to disseminate it. Thus we have Vandevælde's address to the shareholders and Stuart Rose's mass motivational training for all of staff. They use "catch phrases" to describe and share what is already happening and to encourage others. In the advertising campaign "Your M&S" Rose is embodying the key values and beliefs on which the newly revived M&S is based. In differentiating the customer base and appealing to different sectors through sub-branding such as Per Una by Sir George Davis for the younger customer and Limited Edition for the more style conscious older customer, whilst maintaining the offering of high quality standard basics to everyone M&S is becoming more competitive with other high street retailers. Also the advent of the "Simply Food" stores accentuates one of M&S's traditional and continuing strengths- its food offerings.

Management styles and culture

The management style is the pattern of behaviour that he or she shows in carry out a management role over a period of time the most common management styles, are as follows:

- Autocratic
- Consultative
- Democratic

Autocratic

Autocratic management style is one where the manager is used to giving instructions like telling people what to do rather than asking them for their options. The manager is the only person contributing to the decision-making process. This style of management is more typical of UK management

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between 1970s and 1980s, although you are sure to find it today. A number of managers who started up with this approach find it difficult or impossible to change their ways. They are used to holding on power and do not understand how the process of 'empowerment' might work. The result of this style is that members of the group often dissatisfied with the leader. This results in little cohesion, the need for high levels of supervision, and poor levels of motivation amongst employees.

Consultative

Consultative managers are ones who seek to consult other people before making a decision. Alternatively, they will seek to consult people before implementing a decision. This type of manager wants to draw on more sources of opinion than his or herself. The consultative manager will have listening skills and also the ability to create the right sorts of channels to consult other people. In an organisation with a culture of consultation, there will be a series of mechanisms (e. g. newsletters, team briefing, suggestions boxes, etc.) that make it possible to get the feel of the concerns of other people involved in the decision-making, as well as to draw on their expertise.

Democratic

This is a third type of management style is the democratic one, which involves empowerment. This gives individuals and team responsibility to make decisions, usually within the framework. The team is then held responsible for the decisions that it chooses to make. The manager with this style will feel comfortable allow others to make decisions. The democratic manager will also have to have a good overall understanding of decisions

being made, and will want regular feed back on results. However, they will be confident that empower individuals and teams will use the responsibility given to them wisely.

The management style of Marks and Spencer is consultative so this would mean, that leader consults with other before decision is made. There will be a group influence in the final decision; even through it is made by the leader. For example the marketing department, about weather to launch a new range of products may consider first than rushing straight into launching the products. The decisions are all taken in to account.

The business of Marks and Spencer sometimes might use a mixture of Management Styles for example Marks and Spencer is consultative, the business might also be using democratic management style.

Laissez-faire- This is where people are allowed to do what they feel correct, this is usually associated with medium status (e. g. Managing director - Marketing Director) probably because they are experts in their field so they know what their doing. Marks and Spencer have a variety of management styles they often give a choice to the management but it depends upon where they are on the hierarchical scale. Those higher on the scale are autocratic and tell staff what to do, from the production line to the logistical designers. Those managers without managers below them are the ones which have to use an autocratic style because those below them have no knowledge on the field, while those around the middle are permitted to adopt a laissez-faire attitude to management, they are high enough in the company and have enough knowledge to use the style properly and to its

maximum potential but the shareholders always have a eye on what there doing with any big decisions having a democratic vote on the item.