

The analysis of mark and spencer



1. Sample Case Study on Marks and Spencer 2. Marks and Spencer Case Study 3. Introduction 4. 5. The essay explains what the important parts of Marks and Spencer's (M & S) current and historic strategies are. The value chain is analysed to explain M & S's competitive advantages. The value chain focuses on inbound logistics, operations and marketing & service analysis of M & S. Furthermore, the essay interprets what the problems of present strategies M & S will meet in the future and what new strategy M & S may follow. 6. 7.

Key Components of M & S's Current and Historic Strategies 8. 9. M & S implemented different strategies to solve various problems when it was at different periods of development. 10. 11. The following is M & S's main strategies. Firstly, M & S tried to build a good relationship with its suppliers and customers as its strategy. M & S ensured the highest quality of products through working with its suppliers and encouraging them to use the most efficient and modern production techniques so that M & S got more competitive advantages in terms of quality of products than its competitors.

For example, M & S introduced the ' St Michael' logo as its sign of quality of products at the beginning of the development of the company. Therefore, the reputation of highest quality of products was built among M & S's customers. Secondly, the strategy concentrated on restructuring, namely, top management level separated company into three parts between 1998 and 1999 when M & S had faced the difficulties. Furthermore, M & S adopted a customer-focused strategy in order to identify customer preference and trends and deeply understand what customers really need because its competitors were more responsive to changing market.

Thirdly, M & S implemented creating a new corporate image strategy. M & S changed store image, built a pilot store, separated management structure into seven business units and launched new product brand so that the strategy became more customer focused. Moreover, M & S had implemented expansion overseas markets strategy in order to look for new business opportunity. However, the strategy did not develop in overseas markets smoothly so that M & S had to change its original strategy to close its stores and withdrew overseas markets. M & S changed its suppliers as cutting cost strategy.

For instance, it switched its suppliers of certain products, such as clothing range, instead of 100 percent Asian supplier. Finally, M & S implemented expansion UK market with new product ranges strategy through developing its homeware department, Simply Food convenience store, and financial services. 12. 13. Strategic Model for the Success of M & S 14. 15. M & S has a huge success about profits and market share during the late 1990s. The success of M & S is analysed through value chain in order to explain competitive advantages of M & S for adding value for its customer.

The primary activities of value chain consist of inbound logistics, operations, outbound logistics, marketing & sales and service. The analysis will focus on inbound logistics, operations and marketing & service of M & S. 16. 17.

Firstly, inbound logistics are concerned with getting the goods from suppliers and storing them until the goods are required by operations, handling and transporting them within the company (Lynch 2003). In terms of inbound logistics of M & S, it may consider the size of stock and how to deal with the excess stock.

In M & S case, it planned to offer clothes at a discounted price to factory outlet malls. The aim of the plan is to sell excess stock. The benefits of the plan for M & S are that it may reduce the cost of stock and the rest stock space can be used for new items. M & S has to do like that because some competitors of M & S have done it. 18. 19. Secondly, operations activities consist of plant layout, supplier control and quality control. M & S built good relationship with its supplier. The relationship between M & S and its suppliers guarantees not only quality of products but also improves cooperation between them. The relationship is concerned with encouraging its suppliers to use the most modern and efficient production technologies and working with them to get the highest standards of quality. On the one hand, M & S used mainly British suppliers in order to ensure the quality of products. On the other hand, M & S established a trade mark ' St Michael' as the sign of its high quality. These actions are helpful to satisfy customers' requirements about quality of product so that M & S may get more competitive advantages for quality of products than its competitors.

Moreover, one of the successful facts is that M & S emphasised its store layout. It built a pilot store and other stores are asked to follow it so that M & S may keep consistency of its image. It is good for keeping good company image among customers. 20. 21. Finally, the changes about marketing & service of M & S also added its competitive advantages. Initially, M & S built ' St Michael' as its quality sign of product so as to build customer loyalty and attract customers to purchase its products.

However, M & S has to respond for the challenges for its competitors, such as Tesco, Gap, because M & S's competitors has responded more fast for

customers' changing needs than M & S. M & S changed and created new company image and launch new brand among customers. For example, it changed store layout according to demographic characteristics and lifestyle patterns and built pilot store in order to improve the atmosphere of shopping in the store and satisfy customers' needs at various levels.

M & S stopped using its famous green carrier bags and St Michael brand, even changed uniforms, packaging and labelling. On the other hand, M & S asked George Davies to design clothing and create its own new brand—' Per Una' so that it got good result that the share price was raised after launching ' Per Una'. M & S sent many different new messages to its target customers. It means M & S has taken account of focusing on customers. The aim of M & S is to make a clear new image and distinguish between itself and its competitors to highlight its advantages among the target customers.

Moreover, M & S made its store friendly through its major investment and rebuilt its new image with promotional campaign. In terms of service, M & S took account of improving its service, such as providing customers with more shop floor staff and adding fitting rooms. Furthermore, M & S established a wide marketing department and launched new clothing and food ranges in order to make more responsive to changing markets and customer needs.

The actions of M & S helped it has some successes, such as stopping profit decline and slowing its sales decrease, although the effect is not very great. M & S was looking for its competitive advantage and identify new business opportunities when it adopted these actions. 22. 23. The Problems of Present Strategy and Future Strategy 24. 25. M & S will meet some problems when it

implements its expansion UK market with new product range. Firstly, its childrenswear, and womenswear did not have good performances so that M & S has to plan to segment its offerings more attractively.

The reason is that M & S provided attractive discounts during some special periods so that the price of new goods is lower than the price of its cost when it sold new goods. Secondly, homeware range and food store are new products ranges for M & S so that it is not very familiar with them and does not have enough experiences to understand what customer really wants. Furthermore, the competitors about homeware range and food store have much more competitive advantages and experiences than M & S because M & S is only a new entrant.

The problems of M & S's organisation structure and culture have not been changed well. It will influence how to implement the strategy efficiently. For instance, the important decision will be taken too long time by top management level and the top management level does not have relevant experiences about new product ranges. 26. 27. The following strategies are advised for the management of M & S in the future. Firstly, M & S needs to change its organisation structure from top to bottom and create its new organisation culture.

The decision making speed of M & S was prevented by its centralised authority and bureaucracy. For example, disagreement with directives of store managers were not sent to top management level when they felt negative effects on policies and decisions, which is from top management level. Furthermore, highly and complicated organisation structure of M & S

had a negative effect on decision making so that the process of decision making was slow because its main board was a group operating committee, which was consisted of 19 members.

Even, the communication between top management level and its staff was prevented because executives and directors' offices were separated from their staff. If M & S implements great changes to its board and organisation structure and culture, such as flatter and increased decentralisation organisation structure, it will be more responsive to market and customer needs and make decisions much more quickly. 28. 29. Secondly, the future strategy should continue customer-focused strategy.

M & S did not perceive that the market and customer needs are changing during the process of its development. Meanwhile, its competitors do not ignore customer preferences and trends so that they can attract customers from M & S, such as The Gap at the top end of the market, Matalan at the bottom end of the market, and Tesco which offers added value products. Its competitors segment customers so that the products which are provided for its target customers are much clearer than before.

Although M & S' success partly depends on Marks' understanding for customer preferences and trends, his understanding is only his own opinion and estimate for market so that buyers of M & S concentrate on the types of products which is what Marks would like when buyers select products. Therefore, continuing customer-focused strategy will improve the estimate and be more responsive to target market and customer needs. 30. 31.

Thirdly, M & S should try to exploit and revitalise its financial services as the part of future strategy.

M & S has considered joint venture, outsourcing and a partial flotation to solve the problems of its financial services. Further, its financial services had strong brand recognition among customers and got trust from them. These are the basis of exploiting and revitalising. Therefore, financial services will give M & S an opportunity to reach new market share. 32. 33. Finally, M & S may adopt joint ventures, alliances or other forms of co-operation as its future strategy. Some competitors were interested in M & S in 1991 so that acquisition rumour appeared in the company.

If M & S does not want to be acquired by its competitors in the future and look for restore its competitive advantages, M & S may adopt joint ventures or alliances. There are some benefits for M & S through joint ventures or alliances. It will share some of the assets, capital, skills, information and other important resources from its partner. For example, M & S may adopt joint ventures in the UK market. Joint ventures also may helps M & S gain a lot of capital to invest new product ranges and explore the market.

The risk of exploring market will be reduced through sharing the project each other and the rapid market access will be achieved for M & S and its partner. Moreover, the organisation culture and structure of its partner will influence the culture and structure of M & S. As another example, M & S will also get more benefits through strategic business alliances when it considers expanding overseas market again. On the one hand, M & S may save various costs because of economies of scale from collaboration with local partner.

On the other hand, M & S may overcome the pressures of local government and trade union with its partner. Reversely, it may have some troubles in local market. For example, the plan of M & S's closing stores in France was prevented by French government because it had broken French employment law and M & S was not familiar with it so that M & S did not withdraw from France market smoothly. Furthermore, M & S will make access to local market more easily through strategic business alliances. 34. 35. Conclusion 36.

M & S implemented different strategies to prevent its sales and profit decrease during the process of its development, such as building a good relationship with its suppliers and customers, customer-focused strategy, high quality of product, expansion overseas markets strategy and so on. M & S has to respond for the challenges from its competitors so that it has to change and create new company image and launch new brand among customers. M & S becomes more responsive to customer preferences, trends and customer needs through these strategies changes.

However, if M & S plans to compete with its rivals and get further developments, it needs to change its organisation structure from top to bottom, and create its new organisation culture so as to make its management more efficiently. Furthermore, it will be useful to continue customer-focused strategy or adopt joint ventures in the UK market and alliances in overseas markets for M & S. 37. (Word count: 2281) Using the online facilities available to you, gather information on how Marks & Spencer has attempted to reposition itself in recent years and achieve competitive advantage.

Introduction Marks and Spencer's is one of the biggest retailers in the UK. They have been able to diversify from clothing into other areas such as 'home' and food and emphasis 'Quality' at 'Affordable' prices, but this hasn't always been the case as we'll see. Problems Facing Marks and Spencer's * Losing touch with 'Younger' markets. * Goods becoming too expensive and so opted for cheaper imported goods which moved away from its 'British Goods' image. * Would only accept store cards and cash as payment up until 2001.

How did Marks & Spencer's Tackle Problems Faced * Online Shopping Brought In * Latest Fashion Clothing * Accepting Credit Cards * 'Look Behind the Label' Marketing Campaign to highlight ethical and environmental issues. I. e. Fair Trade, sustainable fishing etc. PLAN A -The retailer had recognised that consumer trends were changing towards more environmentally friendly products and so they felt that if they appeared to be green then perhaps this would justify their 'High Prices'. * Become carbon neutral * Send no waste to landfill Extend sustainable sourcing * Help improve the lives of people in their supply chain * Help customers and employees live a healthier life-style Re-structuring the Retailer * New Store Format - Modern contemporary architect look with a new logo etc. I feel that this would help to appeal to younger generations. * Simply Food Stores * Home Stores * Outlet Stores - Discount Examples International Positioning & Strategy I found an interesting article on the 'Business Line' website where it looks at Marks and Spencers Positioning abroad in India.

I think this is the perfect example of where Marks and Spencer's would like to change its positioning from 'High Quality & High Price', to 'High Quality

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but Affordable'. In this article it looks at how the retailer has aimed to keep lowering prices to surprise customers visiting stores that prices are lower than they think! <http://www.thehindubusinessline.com/2009/11/12/stories/2009111250800500.htm>

Advertisement Positioning

A perfect example of this repositioning can be seen in this 125th Anniversary

Advert: [youtube: <http://www.youtube.com/watch?v=GTQFQ9SLCL8>]

<http://www.youtube.com/watch?v=GTQFQ9SLCL8> You can see here where the video looks at Marks and Spencer as a store for clothes to a store for 'Home' and 'Food', 'Quality' but 'Worth Every Penny'. The adverts have also changed to show quality but emphasising its affordability to consumers.

http://www.youtube.com/watch?v=EHFKE6PD_6U Competitive Advantage

When we look at the competitive advantage of Marks and Spencer's, we are talking about the 'Brand' and 'Positioning' that they have created in the eyes of consumers.

In the case of Marks and Spencer's they have changed this to a retailer that not only delivers high quality clothing but home and food products too, all boasting high quality at affordable prices. No other retailer has this brand positioning and so Marks and Spencer's is able to tap into the market segment and take advantage of this. You could say that this is the business's unique selling point (USP). Resource: John Kay "It is in these areas that Marks and Spencer has had such an enviable record for so long. They have the best brand on the High Street.

Not just for their customers, who associate the company with total dependability and value for money: but also for their staff, for whom the firm has always been a preferred employer. The external architecture of Marks

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and Spencer's organisation was built around an almost Japanese relationship with suppliers – detailed influence on product specification and design as part of relationships sustained over many years. The internal architecture of the company was centred round permanent employment relationships, strong organisational routines, and a shared sense that there was a Marks and Spencer way of doing things.

With competitive advantages such as these, there is always a balance to be struck between exploiting them in the short run and developing them for the long term. You can always increase profits faster than underlying sales, for a bit. By taking full advantage of your strong customer franchise in your prices: by putting pressure on your suppliers and diversifying your supply relationships: by reducing staff numbers and employment security. By eroding the things that make you different from your competitors, the things which were the source of your higher profits in the first place.

Perhaps that is what Marks and Spencer did as they became leaner, meaner, and more aggressive in the 1990's and perhaps today they are starting to pay the price. And perhaps that defines the dilemma that faces them – and perhaps other companies – today. Do they meet City expectations for earnings today and tomorrow by pushing these processes further, and becoming more like their competitors? And accept that in the long run, that will also lead to the same returns as their competitors earn. " 2 Market-based approach to strategy 2. 1 Porter's five forces framework Much strategy (particularly in the private sector) is concerned with stablishing and maintaining competitive advantage. One of the tools available to assist managers in analysing the near environment for this purpose is Porter's ' five <https://assignbuster.com/the-analysis-of-mark-and-spencer/>

forces of competition' (Porter, 1980). This model is widely used as a means of understanding the structure of an industry or sector, and as a framework within which to identify possible structural changes. The model identifies five types of competitive pressure within a sector: established competitors, new entrants to the market, substitute products, and the bargaining power of suppliers and of customers.

These are summarised in Figure 2. Suppliers are important because their relative power can determine what proportion of the price of the final product they capture. In the automotive component business, for example, many makers of components vie with each other to supply a small number of car manufacturers, allowing the car manufacturers to put pressure on suppliers' margins. In contrast, a large number of computer manufacturers are supplied by a small number of makers of computer chips for central processors. Customers may vary similarly in their relative power.

Figure 2: The five forces of competition (Source: Porter, 1980) Organisations need to consider not only the behaviour of current competitors, but also the potential for other organisations to enter the market. The important issue here is assessing the level of barriers to entry. For example, in sectors where brand recognition is important, new entrants need to spend heavily to build a brand. In other sectors, the minimum economic scale of operations may be high, thereby requiring heavy capital investment by new entrants.

An organisation needs to consider not only those competitors offering similar products or services, but also those offering products or services that may act as substitutes. For example, cheaper restaurants now suffer considerable

competition from supermarkets selling high-quality, easily prepared ' ready meals' to eat at home as a substitute for dining out. Porter argues that the degree of competitiveness or rivalry within an industry depends on the availability of substitutes, the strength of suppliers and buyers (customers), and the threat of new entrants (which in turn depends on the ease of entry).

Thus pharmaceutical research, with its high entry costs, sophisticated technology and patent protection, has low levels of rivalry and high margins and profitability. Only the growing power of customers (health services) threatens this profitability. In the restaurant business, in contrast, the entry barriers and start-up costs are low, customers have a wide choice and therefore considerable bargaining power, and there is a range of substitutes. The restaurant trade is highly competitive and margins and profitability are generally low.

2 Market-based approach to strategy . 2 Applying the five forces model

A five forces analysis allows an organisation to consider the relative attractiveness of different industry sectors when making strategic choices about exiting or entering particular sectors and markets. Close analysis of these forces can allow an organisation to find a position in the sector where it can best defend itself against them or, most effectively, influence them.

Understanding Forces of Competition In Private Sector organisations.

The nature of the five forces within an organisation's environment changes over time.

For example, a large part of the food retail sector used to be characterised by relatively large and powerful distributors serving numerous small and weak retailers. Over time the balance of power has shifted in many countries as food retailing has become concentrated in a few supermarket chains with

massive purchasing power. A different type of change is illustrated by the market for telephone services. In the early days of mobile telephony, mobile telephones were a complement to, rather than a substitute for, telephone services based on landlines.

As price structures have changed in the industry, mobile telephony has increasingly become a direct substitute for landline-based telephony. The five forces analysis provides a framework for analysing changes such as these. Changes in the level and kind of competition affect the structure of the industry, and the structure of the industry affects the nature of competition. Understanding Forces of Competition Outside Private Sector organisations. Porter's five forces framework is clearly most applicable to private-sector organisations operating in free markets.

However, elements of the model apply to all organisations; and the notion of strategy, as starting from an analysis of the near environment, is important in all sectors. For some organisations, an extension of the model may be useful. For example, in analysing the competitive environment faced by many organisations, it is important to understand the role played by government regulation. David McKeivitt (2000) has suggested a model for analysing the environment of what he calls street-level public organisations (that is, public-sector organisations that interact directly with the public).

This model is summarised in Figure 3. Figure 3: Environment of public-sector organisations (Source: based on McKeivitt, 2000) Professional associations are important since they set standards and may provide career structures for the professionals involved in service delivery (for example nurses, doctors or

social workers). Related street-level organisations may be important either as substitutes (e. g. Citizens Advice Bureau in relation to social services organisations as sources of advice) or collaborators (for example community health organisations and hospitals).

Suppliers are important in the same way as in the private sector (although we should note that some suppliers will also be related street-level organisations). The relationship with the client-citizen, however, is not the same as with buyers in the Porter model. Often the client is not paying for services and is a consumer rather than customer. However, in many cases there is some element of choice and their patronage is important to the organisation in securing resources. In most cases, government is the funder (although the funding relationship can be at arm's length or close).

McKevitt points out that it is important to understand not only these separate aspects of the near environment, but also the tensions and relationships between them: for example, the frequent gaps between professional bodies' view of appropriate standards and public opinion, or the relationship between government views and the media impact of client groups. 2 Market-based approach to strategy 2. 3 Strategy as fit between organisation and environment The market perspective on strategy suggests that a major focus of strategic decision-making is how best to ensure an effective fit between an organisation and its environment.

However, that fit is not static. The challenge is constantly to monitor and forecast changes in the business environment and to adapt the organisation and its strategy accordingly. Box 1 Managing strategic fit at the US Nature

Conservancy The US Nature Conservancy had a clear mission: to preserve plants and animals and special habitats that represent the diversity of life. Traditionally they had sought to achieve this mission through the purchase and management of critical habitats for endangered species.

They measured their success by the land area they owned and protected and in terms of their membership figures. However, during the 1990s they began to realise that this strategy was no longer adequate to achieve their mission. Increasing development pressures meant that often the threats to wildlife habitats were coming from outside those areas. For example intensive farming on the outskirts of protected areas was causing damage. They needed a new strategy to meet the new threats. They shifted their efforts from the purchase and protection of land parcels to a strategy of influencing land use in much wider areas.

They hoped to ensure that economic and recreational activities going on outside critical habitats don't undermine the ecological balance within them. To support this new strategy they needed to develop new capabilities. They had always relied on a strong base of scientific expertise and skills in land acquisition and management. These continued to be important, but they also needed to develop two further capabilities. First, they needed skills in community development to build and develop support for conservation in local communities around critical habitats.

Second, they needed business development and marketing skills. An important strand of the strategy was to promote the growth of businesses with low environmental impact in environmentally sensitive areas to reduce

tension between conservation and local economic health and employment prospects. (Source: Howard and Magretta, 1995) Activity 2 1. In relation to a product or service offered by your organisation, make some notes on the nature of its near environment, using either Porter's or McKevitt's models (or a sensible adaptation). 2.

What are the most important external forces faced by your organisation, that need to be taken account of in formulating strategy for this product or service? 3 Resource-based approach to strategy 3. 1 Understanding organisational capabilities Corporate success ... is not the realisation of visions, aspirations, and missions - the product of wish-driven strategy. It is the result of a careful appreciation of the strengths of the firm and the economic environment it faces. But nor is success often the realisation of a carefully orchestrated corporate plan. The strategy of successful firms is adaptive and opportunistic.

Yet in the hands of a successful company an adaptive and opportunistic strategy is also rational, analytic, and calculated. Adaptiveness does not mean waiting for something to turn up. Opportunism is only productive for a firm which knows which opportunities to seize and which to reject...

Corporate success derives from a competitive advantage which is based on distinct capabilities, which is most often derived from the unique character of a firm's relationships with its suppliers, customers, or employees, and which is precisely identified and applied to relevant markets. (Kay, 1993, p. 4)

In the previous section, we discussed how organisations fit into their competitive environment. In this section, we shift the emphasis from the

external to the internal context of strategy: the resources that an organisation possesses, or needs to possess, as the basis for a robust strategy. We shift from the sector to the organisation, by looking at: * what are the organisation's capabilities, and its important networks of relationships * how relevant they are to the objectives of the organisation * what new capabilities and relationships may be needed over time * how these should be built or acquired.

Organisational capabilities are also often referred to as organisational competences, although strictly a capability refers to the potential and competence suggests an applied and well-practised capability. By capabilities we mean an organisation's capacity to engage in a range of productive activities. All organisations possess unique bundles of resources, and it is how these resources are used that determines differences in performance between organisations. Resources are not productive in themselves - they need to be converted into capabilities by being managed and co-ordinated.

It is these resultant capabilities that, if hard to imitate, are the main source of competitive advantage. Strategy, from the resource perspective, is therefore about choosing among and committing to long-term paths of capability development. Figure 4 summarises the relationship between resources, capabilities and competitive advantage. Figure 4: The relationship between resources, capabilities and competitive advantage (Source: Grant, 1998) To confer competitive advantage on an organisation, capabilities need to have a number of properties: * Inimitability - They should be difficult for other organisations to imitate or acquire.

For example, if key capabilities rest on the competence of particular individuals, other organisations may tempt them away with a better offer. By contrast the capability to generate effective learning within the organisation may be rather harder to copy or buy. * Durability – They should be durable. For example, many technological innovations are quickly superseded by new developments. An individual technological innovation may be too short-lived to confer real advantage. However, the capability to generate technological innovations may confer a more lasting advantage. * Relevance – They should be relevant.

For example, in the banking sector, the size of the branch network used to be a key source of strategic advantage. Those banks that were able to deliver services geographically close to the customer were more likely to secure their business. As telephone and Internet banking become more prevalent, branch networks become less strategically relevant. *

Appropriability – Not all profits generated by a resource flow to the owner of that resource. The division of the value generated is subject to negotiation between the organisation, its employees, customers, suppliers, distributors and partners.

For example, a farming business that develops a capability to produce more cheaply may reap some benefits in increased profitability but, faced with powerful retail chains as its customers, it may come under pressure to pass on much of the cost savings to them. This will result partly in increased profits for the retail chains and partly in reduced prices for the consumer. Similarly, capabilities that rest on the skills of individual employees may result in the organisation having to pay a large proportion of the value

generated to those employees in order to keep them from taking jobs elsewhere.

John Kay (an influential economist and writer on business strategy) identifies three main classes of organisational capability that meet the above criteria: innovation, architecture and reputation. Innovation is an obvious source of distinctive capability, but it is much less often a sustainable or appropriable source because successful innovation quickly attracts imitation. Maintaining an advantage is most easily possible for those few innovations for which patent protection is effective. There are others where process secrecy or other characteristics make it difficult for other firms to follow.

More often, turning an innovation into a competitive advantage requires the development of a whole range of supporting strategies. What appears to be competitive advantage derived from innovation is frequently the return to a system of organisation capable of producing a series of innovations. This is an example of a second distinctive capability which I call architecture.

Architecture is a system of relationships within the firm, or between the firm and its suppliers or customers, or both. Generally the system is a complex one and the content of the relationships implicit rather than explicit.

The structure relies on continued mutual commitment to monitor and enforce its terms. A firm with distinctive architecture gains strength from the ability to transfer information which is specific to the firm, product or market within the organisation and to its customers and suppliers. It can also respond quickly and flexibly to changing circumstances. It has often been

through their greater ability to develop such architecture that Japanese firms have established competitive advantage over their American rivals.

A third distinctive capability is reputation. Reputation is, in a sense, a type of architecture but it is so widespread, and so important, that it is best to treat it as a distinct source of competitive advantage. Easier to maintain than create, reputation meets the essential conditions for sustainability. Indeed an important element of the strategy of many successful firms has been the transformation of an initial distinctive capability based on innovation or architecture to a more enduring one derived from reputation. (Kay, 1993, p. 14)