

Morrisons': influence of stakeholders



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Introduction:

Basically, an organization in its simplest form is a person or group of people intentionally organized to accomplish an overall, common goal or set of goals. Business organizations can range in size from one person to tens of thousands. There are several important aspects to consider about the goal of the business organization. These features are explicit or implicit ideally, these features are carefully considered and established, usually during the strategic planning process.

P1 (4. 1. 1): Identify the mission, values and key objectives of Morrison's and assess the influence of stakeholders:

In this assignment I have chosen to use Wm Morrison Supermarkets Plc. I will describe the objectives and responsibilities of the organisation with its environment, its economic, social and global environment, the organizations behaviour of the organization and the market environment and finally, I will also describe it's international trade and the European dimension.

Developing a vision, mission and values is the foundation for long term success, as demonstrated by Collins & Porras in Built to Last, the Disney organisation, and Dee Hock at Visa.

Collins & Porras (2009)

Objectives and Responsibilities

Morrison's' has many objectives. Their main mission is to supply their consumers with great quality products at low prices, meaning absolute value. By great quality products, this means producing products in suitable

environments. But they cannot fulfil their objectives without taking care of their responsibilities. These responsibilities include:

health and safety issues

consumer protection and satisfaction

advertising standards

employment condition

And trading hours etc.

P2 (4. 1. 2): Evaluate the extent to which Morrisons achieves the objectives of three stakeholders:

Businesses, like people, are part of the world community and as such have responsibility for the activities carried out in their name. Morrisons' are also responsible to a range of stakeholders with often differing and conflicting aims.

Stakeholder group

Objectives of stakeholders

Shareholders

to maximise profits of the business, dividends and the value of shares

Employees

to maximise salaries and job security

Customers

value for money, good quality products

CIMA, (2010)

P3 (4. 1. 3): Explain the responsibilities of Morrisons and strategies employed to meet them: / M1 (4. 5. 1): Use an effective approach to study and research for explaining the responsibilities of Morrisons and strategies employed by it to meet them:

Health and Safety issues

Health and safety plays a vital role in a successful organization. For Morrisons, it means to make sure their staff and customers are feeling safe when they work and shop, which could mean adjusting certain factors, however important it may be, to suit all the employees and consumers. This may also mean that Morrisons has to be accountable for every hazard that may be in their stores or even their factories and warehouses.

Consumer protection

Consumer protection ties in with health and safety because without the general safety of the public, the consumers will not presume to be safe in their marketing environment. To protect their consumers, Morrisons have introduced CCTV cameras and security guards at entrances, exits and around the stores and factories themselves. They are also benefiting themselves and the end-user with security alarm systems to control thefts. Along with consumer protection, customer satisfaction says further.

Morrison's has a lot of staff around the store, in nearly every section, to help customer find what they are looking for and ensure that they are gratified by

it. Many shoppers and jobholders can also have disabilities. To overcome this situation, they have disabled parking bays in stores which have car parks and disabled access, such as ramps to enter stores and warehouses. In stores Morrison's also have shopping trolleys for the disabled. They may also have specially advised staff to take appropriate care of the handicapped. Availability of stock on shelves can be limited, but this organisation tries to keep everything in order so that the shoppers are satisfied.

Advertising Standards

Another important business responsibility is to advertise campaigns and offers to gain publicity and profits. This implies that an organisation must stick to the rules of advertising. It is possible to advertise in many ways including the use of billboards and audiovisual appliances such as TV and Radio. Another common way of advertising is the use of Newspapers, but this is becoming more and more limited to gain publicity through being environmentally friendly. The first step to advertising is to take note of the competition and opposition. After that, the organisation, in this case Morrison's, has to generate a more economical yet sophisticated way to gain public notice.

Employment Condition

All of the employees have to be well suited to what they are hired to do. This may mean turning down a disabled person because he or she cannot reach up onto high shelves to do stocking etc. Elderly citizens may also not be hired because of heavy boxes or lack of fitness/ energy. Elderly people are more often hired as a Member of the Board Committee. The younger

generation are given the jobs of stacking shelves and restocking as they prove to be fitter and have more energy than the elderly generation.

Trading Hours

Trading hours have to be just perfect for the shopper in all cases. This could result in a 24 hour Morrisons being launched and maybe even longer Sunday hours.

Morrison's, 2010

P4 (4. 2. 1): Explain how economic systems attempt to allocate and make effective use of resources:

Economic systems

An economic system is one that a society attempts to meet people's material needs and wants through the production of goods and services. From the country's point of view, production of goods and services is influenced by the limited supply of such elements as labour, land and natural resources and capital. The scarcity of supply of resources means that the Government has to decide the allocation of these limited resources among competing claims, given the opportunity costs associated with the decision of producing a certain products and services within the economy systems instead of others.

Economical operation could include things like government policy, interest rates and market structure. Morrison's have to consider structure of their competition, and also the current marketing condition. The external influences are, the economy grows to a state and then slows down, or go into a recession. If it goes into recession this might affect the level of demands for Morrison's' products. Morrison's will be affected by the

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fluctuations of interest rates and changes in unemployment as a result of the recession.

If there was a recession, then people will have less money to spend, and many Morrison's products can be seen as a luxury, rather than something needed. This is not just for the public; many organisations are also affected by recession, and may be good customer of Morrison's. The exchange rate could also be considered as another external influence on Morrison's as it affects the competitiveness of it towards foreign companies. The internal influences on the economic position of Morrison's are: the products' pricing, quality, standards of delivery, warranty of goods, after sales services (customer relations) etc.

Peh E. (2009)

P5 (4. 2. 2): Discuss the impact of social welfare and industrial policy initiatives on Morrison's and the wider community: / M2: (4. 5. 2) Demonstrate the use of range of sources of information for evaluating the impact of social welfare and industrial policy initiatives on Morrison's and the wider community:

The society plays a vital role in any business and so Morrison's must be aware of its influences none the less. Morrison's social obligations include: provision of services to the society, recruitment, equal opportunities, training of staff, more jobs, donating to charities, providing social amenity (e. g. car parks, toilets, etc) and being aware of the health and safety of the food. They also have to be aware of the safety of other staff and customers.

Jobs, Training of Staff and Recruitment

This organisation considers every application for a job, whatever their race maybe or if their inexperienced. This is because Morrison's is against human discrimination and because they train all their staff even if they know everything that is required.

Donating to charity

Morrison's do not have to donate any of their profits to charity, but they choose to because that is how they gain more customers and also how they play their part in “ helping the world.”

Social Amenity

All Morrison's' stores provide toilets and nappy changing units for babies. Some stores even store nappies in cases of emergency. Some Morrison's also provide parking for cars and disabled badge holder parking bays.

Morrison's (2010)

P6 (4. 2. 3): Evaluate the impact of macroeconomic policy measures and the influence of the global economy on UK-based organisations and stakeholders: / D1 (4. 6. 1): Demonstrate the use of synthesis to generate and justify valid conclusions for evaluating the impact of macroeconomic policy measures and the influence of the global economy on UK-based organisations and stakeholders:

The outlook for the global economy has deteriorated rapidly. We are now faced with a synchronised downturn in most of the world's major economies.

These developments will have a profound impact on the UK economy and raise the prospects of an especially severe recession.

As an economy enters a recession many macroeconomic forecasters typically expect growth to return to its trend or average rate reasonably quickly. As economic conditions continue to deteriorate the projections for a recovery are successively pushed further out into the future. The common assumption appears to be that the underlying forces putting downward pressure on economic activity, which we often have a poor understanding of, are likely to dissipate. But often these shocks to economic activity are more prolonged than anyone expects.

With Bank Rate at a historic low of 1.5% we must consider the options available to monetary policy makers in case we approach the zero bound in the near future. In this speech I will argue that the Bank of England has a range of tools available to provide an effective monetary stimulus to the economy, even at the zero bound.

Meaning of Competition and Competitive Markets:

The concept of competition can be defined in many ways. In common parlance, competition refers to rivalry between firms in a market for objects like market share and profits. Market power is the ability to raise market prices above competitive levels and exclude competition.

Competition in a market refers to actions of incumbents in an established market and those potential entrants who would like to sell the same product. The instruments of competition would be price or capacity (quantity competition) and other non-price instruments like advertising etc. This

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involves erecting entry barriers, product differentiation, vertical integration etc. Competition for a market is defined as a process of creating a new market based on innovative technologies and/or new standards (example new operating system for Windows). This involves challenging the sellers of existing products through the introduction of new products or creating potential competition by upfront investment in facilities to supply a new product. Here the instrument of competition is not the price or capacity. Measurement of competition for a market is much more difficult than the measurement of competition in a market.

It is helpful to discuss certain standard models that economic analysis uses to understand competition and competitive behaviour.

Global Environment

It is the responsibility of Morrison's to think wise about the environment. In doing so the company must always try to and be successful in being friendly to the environment, not only in the UK, but globally as well. It also has to be aware of the green concerns, by reducing: waste production, pollution, products which contain CFC. Sainsbury should also provide organic products, recycling of the wastes (e. g. plastic bags) and so on.

Blanchflower D. (2009)

P7 (4. 3. 1): Explain how market structures in which Morrison's operates deviate from the model of perfect competition:

The nature of Morrison's is to compete with its rivals to gain a greater market share. Morrison uses their unique policy of in house workings to help them

gain market share over their major external rivals such as Tesco and Asda, Wal-mart. Morrison's compete in a highly competitive market where it is becoming such an environment for big business it is hard for new comers to break through. It is a hostile market where each chain has to try and out do the others in not only service but price, quality and value for money. This has meant each chain has to create its own identity and image to differ it from its competitors. As well as this each store has to establish a link with its surrounding community with rival companies having store geographically close to each other, the stores themselves have to create their own identity in the community as well as up keeping the image of the company. This is done by such things as fund raising for charities and helping the surrounding community e. g. employ local workers. Despite this ever changing environment Morrison's have managed to gain greater market share year by year coming up from being a midlands and northern England supermarket chain to a national one. How Morrison's have achieved this it to gradually expand their business bit by bit, one area at a time. This has allowed them to slowly build up there chain and at the same time appear as a low concern to it's, at the time, future major rivals. By establishing a solid base in the middle and north of England Morrison's gave themselves a good point to start expanding. By becoming a dominate supermarket in this region only it allowed them to gain a great market share for that region and give them a good reputation to start going national.

Morrison's (2010)

P8 (4. 3. 2): Some examples to illustrate the relationship between market forces and Morrison's response: / M3 (4. 5. 3): Synthesis and process complex information examples to illustrate the relationship between market forces and Morrison's response:

Porter's five forces, is very much focussed on the industry in general, while the strategy could vary from company, as per its competitive environment, going by the dynamic nature of the food retail sector, in the UK. The drawbacks of generalisation, is company specific strategies and issues are overlooked. One can see the following industry analysis that is prevalent, that has been successful in this competitive environment.

i) Cooperation:

With-in the industry:

If there is an industry wide cooperation, between the retailers, as one sees in the mobile telephone market, in the areas of pricing and strategy, it acts as an entry barriers for new entrants. There has been voice of concerns in the pricing policies in regard to dealing with suppliers, due to the voice of unanimity of major retailers, against complaints of suppliers. Many feel, it could lead to similarity in promoting goods and services, in price, strategy, as one sees in mobile phone market, in the long run in dealing with consumers too. This shows cooperation could be a force to reckon, to sustain in the competitive environment, as there will be restrictions for new entrants.

With the suppliers, small shops, retailers:

Ethical considerations can see, suppliers, small shops, local shops, be part of greater industry value chain. Substitutes like small retailers and small shops could be part of the retail value system and as they may be purchased from super markets to sell at their local store. Due to space constraints, high cost of land, could see small retailers part of industry value chain, and be product and service enhancers. Suppliers too could be part of greater value chain, as they too are treated as beneficiary and not pressured in competitive pricing. By building bridge between them, there is much greater scope of cooperation that can see acceleration in the industry growth, and also due to their local reach, low overheads in purchase and maintenance, staffing, economies of scale.

Somerfield practises this strategy, as part of its social conscience and corporate social responsibility. Somerfield Supermarkets had announced on 14th March 2003, that it would be offering a free delivery service of groceries and fresh produce to village shops and small stores all over the country. It has been the first service of its kind and they plan to develop it substantially more developed than any schemes offered by other retailers, providing access to a huge range of fresh, frozen and ambient goods; free delivery, discounts and credit facilities.

With Consumers:

With the advent of multinational, multilevel marketing companies like Amway International, Nutritional Products, Tupperware, etc, one is to one marketing, has come of age by now, showing again importance of advocacy in case of WM Morrisons itself. Consumers decisions, is highly influenced, too

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by word of mouth promotions. Building upon greater consumer advocacy, is very much important into days service industry, for its success and sustenance. In case of Morrison's the advocacy level has been 54%, thus showing Morrison's brand loyalty. Consumers have indeed become more demanding of retailers and are increasingly looking for authority of product offer. This has forced the food retailers, to pursue in understanding their target market, its needs and aspirations; because any shortcomings in their offers to customers will be punished as customers switch to competitors comments.

ii) In respect to Technology:

Point of Sale:

With the advent of hypermarket, C-Market, the use of technology in the market place which will be deciding factor to influence and initiate processes of sale in the retail sector, which is not considered in the five forces. In fact as mentioned earlier technological factor helps in reducing the barriers to entry in the industry.

Decision Making:

One of the key factors the advent of technology has brought, and industry will face, is impulsive buying decisions. These decisions could be quick and instinctive and not market influenced by any market forces.

Consumers may decide to buy something for change, and when purchases are influenced through advocating their preferences and tastes, sees this area of influence on the percentage of sales too very much of importance for an industry to understand the consumer buying decisions.

iii) Location Aspect:

Location aspect too could be a factor in industry pricing, as WM Morrison's, is located in the outskirts of city. The cost of transport for suppliers could be low, but for consumers could be a hindrance, to receive these benefits due to travelling. While on the contrary, for suppliers, to supply to other majors in the city could be a problem, but for consumers it could be a benefit. Thus we see an industry could be influenced by building up of values, cooperation, ethical considerations, and loyalty.

Hence we see that five forces indeed is good for industry analysis, but it can vary from company to company. It also does not give any assurance of profitability for a company, as there are many less profitable firms and not so successful performances, in this sector. Though industry has all the inherent strategy of the five force analysis in place, yet not able to perform. Like J. Sainsbury, on whom five forces, is well received, but is believed to be stuck in the middle. There are also other like Somerfield who is in the news, of a takeover bid, and is aiming for the top five retail competition very hard.

Morrison's (2010)

P9 (4. 3. 3): The behaviour and competitive strategies employed by Morrison's and the role of the competition commission and regulatory bodies:

Low Price and Low added value

This is differentiating to price sensitive market segment, low price and low product quality. Grocery retail chains like Aldi and Netto follow this strategy, have a product line entirely in low price segment market. Their stores are

basic, their merchandise range is relatively limited, with few speciality or luxury products, and at the same time their prices are very low. When an organisation seeks to attain a market entry, use this strategy as a bridgehead to build volume before moving onto other strategies.

Low Price

The low cost strategy requires the companies minimise their operation costs. Driver (2001) the organisation seeks to sustain over the competition on the basis of having the lowest cost base, so that competitors cannot hope to emulate it, and attain cost leadership. Asda, Tesco, Morrison's, has high sales and have been taking advantage of their lower costs by operating through their number of stores and its market share. Morrison's attributes its success to the low pricing and the quality of its products is also reasonable. Accordingly, the companies such as Morrison's and Tesco which are growing rapidly, succeed to reduce their costs and it is deduced that the cost leadership strategy is working well. For Morrison's, low pricing strategy is its competitive advantage, due to its economies of scale, locations, which gives them competitive edge in pricing and has cost leadership. With its merger with Safeway, it can bring its brand value, operating economies, to local, regional and national scale.

Differentiation

Broad differentiation which seeks to be unique in terms of dimensions widely valued by buyers is also different from competitors. Within the retail store market, the differentiation strategy seems to be unlikely to exist as products are relative homogeneous instinctively. Each retailer has positioned themselves in this highly competitive market. Innovative marketing concepts

and services, has been key factor that has helped food retail sector, to gain foothold in the market Morrison's, has 102 of its sites providing, petrol filling stations, 110 have cafeteria serving and hot meals.

The competitive strategy of an organization is crucial to obtain and sustain the competitive advantage in order to achieve its organizational objectives. To develop appropriate strategy, it is necessary to analyse the external environment and internal resources. The external analysing involves the assess of the industry in which the company operating and general environment such as politic, economic, social, technological (PEST) factors; then identify and select the strategy in terms of corporate, business and operation levels; finally, the management should ensure the strategy is successful implemented, and evaluate the change of the internal and external factors to manage the strategic changes.

Johnson and Scholes, (2001), Gerry Johnson and Kevan Scholes, (1998)

P10 (4. 4. 1): The importance of international trade, economic integration and global markets to the Morrison's:

International Trade, Economic integration and global markets:

Many nut producing countries are in the Majority World and the sector is one in which the precarious nature of international trade can have a significant effect on communities which depend heavily on one product for their income. According to a BBC article, in 2001 a small rise in the world production of shelled nuts, from 14, 000 to 16, 000 tons, resulted in the price

of brazil nuts crashing, with devastating effects on the communities in Bolivia which harvested the product.

In such areas, a change in the global market price of a single product can have a huge impact on the food security of local people.

According to FAO statistics, the top ten cashew nut producer countries in 2005 included Benin, Guinea-Bissau, Cote d'Ivoire and Mozambique, all of which were also ranked in the 15 countries with the lowest Human Development Index in the same year.

The International Institute for the Environment and Development (IIED) have conducted extensive research into the cashew nut industries in Mozambique and India.

They found that “ the power imbalance between intensely competing Southern producers and relatively few Northern buyers gives large retailers, the supermarkets, the upper hand over their supply chains. They are increasingly able to direct cashew networks, dictating the terms on which business is done and how the cashew is produced, as well as capturing most of the revenue generated along the chain”.

Furthermore, the IIED's study in Mozambique concluded that liberalisation of the cashew nut sector and privatisation of processing has lead to lower wages and poorer working conditions.

BBC (2010), Morrison's (2010)

P11 (4. 2. 2): Analyse the impact of two policies of the European Union on Morrison's:/ D2 (4. 6. 2): The validity of results has been judged for analysing the impact of two policies of the European Union on Morrison's:

Transparency

Public has the right to know about pesticides used in the production of their food and applaud those supermarkets that publish the results of their own residue testing programmes and urge the others to follow suit. Many consumers and public interest groups are interested to know more about pesticide issues and therefore included such information on company websites as a specific criterion. Company have to provide more information on plans, progress, successes and challenges in pesticide hazard and use reduction. For better transparency, they need to publish in detail which pesticides they prohibit or restrict, as the Co-op and Marks & Spencer do.

Sharing best practices and supporting change

To reduce reliance on pesticides and promote safer alternatives, growers need technical advice and a supportive relationship with their retailer customers to help them change practices. Retailers face common challenges, such as high levels of fungicide use applied after harvest and which often persist as residues in food. Closer collaboration to work on solutions is needed. Setting up action groups of growers and crop advisors to work together and test different methods for phasing out particular problematic pesticides and develop effective Integrated Pest Management strategies is one of the most useful ways to do this, as well as funding research. Under Integrated Pest Management non-chemical methods to

control pests, diseases and weeds are favoured and pesticides only used as a last resort.

PAN UK (2010), EU (2010)

P12 (4. 4. 3.): Explain the economic implications on the Morrison's of entry into EMU: / D3 (4. 6. 3): Demonstrate that evaluation has taken place using defined criteria while explaining the economic implications on the Morrison's of entry into EMU:

Economic and monetary integration in the euro area

Political and economic rationale has taken turns in driving the European integration process with the aim of achieving peace, political reconciliation and economic prosperity. This has led to a very advanced stage of economic and financial integration in the EU, with the Single Market and the single currency as its most visible characteristics.

This integration process is historically unique as it combines both supranational and intergovernmental elements between sovereign states in a way that challenges previous concepts and definitions. While integration in Europe could be seen partly as a regional process of the much wider global phenomenon of trade integration, visionary political leadership also played its role in accelerating the integration of the product, labour and capital markets. In the field of economics, theory and practical experience gained in the 1970s and 1980s led to a convergence of ideas and greater belief in the virtues of stability-oriented macroeconomic policies. As a result, we see less volatility in market variables such as interest rates and exchange rates.

The single currency and the Single Market in Europe are often discussed using the optimum currency area literature as a theoretical framework. The essential foundations of this literature were elaborated in studies by Mundell (1961), McKinnon (1963) and Kenen (1969) in the 1960s. The theory discusses the similarity of shocks affecting countries or regions in a monetary union and stresses the need for a high degree of trade and financial integration as well as similarity of economic structures. The greater the degree of similarity and integration in production and consumption structures, the lower the risks of asymmetric shocks or diverging developments that would necessitate a different monetary policy or changes in the exchange rate in order to avoid prolonged periods of unemployment. Of course, other adjustment mechanisms, such as a sufficient degree of price and wage flexibility as well as factor mobility, would need to compensate the loss of the exchange rate and an individual monetary policy in the event of diverging developments, and are thus stressed as necessary conditions for an optimum currency area.

Certainly, the euro area also lacks some properties that would make countries and regions more resistant to economic disturbances and improve performance in terms of GDP growth and employment, in particular a high degree of wage and price flexibility and labour market mobility. Some have also argued that the sustainability of EMU hinges on the existence of a cross-country fiscal transfer mechanism to absorb regional shocks. Most of these issues are not unique to the euro area but are relevant in a majority of EU countries and I would like to return to them a bit later when the discussion turns to challenges for structural policies.

Mundell (1961), McKinnon (1963), Kenen (1969), EMU (2010)

Conclusion:

Morrison's is currently one of the UK's top 5 supermarket chains, with more than 450 stores nation-wide. It has many different types of goods including both well known brands and own label products. Their aim is to provide all of their customers with the very best value for money no matter where they live and uniquely, they have always charged the same prices in every one of their large stores. The nature of Morrison's is to compete with its rivals to gain a greater market share. Morrison's uses their unique policy of in house workings to help them gain market share over their major external rivals such as Tesco and Asda Wal-mart. Morrison's compete in a highly competitive market where it is becoming such an environment for big business it is hard for new comers to break through. It is a hostile market where each chain has to try and out do the others in not only service but price, quality and value for money. This has meant each chain has to create its own identity and image to differ it from its competitors. As well as this each store has to establish a link with its surrounding community with rival companies having store geographically close to each other, the stores themselves have to create their own identity in the community as well as up keeping the image of the company.