

## Strategic Management with Reference to a Real Life Example

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*Abstract: Compared to the past, survival in this highly competitive global village is much more difficult for any organisations now-a-days. Formulation and implementation of realistic, flexible and sustainable strategy can contribute a lot to the survival as well as the development of an organisation. In fact strategy is the mechanism to reach a long term goal. It can take place at various levels i.e. corporate, business etc. An effective strategy must accommodate various issues such as technology, finance, marketing, customers' choice and so on. Marks & Spencer, an internationally renowned business entity has become an example of formulating and implementing strategies successfully and thus reversing its decaying market share. In this article, firstly, attempts will be made to critically analyse the various issues relating to strategic management. In the second part those issues will be elaborated in light of the strategies applied by Marks & Spencer that led to the regaining of their shrinking market share.*

### Part 1: Conceptual Issues

The world now-a-days has become a global village which is characterised by cooperation as well as tough competition. The ability to deliver quality products to the market at a cheaper price is a pre-condition to expansion and existence in this competitive world (Dangayach and Deshmukh, 2001). Therefore, organisations have to strive for better quality and lower production cost at the same time. It has been argued that strategy is a comprehensive plan which enables an organisation to operate in a way that allows it to outperform the competitors (Schermerhorn et al., 2005).

It is not so easy to come with a comprehensive and universally accepted definition of the term 'strategy'. However, strategy is defined as the direction and scope of an organisation over the longer term that achieves advantage for the organisation, through the optimal use of resources within a changing environment and fulfil the expectations of the stakeholders (Johnson and Scholes, 2003). It is observed that there are two approaches in strategy. The first and the second one are called 'tools-driven' and 'problem-driven' respectively. In the first approach

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understanding tools that come is followed by combining those for solving real problems. In the second approach, problems are understood first. Then search for appropriate tools take place (DeWit and Meyer, 2005). Strategy consists of a set of long term course of action regarding the product line and services offered by the company; the markets and market segments; the marketing channel (s); profit; labour relation; research and development; manufacturing; procurement and so on (DeWit and Meyer, 2005).

It is expressed that the term 'organisational culture' has become much popular among the management theorists and managers alike since the publication of 'In Search of Excellence' (Peters and Waterman, 1982).

It is argued that organisational culture offers a human-centred, theoretical perspective regarding the management of change which offers some insight into the "intangible" nature of organisations and their behaviour. This approach is contrary to the traditional management view of organisation (formal structures, rules and procedures and rational argument). However, there are problems in the generation and use of new tools and techniques within the organisational culture perspective that makes the management of people, the change management and the realisation of strategic objectives, easier to accomplish (Brown, 1992).

Culture is an effective tool that guides and shapes behaviour. Firms having cultures supportive of strategy are likely to be successful. On the other hand, firms having **insufficient** "fit" between strategy and culture must change since culture supports the strategy (Pascale, 1990). Organisational culture is often seen as strategy (Maull, Brown & Cliffe, 2001). It has been argued that culture and strategy are inseparable. According to this view, the separation of the two is not possible. Culture is a strategic phenomenon. On the other hand strategy is a cultural phenomenon (Bate, 1995).

It is argued that Strategy-as-Practice research is more defined by the phenomenon at stake than any particular theoretical position (Jarzabkowski et al. 2007). Moreover, strategy is a social practice - an organised human activity (Schatzki 2005). -like many other practices in our society such as law, journalism, war, marriage, strategy should be viewed with 'sociological eye' . Characteristics of this sociological eye include sensitivity to connections and relationships, recognition of social embeddedness and alertness to social problems (Whittington, 2007).

It is revealed that virtual organisations are characterised by technology-supported remote working. Such technology is cheaply available. Difficulties revolving around the management control systems to ensure tasks and projects are resolved (Wright and Burns, 1998). Development of such management systems may be through internal change agents, consultants, or through collaboration with think tanks (Childe et al., 1996). It may cost in the short term, but if part of a longer-term plan, the office space, commuting time, lighting, and heating charges savings are attractive. Computer use, networking, and the participation, enables the management of change find the organisational structure a smooth one. Therefore, a virtual organisation can be financially and technically feasible for most firms (Wright and Burns, 1998).

From the above discussion, it may be stated that formulation and implementation of strategy is easier in a virtual organisation as there is lesser system loss in terms of decision making.

The behaviour of organisations is significantly influenced by strategy. Merger, acquisition, strategic alliance and global alliance are some of the examples of changed organisational behaviour in response to strategy. Such strategies enable organisations to survive in the competitive global village and pave the way to development. Another example of changed organisational behaviour is competitive advantage. Organisations could go for cost focused (economy of scale) or product differentiation (unique features of products) strategies as suggested by strategy guru Michael Porter. Striving for and achieving core competence is also a strategic action (DeWit and Meyer, 2005). In contrast, it is argued that the new competitive pressures (competitive priorities) such as cost, quality, flexibility, time, speed, innovation and delivery performance force a firm to compete on the basis of more than one dimension (Stock et al., 1999). All these organisational actions are the instances of changed organisational behaviour caused by strategy.

It is stated that the creation of goods or services for customers is the core purpose of an organisation. Services related to public benefits like health care, education, legal support, infrastructure development etc are provided by non profit organisations. On the other hand, profit oriented organisations deliver tangible and intangible goods and services to the society (Schemerhorn et al., 2005). Mission and mission statements try to focus the attention of the stakeholders as the

core purpose of the organisation (Graham and Havlick, 1995). Although determining the corporate mission is said to be a challenging task as there are different ways of doing this. The various elements of corporate mission are organisational beliefs, organisational values and business definition. A manager needs to be cautious while coordinating all these elements in the mission statement (DeWit and Meyer, 2005). The mission statements are prepared and exhibited to convey a clear sense to the employees, customers and other stakeholders about the domain in which the products and services of the organisation fit as well as the vision and the sense of future aspiration (Collins and Porras, 1996). After preparing purpose and vision, strategies are pursued by organisations to accomplish those. Strategy enables organisations to have an edge over their business rivals in the competitive arena. Merger, acquisition, joint venture, global alliances are some of the examples of now-a-day's corporate strategies with aims to have competitive advantage in the competitive environment (Porter, 1980). Under these circumstances, executive leadership in both formulating and implementing strategy need to be included in the strategic management responsibilities. It is argued that strategy itself is not a guarantee of success. Optimal performance is achieved only when strategies are implemented properly (Schermerhorn et al., 2005).

There is a debate about organisational purposes. One view suggests that satisfying stakeholders' needs is the main purpose of organisations. The other view argues that the main purpose of organisations is to serve the interest of the shareholders (Wit and Meyer, 2005). In fact both the stakeholders' and shareholders' interests need to be considered while formulating and implementing strategies.

Successfully moving to take responsibility for the whole strategy development process, unlike simply fulfilling the requirements to complete a short-term development, plan requires considerable level of organisational learning and maturity (Davies and Ellison, 2001). Strategic intent has been stated to be one of the effective strategies to achieve organisational objectives. It is the process of concentrating on four or five areas involving major changes in performance and which often require fundamental cultural change within the organisation. Strategic intent promotes the concept of the learning organisation where a target is set that deserves personal effort and commitment towards building capability for reaching apparently unattainable goals (Hamel and Prahalad, 1989).

It is argued that strategy should be viewed as an element of a troika comprising policy, strategy, and resources (the PSR Troika). Corporate policies define a company's reason for existence (maximising shareholder wealth, fulfilling one or more social or economic function), company activities (design, develop, manufacture the market products, services), and the place of activities (by industry, geographical area). Policy defines the company's goals and objectives and its operational domain, strategy decides how the ways and means to achieve the organisational goals. Strategy determines the resources to be needed to achieve the company's goals and objectives and how these resources will be acquired and used (Davies, 2000).

This definition of strategy applies to corporate strategy and unit strategy. Unit strategies are plans for achieving the goals and objectives of an operating unit, an industry or geographical operating area, or a managerial or business function. Unit strategies include a company's marketing strategy, acquisition strategy, alliance or affiliation strategy, human resources recruitment and retention strategy, production strategy, and financial strategy. They also include a company's division strategies, subsidiary strategies, and country strategies. Corporate strategy, on the other hand, refers to strategy that is used to achieve corporate goals and objectives, that is, to achieve corporate policy (Davies, 2000).

The third element of the PSR Troika is resources. Resources are the material and methods that provide the components of corporate and unit strategies. Materials are capital, physical plant, raw materials, and parts, and less tangible components such as distribution networks, technology, human resources, market data, market reputation, and the ability to borrow. Methods are a range of management, manufacturing, and marketing functions and processes, such as motivational, negotiating, and alliance skills, and other intangible resources like outsourcing, ISO 9000, total quality management, core competencies, and competitive capabilities. A company's resources make the formulation of corporate and unit strategies possible and give effect to strategy implementation. Strategy cannot achieve anything without resources (Davies, 2000).

It is argued that everything that matters should be called 'strategy' (Davies, 2000). On the other hand, some writers argue that strategy should include everything a company does or consists of (Mintzberg et al., 1998).

Strategy has been defined as resource development and utilisation (Wernelfelt et al., Undated). Core competence has also been presented as strategy (Prahalad & Hamel, Undated).

It is argued that an effective strategy formulation process leads to a good strategy. Strategy formulation processes consists of three phases: strategic thinking, strategic planning and embedding of strategy (Acur, 2006). Some writers have suggested strategy formulation to be a programmatic, analytical thought process (Quinn, 1977). On the other hand, it has been suggested that the innovative characteristics of strategic management make a linear, rational planning process unrealistic and unsuitable for strategy formulation. This notion advocates a strategic thinking, characterised by a creative, divergent thought process (Mintzberg et al., 1999).

Strategy is often considered as a driver of internal performance in the strategy formulation process. Moreover it is stated that managers whose organisations are confronting strategy must first evaluate their internal competencies and then seek to apply these competencies successfully in the external environment (Kalpan and Norton, 2001). On the other hand, some researchers emphasize the importance of understanding organisational processes and procedures and determining what to maintain and what to change (Hull and Wu, 1997).

It is argued that strategic thinking and planning are not alternatives, but supplementary approaches to strategy formulation (Heracleous, 1998). It is found that Mintzberg's view of strategy is more process focused i.e. how strategies are arrived at in organisations (Acur, 2006). Where as Porter view strategy as a more positioning focused phenomenon that constitutes a sustainable strategic positioning in terms of particular organisational arrangements (Porter, 1996). The first view emphasizes the creative and synthetic, the second view emphasizes the convergent and analytical. Therefore, creative strategies resulting from strategic thinking needs to be discovered through convergent and analytical thought (strategic **planning**). Thus, the strategy formulation process should encourage the creation, maintenance of a competitive advantage in the domain of strategy formulation (Rumelt, 1982). It is also suggested that the strategy formulation process should encourage innovation by identifying business opportunities, strengths and weaknesses for managers, thereby making them creative (DeWit and Meyer, 2005).

From the above discussion, it is evident strategy formulation is a continuous process. It is influenced by both internal and external environment. Both the views emphasizing process and positioning respectively may result in effective strategy formulation. The success and failure of various approaches largely depends upon the structures and functions of the organisations, personnel and capability of the managers. Strategy formulation and strategic thinking are not mutually exclusive.

It has been argued that managers use various types of power and influence (strategies), such as reward power, coercive power, legitimate power, process power, information power and so on for getting people to support planned change efforts. Each power source has different implications on the process of strategic change (Richard, 1970). Managers or change agents may also use a number of strategies:

In a force coercion strategy, authority, rewards and punishments are used. In a rational persuasion strategy, an attempt is made to bring about change by using special **knowledge**, empirical support, or rational arrangements. It is assumed that rational people will be guided by reason and self-interest. Shared-power strategy involves people actively and sincerely who will be the stakeholders of the change through involvement and empowerment (Schermerhorn, et al., 2005).

Leadership is a vital part of strategic management. In other words, strategy development may be strongly associated with individuals. A strategic leader is an individual upon whom strategy development and change are dependent (Johnson and Scholes, 2003). It is argued that charismatic leaders are frequently put in charge when an organisation is in need of a strategic change. Effective charismatic leaders are often capable to communicate a vision and mobilise the energy needed for achieving this purpose (Landrum et al., 2000).

On the other hand, many organisations are creating teams, consisting of employees for materialising organisational goals. Management of these companies often delegate increasing amounts of responsibility to these teams by allowing them to be self-managed or vesting them the authority to plan and implement strategic change (Emery and Purser, 1996). In some cases, the entire plants have been built around work teams (Lawler, 1986).

As organisational designs and functions move away from bureaucracy toward democracy, the effectiveness of this design in planning and implementing strategic change for entire organisations must be looked at while using the teams. It is argued that teams are often effective and responsive at adapting to rapidly changing environments (Barker, 1993; Manz and Sims, 1987).

Recent studies reveal that organisational strategies involve the following components: restructuring of leadership and the organisation/culture, cost reduction, asset redeployment, a selective product/market strategy, and repositioning. It is also argued that strong leadership was the single most important factor for successful turnaround strategies and most turnarounds were headed by growth-oriented and entrepreneurial managers experienced in the firm's industry or in a variety of industries, self-confidence, task-orientation, and ability to inspire confidence others. They were characterised by task immersion, being highly visible, and using political skills. Reforming the organisational culture by providing a new perspective on the situation, changing attitudes, instilling a sense of fairness, coaching, and building shared goals plays a vital role to make strategic change effort a success (Hoffman, 1989).

It is observed that the term 'strategy' has been made complicated by the proliferation in the number of schools of strategic thought and by the over simplified use of the term (Mintzberg et al., 1998). It is stated that the place of strategy has been taken by a considerable number of management tools and techniques such as total quality management, benchmarking, time-based competition, outsourcing, partnering, reengineering and change management (Porter, 1996).

Strategy is a continuous process and should not be treated as a static phenomenon. In order to harvest the optimal result, there should be focus on incessant change which should be treated as the normal - rather than an exceptional condition of organisational life (McGuinness, 2005). It is difficult for strategy to sustain without a means-ends dichotomy. In practice, it is difficult for executives to make strategic decisions without knowing the end goal or objective. For example, choosing between Porter's "low cost" or "differentiation" generic strategies, or deciding to develop a non-generic third option, is difficult without applying policy in the decision-making process (Davies, 2005).



It is expressed that strategy is driven by its purpose, and its purpose is to achieve policy. A plurality of inputs, a multiplicity of options, and an ability to accommodate more than one possible outcome should be included in the strategy. But where policy is ignored or where there is no end-means linkage between policy and strategy, strategy does not have means-end object. In such situations, strategy becomes a means without an end, not a design or plan for achieving the company's policy goals and objectives (Davies, 2005).

### **Part B: Marks & Spencer plc**

Marks & Spencer is a leading retailer in the UK with 65,000 employees. Its business includes food clothing and financial services. It has 399 stores throughout the UK and franchises in 30 territories of the world. The annual turnover is £7.8 billion. It earned £709 million in 2004-2005 ([www.marksandspencer.com](http://www.marksandspencer.com)).

Strategic Business Units (SBU) means certain type of business having significant need for coordination with other businesses. Business units have specific market positioning or market mix. All business units are not SBUs. SBUs produce independent market offer. They need to coordinate and adjust with other businesses regarding market and resources. Therefore, they enjoy limited autonomy within the organisation (Griinig and Kühn, 2002). In some organisations, there is Profit Sharing Plan for profitable SBUs aimed to induce employees to work toward increasing the firm's earnings and substituting for other employee behaviour monitoring mechanisms (Magnan and Onge, 2005). The SBUs of M&S include clothing, financial service, food, international business, e-commerce etc.

Clothing is selected here as SBU. The sub-SBUs include women, lingerie, men, kids, school-ware, flower etc ([www.lancs.ac.uk](http://www.lancs.ac.uk)). In 2006, there was continued effort to improve products, change buying practices and rationalise brands followed by improved sales performance. Better values, buying, and styling resulted in better performance. Womenswear improved with well-received ranges beginning to re-establish fashion credentials, including frequent additions of new product into stores. 'Per una', had another strong year. It is a major brand, with wide appeal and strong growth potential. Menswear rationalised its brands and extended more fashion-led 'Autograph' offer. Lingerie has been benefited from a clearer offer with only five brands, including the new 'per una' range. Beauty performance was weak and the offer is being re-assessed.

Childrenswear was restructured in November 2005, handing responsibility for it to Womenswear and Menswear teams, aimed to regain leading market position ([www.marksandspencer.com](http://www.marksandspencer.com)). It is claimed that womenswear has been 'democratised' by Marks & Spencer as the company has provided women with high standard clothes at affordable price (Rippin, 2005). Therefore, it can be said that 'product differentiation, rather than 'cost leadership' is applied in this SBU.

It is observed that companies perform best when they listen to their customers. Customers want high quality products at competitive prices, in attractive stores that provide excellent service. There was significant progress on improving product ranges and M&S started to tackle customer service and store environments. As a result, performance improved in a tough and competitive marketplace. Since 2004/05, there are tightly controlled costs, reduced stock commitments, streamlined buying practices and eliminated bureaucracy, and reasserting of traditional values of quality, value, service, innovation and trust. The concentration has been on: product, environment and service. There will be continuous focus on improving product and customer service, while modernising stores on a scale unmatched in the UK. Broadening business is under consideration. There has been re-pricing without compromising the quality. It is benchmarked against the nearest rival's offer. The company is now demand-led, rather than supply-driven. Close contact with the suppliers is emphasized much. There is tighter stock control. Efforts are made to make the store layouts more customer-friendly. The company has concluded a deal to buy 28 former Iceland Stores for expanding food business and closed six underperforming stores in 2006. Having well-motivated, properly trained people, in the right place at the right time to help customers are the aims of the company. The key priority will remain the revitalisation of existing core business (Rippin, 2005)). Until 2005, Marks & Spencer's sale was declining but it has comeback with a successful advertisement campaign ([www.guardian.co.uk](http://www.guardian.co.uk)).

M&S have 198 franchise stores in 30 territories and wholly-owned stores in Hong Kong and the Republic of Ireland. The company agreed to sell the Kings Super Markets in the US, the only non-M&S branded business, for £35.4m (\$61.5m). International sales were up by 14.7% to £522.7m ([www.marksandspencer.com](http://www.marksandspencer.com)). In 2001, a radical restructuring of UK and international retail businesses was announced.

The UK business was to be revamped and made the focus of the company's restructuring. Its US retail subsidiaries and company-owned stores in continental Europe were to be sold off. The M&S company stores were to be turned from wholly owned subsidiary into franchise in Hong Kong, in line with other international operations. Its international ambitions were effectively put into reverse (Jackson and Sparks, 2005). M&S will open three new stores in Taiwan after forming a joint venture with Taiwan's President Chain Store Corporation, the operator of '7-Eleven' chain. The first store will be opened in early May, 2007 and the two others later this year. This joint venture will target Taiwan's fashion-conscious consumers ([au.biz.yahoo.com](http://au.biz.yahoo.com)). In 2004, Marks & Spencer sold 100% of its financial service (M&S Money) to HSBC. The business will use Marks & Spencer Money brand and M & S will get 50% of the profit ([www.hsbc.com](http://www.hsbc.com)). Recently, M&S announced to enter into a five-year partnership with research and consultancy group BRE for sustainability, enabling to achieve the former's target to become carbon neutral, send no waste to landfill and extended use of sustainable raw materials by 2012 ([www.marksandspencer.com](http://www.marksandspencer.com)).

It is argued that strategies at various levels are contemporaneous and interactive, not hierarchical. There should be a heterarchy of strategies. In a hierarchy, every strategic decision-making node is connected to one **parent node**. **In a heterarchy, a node can be connected to any of its surrounding nodes** (Chakravarthy and Handerson, 2007). This notion is reflected on the operation of Marks & Spencer.

It is argued that the Growth Share Matrix (BCG box) is one of the most commonly used and effective ways of conceiving of the balance of a portfolio of business in terms of the relationship between market share and market growth identified by the Boston Consulting Group i.e. BCG. On the basis of market share and growth, the various business units are categorised under four groups namely star, question mark, cash cow and dogs (Johnson and Scholes, 2003).

Clothing falls in the 'cash cow' category of the BCG Matrix because of its high share (45.2%) and low growth (+0.0%). Food can be treated as 'star' because of high growth (+7.0%) and high share (49.9%). International business can be treated as '?' because of high growth (14.7%) and low share i.e. \$522.7 million against company's total sale of £7.8 billion. Financial service should also be treated as '?' because of its high profit (\$9.6 million) but comparatively lower share in the

company's profit of £751.4 million. The e-commerce has been restructured through collaboration with Amazon and it has now become a business unit in its own right. It continues to grow strongly from a relatively small base ([www.marksandspencer.com](http://www.marksandspencer.com)). Therefore, the e-commerce should be treated as '?' too. The Brooks Brothers clothing stores in the USA and Asia were sold, Kings Super Markets in the USA will be sold-off and six underperforming stores in the UK were closed for unsatisfactory performance. In 2005, its Lifestore in Gateshead was sold for £43m because of declining performance. The total sales of 'home' declined by 22.3% in the fourteen weeks to 9th July (Rigby, 2005). So, these units can be termed 'dogs' in the BCG matrix.

Value chain consists of a number of activities each **firm** needs to perform to fill the customers' needs by manufacturing goods or providing services to them. These may vary from industry to industry. Value chain network consists of primary and support activities. The primary activities include inbound logistics, operations, outbound logistics, and marketing and sales. For carrying out primary activities successfully, the following support activities are needed: procurement, technology development, human resource management and **firm** infrastructure (De Wit and Meyer, 2005).

Marks & Spencer has a cooperative natured close relation with the suppliers. Their operation is spread throughout 30 territories of the world. It has joint collaboration with Amazon and Waste & Resources Action Programme for technological development of its e-commerce and using environment friendly shopping bags respectively. In June 2005, all 56,000 of store employees in the UK and the Republic of Ireland participated in a specially tailored programme called 'Our Service Style' to for improving performance. It accounted for over one million hours of additional training. Customer assistants' pay is enhanced. ([www.marksandspencer.com](http://www.marksandspencer.com)).

PESTEL framework categorises environmental influences into six main groups: political, economic, social, technological, environmental and legal issues. A summary of some of the questions to be asked about the key forces at work in the macro-environment is provided by this framework. In fact PESTEL is used to look at the future impact of environmental factors on the over all performance of organisations (Johnson and Scholes, 2003).

There is a unitary parliamentary form of democracy in the UK. In reality the United Kingdom is considered as the place of birth of modern democracy. Its 'Westminster' style democracy is praised worldwide and introduced in Bangladesh, India, Australia, Canada etc. There is political stability and minimal corruption and no political violence which is conducive to business. After the demise of the USSR, the socialist bloc along-with command economy collapsed. As a result, M&S expanded its business to the East European countries.

Before the recent global recession, the UK economy was undergoing a stable condition with satisfactory growth and lower inflation for several years which is conducive to business. In 2004, M & S sold 100% share of its financial service to HSBC for £762 million. It will get 50% profit of the new business for using the 'Marks & Spencer Money' brand. The key economic features of Marks & Spencer during 2006-2007 (interim) include: total sales up 11.0% at £3,929.4m; sales in UK up 10.5% at £3,647.9m; international sales up 17.7% at £281.5m; adjusted profit before tax up 32.2% at £405.1m; unadjusted profit before tax £406.5m; adjusted earnings per share up 30.7% at 16.6p; unadjusted earnings per share 16.7p; interim dividend 6.3p, up 31.3% ; net debt £1,745.6m ([www.marksandspencer.com](http://www.marksandspencer.com)). It shows that the economic performance is improving. For lessening dependency on the shareholders, a plan was formulated to return £2 billion to them by February, 2005 ([www.econ.upf.es/docs/case-studies](http://www.econ.upf.es/docs/case-studies)). By March, 2002, £26 million was returned ([www.britishland.com](http://www.britishland.com)).

Social responsibility and ethical trading is much emphasized by the company. There has been continuous effort towards 'Look behind the label' campaign to tell customers about the effort that Marks & Spencer products are produced in safe and ethical ways. In July, M&S won Business in the Community's Company of the Year Award for the second time, awarded for Breakthrough Breast Cancer cause-related marketing campaign and Marks & Start employability programme. They are supporting the Breakthrough Breast Cancer campaign for the sixth year. In October's Breast Cancer Awareness Month, customers helped to raise £600,000. In the 2006 RSPCA Good Business Awards, M & S won the Fashion and Food categories and became runners-up in animal welfare standards based cosmetics. They are working with Fairtrade Foundation on Fairtrade of food, clothing and home products. Greenpeace rated Marks & Spencer as the best food retailer for sourcing fish from well managed sources for the second year

(Ibid). It is claimed that most of its traditional customers are in retirement age and M & S's bid to reach the young customers through Gateshead Stores had a disastrous experience (Finch, 2004).

M & S reached an agreement of joint collaboration with Amazon to enhance its technological capabilities in e-commerce. It is claimed that women want glamour and practicality. So, M&S lingerie are popular because their bras are machine washable at 40°. There are many designer brands that need to be handwashed - women don't have time to handwash lingerie (Rippin, 2005). In 2002, the company has announced to expand its organic food range. The new additions include breakfast cereals, fruit, vegetables, ready-meals, sandwiches, meats, salads, desserts and ice creams ([www.findarticles.com](http://www.findarticles.com)). The company has adopted an innovative new way to seal flexible film bags and pouches, which can save at least ten per cent of the packaging material used on those, products developed by Waste & Resources Action Programme ([www.wrap.org.uk](http://www.wrap.org.uk)).

The issue of competitiveness is considered as being inherent within the notion of strategy. In private sector it is aimed to gain advantage over competitors. Where as it is demonstrable excellence within a sector and/or advantage in the procurement of resources. Normally managers focus their attention on direct competitive rivals. But there are other factors in the environment that influence competition. The five forces framework coined by Michael Porter helps identify the sources of competition in an industry or sector. This framework consists of five factors namely Threat of new entrants, Bargaining power of the buyers, Threat of substitutes, Bargaining power of the suppliers and Competitive rivalry (Johnson and Scholes, 2003).

Threat of new entrants is always in existence in this globalised open market economy. The market is not monopolistic in nature. Marks & Spencer is a big organisation with huge capital and diversified business. New entrants have to overcome a number of entry barriers like huge capital, supply chain, brand image, product differentiation, buyers' choice etc. Despite the fact new players may come to the business arena by exploiting the advantage of open market economy. New entrants may come from developed countries and countries with booming economy (e.g. China and India).

Buyers have bargaining power because they can go for alternative choices (TESCO, ASDA etc.). Consumers' choice is not static. Companies have to change the style, quality and price of their

products according to consumers' needs. M&S have to replace products with obsolete style and nature by attractive ones along-with effective advertisement campaign for regaining its market share among young people.

As a traditional global retailer of the UK, M&S has some bargaining power. It has a specific, brand image loyal segment of consumers although most of its traditional consumers are in retirement age. Selling goods at affordable price without compromising with quality is emphasized. 'Cooperative natured' relation is maintained with suppliers. Their business network spread throughout the UK and 30 territories in the world. Until 2003, its business was in decline, but M & S fought back with successful advertisement campaign. The collaboration with HSBC and Amazon has strengthened its position.

Consumers have a number of substitutes in the market (TESCO, ASDA, ZARA, etc). If M&S cannot satisfy their choice (e.g. St Michael Brand clothing, quoted in Anon, 2005) they can go for substitutes. The substitutes include the mentioned enterprises. Expanding retailers from home and abroad may penetrate the market and thus affect the market share of Marks and Spencer.

There is competitive rivalry among large retailers like M&S, TESCO, ASDA, Sainsbury etc for capturing bigger market share. In the late 1990s, Marks and Spencer appeared to be in serious decline ([leaderswedeseerve.wordpress.com](http://leaderswedeseerve.wordpress.com)). There was an unsuccessful bid from Philip and Green, another retailer to takeover M&S. Following this, the CEO of M&S was changed (Rippin, 2005). M&S reversed its declining market share through a successful advertisement campaign that succeeded to attract the young generation. A number of steps including closing underperforming shops, buying and opening new shops in home and abroad, strategic alliance, improving shop layout has been taken to survive in the competitive environment.

From the organisational context, M&S is striving for eliminating bureaucratic hierarchical structure. Complicated roles in the sales were replaced with just four - trainee, qualified, coach and section coordinator - offering assistants a clear career path. There has been continuous effort to make the shop layouts more customer friendly ([www.marksandspencer.com](http://www.marksandspencer.com)). Following the takeover bid by Green, a new CEO has been appointed in M&S for organisational development and improving the leadership in the organisation ([www.users.globalnet.co.uk](http://www.users.globalnet.co.uk)). Overcoming centralised leadership is

vital for the development of M&S. The organisation preferred to rely more on equity than share to facilitate prompt decision making. A plan was formulated to return £2 billion to the shareholders by March, 2002. By February 2005, £26 million was returned to the shareholders.

This global village is characterised by cooperation as well as tough competition. Technological innovation and globalisation have made the corporate world a very competitive arena. Merger, acquisition and strategic alliance are among the many by products of globalisation. Such collaborations have enabled organisations to strengthen their positions. At the same time made the survival of organisations much tougher than in the past. Delivering quality products to the market at a cheaper price is a pre-condition to expansion and existence in this competitive world (Dangayach, and Deshmukh, 2001). Therefore, organisations have to strive for better quality and lower production cost at the same time by embracing appropriate strategies at various levels.

Marks and Spencer is one of the vanguards of UK retail business. It is revealed that immigrant Michael Marks built the business from peddler's tray to multi-million pound operation (Rippin, 2005). By **now** the **organisation has come across** a number of rises **and** falls. Like other organisations, there are some problems in M&S which are termed as 'midlife crises' (Rippin, 2005). After decades of good performance, it began to lose its market share during late 90s. Some of its products specially, 'St Michael Brand' clothing failed to attract customers. Many of the domestic and foreign outlets were not performing well. Its advertisements also failed to attract customers. Even it became target of a takeover bid. But Marks & Spencer has undertaken a number of effective measures like reshaping international business, closing and selling underperforming units, discontinuing obsolete products, strategic alliance with other organisations (Amazon and HSBC) and successful advertisement campaign and thus reversed the declining trend. As most of their customers are at retirement age, it will be very **difficult** to retain market share in future without attracting the young generation. Therefore, the choice of the young generation should be reflected on their product design. Countries like China, India and Bangladesh have increasing number of consumers with high purchasing power. M&S already have branches in the first two countries and should go to the third one.



In this global village, formulation and implementation of strategy plays a pivotal role behind the success or failure, even survival of organisations. Therefore, strategy is an inseparable part of now-a-days' organisations' structure, culture and behaviour. Personnel ranging from support staff to top management need to contribute their level best efforts towards achieving organisational goals under the auspices of realistic strategies. Staff involvement and staff empowerment are important pre-conditions to the success of organisational strategy. A healthy relation between managerial and staff levels is vital for the effectiveness of strategies. Responsiveness to customers' demands and feedback are also important. Both the 'hard' (machinery) and 'soft' (manpower) issues should be improved continuously. As strategy is dynamic by nature, relentless efforts for excellence can enable organisations to survive and succeed in this global village which is characterised by tough competition.

The success or failure of strategies is determined by their long term impact. As a big organisation, Marks & Spencer has well defined strategies for various levels (business, corporate and network). A coordinated, heterarchical relation among various levels' strategy is a key to their success. As the business environment is changing frequently, organisations should also change their strategies accordingly. Because it is said that change is the only unchanging phenomenon in the world.

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