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REPORT ON THE BUSINESS OF MARKS & SPENCER

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**MARKS &
SPENCER**

MARKS & SPENCER
AN INTERNAL INVESTIGATION OF THE BUSINESS OF MARKS & SPENCER

Introduction

1.0

This is a report on Marks and Spencer a well known retail company. The business that I have chosen to do is well known in the UK retail. This business is Marks and Spencer. Marks and Spencer has also recently been in the news for falling profit and sales in 1999/2000. So Marks and Spencer is business which is on its way to recover. Famous for setting the highest of standards in the retail industry, pioneering its own chargecard and generating such snob value on its products, yet controlling prices to bring their products within most people's reach. Marks and Spencer has extended its brand overseas where it continues to achieve substantial growth. This is likely to be its main source of growth in the near and long term future as the company develops its franchise business.

There are a total of 628 locations worldwide. The company also makes great weight of how it is run - first class customer service, operating efficiency (through economies of scale), long-term partnership with suppliers, financial services, staff remuneration and overall packages the best in the high street. Following a wide-ranging and detailed strategic review of its business, the Board of Marks & Spencer has announced significant changes to the Group strategy and structure.

The Board and management team is committed to restoring profitable growth. This will be achieved by total focus on the recovery of the UK Retail business.

To eliminate distractions and gain maximum impact from the improvements, Marks & Spencer intends to close its subsidiaries in Continental Europe; to divest its two US businesses, Brooks Brothers and Kings Super Markets; to franchise its subsidiary business in Hong Kong; and to close the direct catalogue business. In addition Marks & Spencer will release value from almost half its property portfolio.

In order to improve the capital structure of the Company Marks & Spencer intends to return £2 billion to shareholders by the end of March 2002.

2.0 Terms of Reference

2.1

Anyone thinking of starting their own business or joining an existing business needs to have at their fingertips knowledge about what makes a business work successfully. This report explores the business of Marks and Spencer in order to determine in analysing the company I will focus on the following areas types of the business, business objectives, structures and cultures.

3.0

Procedure

- 1 I have phoned the head office of Marks and Spencer to request their Annual Report, since they don't send it out they only send out there Annual Review.
- 2 I will use the Annual Report on Mark and Spencer web site.
- 3 I have also been reading the Financial Times to see if there is any useful information, I can use for the business I is investigating.
- 4 I have also used the Internet to find more information on the business.
- 5 I will be visiting Mark and Spencer to interview staff and talk to the manager
- 6 I am also using the Business AVCE textbook for information.

4.0

Findings

4.1 Classification of Ownership

4.2 Marks and Spencer can be classified as a public limited company; it can be also called an incorporated business. Marks and Spencer is a business that provides good and services e.g. clothes, finance. It therefore comes under the tertiary sector. Marks and Spencer is a profit making company, which belongs to the private sector. The private sector includes all those business that are set up by individuals or groups, of individuals. Most with the aim of making a profit.

5.0 Benefits of Ownership

5.2 The benefits of Marks and Spencer's being a public limited company is that all members have limited liability, this means that the firm continues to trade if one of the owners dies and more power is enjoyed due to its large size. The benefits as follows:

- 5.3 Huge amount of money can be raised from the sale of the shares to the public. So this means any one is able to buy shares from them.
- 5.4 Production cost may be lower as firms may gain economies of scale; this means that when they buy large amounts at a reduction in cost per unit, bulk buying reduces the cost. The company can also add value towards the goods to make a profit and to pay staff and any other cost.
- 5.5 As a result of their size, public limited company can often dominate the market. This shows that being a plc is a strong position on the market.
- 5.6 It becomes easier to raise finances, as institutions are more willing to lend to a public limited company because they are reliable. For example institutions are not likely to lend big amounts of money to partnership or a sole trader because it would be a high risk.

6.0 **Constraints of Ownership**

6.1

- The constraints of marks and Spencers being a plc ownership are as follows:
- 6.2 Since anyone can buy their shares it is possible for an outside interest to take control of the company. In order to do this the person will have to buy a huge amount of shares.
- 6.3 All of Marks and Spencers accounts can be inspected by members of the public. Competitors may be able to use some of this information to their advantage. They have to publish more information than private limited companies.
- 6.4 As a result of Marks and Spencer's size, they are not able to deal with their customers at a personal level.
- 6.5 The way they operate are controlled by various company acts which aim to protect shareholders. The reason this is because most people that invest in a company like to see an increase in the dividend yield.

- 6.6 If marks and Spencer's do not make enough profits, then fewer people will invest in the company. If this happens the company would then find it hard to raise capital for the public.

7.0

Objectives of Business

7.1 The main objectives of marks and Spencer's are as follows:

- Profit maximisation
- Increase sales
- Market leadership
- Offering high quality service
- Growth
- Reward shareholders

Profit Maximisation is often the main aim of the private sector business. This can be achieved where the difference between the total revenue earned by the business from selling its products and the total cost of the products is the greatest. So you could say that Marks and Spencer's are aiming for as much profit as possible. In the UK retail the turnover and operating profit before exceptional items were £6.3 million, in 2000/2001 compared to last year 1999/2000 is £6, 4 million, so at the moment Marks and Spencer UK retail business is not so successful at profit maximisation.

7.2

Mark and Spencer International retail and franchise businesses have operated 125 franchise stores in 26 countries. The turnover in Europe was increased this year 2000 /2001 compared to last year 1999/2000. The turn over in North America (exc. Canada) has also increased compared to last year. In the Far East sales had also increased by approximately 4% to 110.1 million compared from last 105.9 million. So marks and spencer business internationally is very successful compared to its UK retail business. The way the business can maximise profits is buy satisfying customers by making more products or services available like selling financial services life assurance, personal insurance and ms insurance this are a few services Mark and Spencer offer customers.



8.0 Increasing sales

8.1 The objective of increasing sales is very important for Mark and Spencer. In order to increase sales they must meet and satisfy customer's wants and needs. Marks and Spencer also have to attract new customers, they must target the younger market, and this could help to boost their sales. The chairman and Chief Executive Luc Vandavelde also want to attract new customers, so that the UK sales increase. I think that Marks and Spencer are on their way towards being successful in meeting their objective for increasing sales; I still think that they are more successful in the international retail. The reason why I think that Marks and Spencer are on their way towards being successful is that on the 6th of November they had their Interim results. Marks & Spencer has reported a 20% increase in profits for the six months to the end of September. The retail giant made £220m, a figure at the top end of analysts' expectations. The profit boost reflects the trading statement released by M&S last month, which showed an overall rise in sales of 2.8%. Although the figures do not cover October, chairman and chief executive Luc Vandavelde said customers seemed to be responding positively to the changes made by his management team.

9.0 Market Leadership

Marks and Spencer also have the objective of gaining market leadership, the chairman And chief executive Luc Vandavelde said that he's company will aim for this in every category in which he trades, but they must meet more demand from the customers, in order to be competitive. Marks and Spencer has not achieved its objective to be successful in market leadership, I think it will take some time for marks and Spencer to recover back to be market leadership; they are improving the way they work.

Here is bar chart showing the category of market leadership by Marks and Spencer



9.1

Marks and Spencer also have an objective for providing high quality service. They are also well known for their quality. Marks and Spencer claim that no one cares more about quality it is said in their annual review report. I think they meet their objective for providing high quality service, e.g. in their Milton Keynes Store. Most of their customers that visited Marks and Spencer were happy with the service on my survey, but I noticed from my own personal experience some stores were more inviting than others by the display put on at the entrance of the store and were more efficient and helpful. Marks and Spencer are meeting their objectives for high quality service in Milton Keynes and the West End branch in London.

10 Growth

10.1 Growth is an important objective of marks and Spencer. Many businesses pursue growth as their main objective. Business people argue that the firm must grow in order to survive; failure to grow might result in a loss of competitiveness. In the U.K. retail Marks and Spencer have 303 stores at the end of March 2001. This also includes three outlet stores, which opened during the year. Marks and Spencer also has their franchise business, which operates 125 stores in 26 countries. If Marks and Spencer are able to grow, they could dominate the market, in the future it may be able to enjoy some monopoly power and raise its price. If they do well they could be able to exploit economies of scale, if they grow large enough. I think that Marks and Spencer are successful in growth, and also think that they are meeting their objective. The number of people they employ can be used to measure the growth of Marks and Spencer also at the end of March 2001 it had a selling space of 12.4M sq. ft.

11 Rewarding Shareholder

11.1

In order to reward shareholder, Marks and Spencer have to increase profit, if there is a failure to make profit, then it leads to loss of confidence in the business, this is particularly among the shareholders that is why, it is important for them to keep the shareholders happy. The chairman and executive Luc Vandeveldé say "while providing a more appropriate capital structure by returning £2 billion to our shareholder." If Marks and Spencer can return £2 billion to their shareholders, then I would say that they are successful in meeting their objective. The way Marks and Spencer shareholder receive their shares, is by being given yield this is the rate of return to the shareholder paid in the form of dividends, so the higher the yield, the more money the shareholder earns.

According to the business magazine the economist in November edition. Marks and Spencer is still one of the richest companies in the UK. The company highest share price in October was 314p the lowest was 186p. Marks and Spencer also shutdown its underperforming Direct clothing catalogue business. Recently the first part of a sale and leaseback of 78 properties was announced, raising £348 of the £2 billion earmarked for the return to the shareholders. Shares and 21 B shares.

Shareholders can have their B shares redeemed for 70 pence each in cash on 25 March 2002. Alternatively they can retain their B shares on which they will be entitled to a dividend of 75% of 6 months LIBOR until such shares are redeemed.

The next opportunity for shareholders to have their B shares redeemed for 70 pence each in cash is September 2002 and then every six months thereafter.

M&S said the return is conditional upon the approval of shareholders and the High Court. Commenting on the announcement chairman and chief executive Luc Vandeveldé said the return of capital "will enable us to improve the potential for a faster rate of earnings growth and create a more efficient balance sheet structure." Our objective was to treat all shareholders in the same way. The proposals achieve this and give them a choice as to when to receive cash. "M&S said shareholders would be sent a circular by Feb 4 setting out in full the proposals. The return is dependent on shareholder approval at a Court Meeting and an Extraordinary General Meeting, both of which will be held on Feb 28. M&S originally announced its intention to return the £2 billion to shareholders by the end of March 2002 on March 29 2001

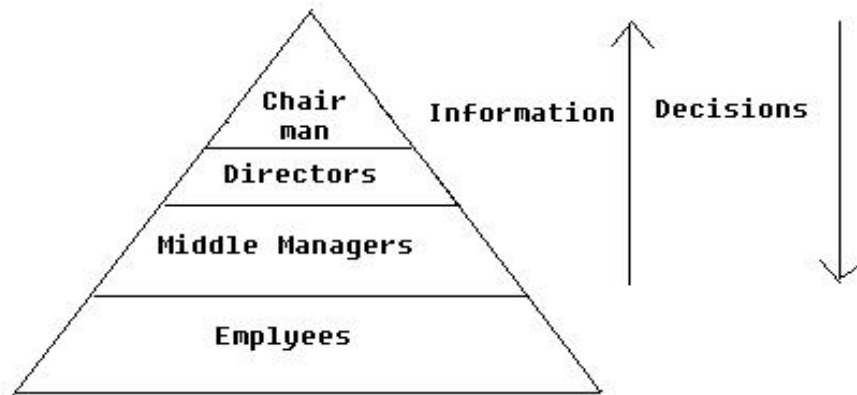
12 Structure of Business

12.1 In the organisation structure a business must take account of the two factors the management hierarchy and the span of control.

The organisational structure of Marks and Spencer is very important. If they have a clear and effective structure this will enable them to meet their objectives for example increasing sales, if they have a poor structure this will lead to failure to meet their objectives. The organisational structure for Marks and Spencer is tall; this business has 303 branches in the U.K. The company also has 125 franchise stores in 26 countries. Marks and Spencer also has a tall hierarchy, the hierarchy of this business is the levels of management, and this can be done from the lowest to highest rank. It shows chain of

command within the organisation the way authority is organised. The information and orders passes down to all levels then are passed up.

Here is a tall structure below:



12.2

There have been a few changes, in staff and the way the company operates since May 2000. Marks and Spencer has had four new directors have joined, they are as follows: Kevin Lomax and Tony Ball, joined as non-executive directors and David Norgrove and Roger Holmes as executive directors, they have also had seven directors leaving the board, so Marks and Spencer have changed their team to restructure to the U.K. retail, so that they can increase their sales. In this business sometimes having a tall hierarchy can tend to be a constraint, because the fewer levels tend to improve decision making and communication. Marks and Spencer are a multinational company, which also used to own Brooks Brothers and Kings Super Markets.

12.3

The culture of Marks and Spencer plays a big part in the company; this is very much concerned about the way in which people in the organisation interact with each other. If people did not interact well with each other, this could be bad for decision making; this could also lead to poor decision being made. Marks and Spencer have a positive culture.

13 Functional Areas

13.1 The main functions of Marks and Spencer are as follows: -

- **Marketing and Sales**
- **Human Resources**
- **Finance**
- **Design and Production**
- **Administration**
- **Research & Development**

13.2

Marketing is about meeting the requirement of customers successfully so that marks and Spencer can meet a range of objectives, for example increase sales. Consumers are of vital importance. If Marks and Spencer want to increase their sales they must make sure that they are satisfying their customers. Market research is vital because this could be very important in a market with changing trends, such as fashion and clothing. The way Marks and Spencer finds out about market research is by asking people if they like a product and by doing surveys and questionnaires. One of the marketing objectives is to target a new market; this could also be the younger market or the older market of people. If Marks and Spencer have good marketing it helps managers to improve the performance of their part of the business and to meet most of the basic objectives in profit and sales.

13.2

Promotion is technique design to increase sales, such as money off coupons, free samples and competition. Advertisement can also be used via the media, which are intended to inform or influence and use the power of persuasion to the people who receive them. This could increase the amount of people who shop at Marks and Spencer; this could also helps to meet the objective of increasing sales. Selling is also one part of the marketing process. Before selling their products, this business carries out a range of activities, which take into account consumer preferences. These include market research the testing of products on consumers and the design of products.

13.3

Public relation (PR) is one of the organisation's ways to attempt to communicate with groups that form its public; this could include the government, shareholders, employees and customers. The main aim to communicate is to increase sales by improving the image of the firm and its products. Public relation can be used to turn around the way people think by making a positive image of Mark and Spencer. Public relation is a long term, so it might take some time for the organisation change the way people think of this company, this is also external force so there would be no control over the way people think. Marks and Spencer have used public relation by donating to charities and helping children by introducing to the concept of good citizenship and also by helping out many projects

which help young and elderly people with special needs. I have also researched and found out that Marks and Spencer has been advertising a lot toward the Christmas period, in newspapers such as the Daily Mail and the Evening Standard. They have also advertised on national TV as well, I have noticed this in the start of November 2001. Marks and Spencer have also used public relation on their TV advertisement by using famous celebrities such as Zoë Ball the TV presenter and the famous footballer George Best. This Christmas Marks and Spencer have also offered free delivery on all internet orders to increase their sales this Christmas will be very important for them to get back more customers to shop at Marks and Spencer. David Beckham is close to joining forces with Marks & Spencer to launch a new and exciting range of casual clothing for boys. The fashion range, featuring co-ordinating tops, bottoms and accessories, will launch exclusively in Marks & Spencer stores in the autumn.

David will work closely with the talented Zip Project* in-house design team to create an exciting collection of separates for boys aged between 6 - 14 and will lend his name and image to the range. This is the first time Marks & Spencer has teamed up with a high profile sportsman in this way.

David Beckham is enthusiastic about the prospect of working alongside Marks & Spencer. He said,

"For some time now I have been enjoying the creative side of my commercial work and when Marks & Spencer offered me the opportunity to actively assist in the design of clothing for youngsters, I was delighted. I want to help create the kind of clothes which I would have wanted to wear when I was younger."

Michele Jobling, Managing Director of the Marks & Spencer Zip Project, said,

"David Beckham is the perfect icon for this boyswear range. Not only is he the number one sporting hero for all boys from the age they begin to kick a football, but he is also a great style icon and role model - we are thrilled to have him on board. We are confident that boys will want to wear our new collection because of its great style and look, and parents will love it for its quality and value."

The ten million customers who shop in Marks & Spencer stores each week will be able to buy the new collection from September.

13.4

The human resources function involves the management of people. The personal department looks after the welfare of worker of the workforce, and is responsible for such things as recruitment, selection, training, health and safety, equal opportunities, payment systems and work disputes. The welfare of worker of the workforce, this is concerned with looking after staff at work and there needs. This also helps the staff to work well. When staff work well, this increases productivity.

In these business human resources is vital, if the business is to be successful. The equal opportunity is about giving every person the same right, no matter who you are. In order for Marks and Spencer to meet its objectives for increasing sales, it must meet the organisations aim successfully; this can be identified easily by means of using people in the most effective way according to their skills. Training and developing staff is also important to Marks and Spencer, so that staff can offer a high quality service to customers, it is essential ensure that staff are fully effective in their jobs and able to achieve their highest potential. Marks and Spencer aim to provide continuous self-development on all staff. When staff do work well this help the business to work well and meet it objective by selling products and services.

13.5

The finance function is about keeping a record of all financial event that have taken place in the business and when they happen and to provide financial summaries of what has happened, this could be e.g. balance sheets, accounts are also used to keep track of the money, paid into Marks and Spencer and records must be kept of all debtors and creditors transactions. The payment of wages and bonus pay and pensions are also carried out from the finance function. The finance function is also used to reward shareholders that invest in the Mark and Spencer. The finance function should be combined effectively in order for this company run well. The finance function help the company out when it wants to expand buys building new stores in different location.

13.6

Design and production is important function because it order to meet objectives for increasing sales, the design must satisfy the customers of Mark and Spencer. The production is responsible for making sure raw materials are processed into the finished good effectively. The new designs can be used to attract new customers to Marks and Spencer. In January 2001 Roger Holmes, Managing Director of UK Retail, joined the company, he appointed new design talent to deliver the clothing and traditional customers demand, as well as appeal to younger customers. Now designers use days computer aided design, this is an interactive computer system, which is capable of generating, storing and using geometric and computer Graphics. A wide range of designs can also be shown on the computer screen. CAD systems handle repetitive work, allowing the designer more time to concentrate on creating the designs. The designers must make sure to consider the colour, size appearance, shape, smell and taste of the products. Many of Marks and Spencer consumers would not wish to be seen wearing poorly designed clothes that are why good designs should be produced to help the company sell more products and increase profits. If more people find that Marks and Spencer are now producing good design that satisfy them, then more people would tend to shop their this could also help to increase market share by selling more clothes and products. A product needs to be designed to satisfy the needs of the customer; thus quality design requires close collaboration between the provider and the end user, the customer. Only when we are confident that a design meets the needs of the customer as closely as is possible, bearing in mind the idea of 'acceptable cost' from our definition of quality, do we have a quality design.

13.7

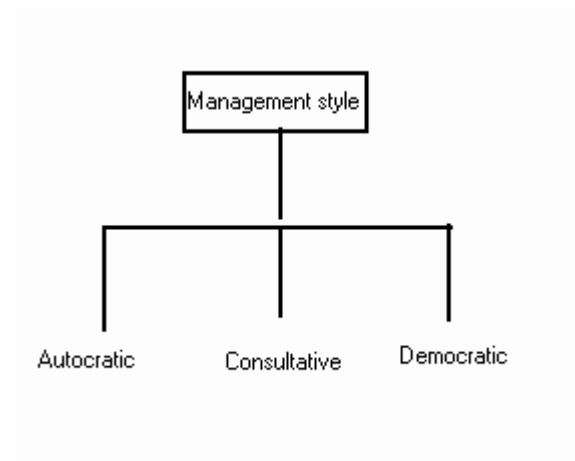
Administration function takes care of the paper work of the company it also deals with communication, enquiries, messages and producing documents for Marks and Spencer is mostly done in the head office. In the UK Marks and Spencer head office is based in Backer Street in London. Administrator are very important to this business, they deal with problems of customers or enquiries. The Administrators also service the work of the organisation. Administration is essential, with administration the business would not be able to run smoothly or function and there would be many problems if there were no one able to deal with the company paper work. The central offices and head offices are responsible for controlling key aspects of Marks and Spencer paperwork. This department might handle the filing of materials, the company's mail, word processing and date handling facilities. The modern office focuses on the management of work through information technology and communication systems. The administration function sends important information to customers like their orders and their investment in shares that the person has invested; they also keep their customer update on what going on and what's new to offer them.

14 Management styles and culture

14.1

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

- **Autocratic**
- **Consultative**
- **Democratic**



14.2

Autocratic

Autocratic management style is one where the manager is used to giving instructions like telling people what to do rather than asking them for their options. The manager is the only person contributing to the decision- making process. This style of management is more typical of UK management between 1970s and 1980s, although you are sure to find it today. A number of managers who started up with this approach find it difficult or impossible to change their ways. They are used to holding on power and do not understand how the process of 'empowerment' might work. The result of this style is that members of the group often dissatisfied with the leader. This results in little cohesion, the need for high levels of supervision, and poor levels of motivation amongst employees.

14.3

Consultative

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

14.4

Democratic

This is a third type of management style is the democratic one, which involves empowerment. This gives individuals and team responsibility to make decisions, usually within the framework. The team is then held responsible for the decisions that it chooses to make. The manager with this style will feel comfortable allow others to make decisions. The democratic manager will also have to have a good overall understanding of decisions being made, and will want regular feed back on results. However, they will be confident that empower individuals and teams will use the responsibility given to them wisely.

14.5

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

The business of Marks and Spencer sometimes might use a mixture of Management Styles for example Marks and Spencer is consultative, the business might also be using democratic management style. Laissez-faire- This is where people are allowed to do what they feel correct, this is usually associated with medium status (e.g. Managing director - Marketing Director) probably because they are experts in their field so they know what they are doing.

Marks and Spencer have a variety of management styles they often give a choice to the management but it depends upon where they are on the hierarchical scale. Those higher on the scale are autocratic and tell staff what to do, from the production line to the logistical designers. Those managers without managers below them are the ones which have to use an autocratic style because those below them have no knowledge on the field, while those around the middle are permitted to adopt a laissez-faire attitude to management, they are high enough in the company and have enough knowledge to use the style properly and to its maximum potential but the shareholders always have a say on what they are doing with any big decisions having a democratic vote on the item.

15

Culture

15.1

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

15.2

The type of culture of Marks and Spencer is a customer driven culture. Customer driven culture is where everywhere in the business makes a real effort to improve customer service, market research, employing right people, and training. The business is trying to update the technology e-commerce. It also has a positive culture where staff and workers communicate well. They also regard change as opportunity rather than a threat. I also found they are dynamic, this where a business is always looking to change the way they work. Always looking for new ideas. The way I have noticed this is by changing the displays to make it appeal more to customers.

16 how quality assurance and control systems contribute to added value

16.1

Marks and Spencer are well known for high quality goods. They aim to satisfy the broad majority of people with appealing superior quality products at attractive prices. They have been creating exclusive products for this broad audience, such as a leather coat for women, which they introduced last year. The coat was fashionable high-quality coat retailing at £199. By Christmas they were selling nearly 4000 a week yet every customer they asked felt her leather coat was very special. And this was Marks and Spencer aim – aspiration to quality at great value.

16.2

Quality of Conformance

The closeness with which the manufactured product or provided service meets the specifications of the design. Overall quality is dependent on both quality of design and quality of conformance. If Marks and Spencer have a quality design which we do not conform to, this will not satisfy the customers needs, alternately if they conform closely to a poor design again overall quality will be poor.

16.3

Quality Assurance (QA)

This is used during and after the event, so that it can stop faults from happening into in the first place. Quality assurance is concerned to make sure products are produced to best standards. The aim to produce with zero defects. Quality assurance is the responsibility of the workforce, working in cells or teams rather than an inspector. (Although inspections will take place) quality standards should be maintained by following step set out in a QA system.

Quality Assurance is concerned with the procedural aspects of assuring quality. As such it requires that quality systems are designed and implemented to effectively control quality of production continuously, and that the company is seen to be operating such control by its customers.

In order to operate such systems it is usual for a company to create a Quality Assurance department / function within its organisation. At the head of which a Q.A. manager ensures via a staff of inspectors that procedures / systems to assure quality are maintained and adhered to within the company through all stages of operation - from design, development, production, sub-contracting, through to delivery. Such systems often

involve sample inspection of raw materials, work-in-progress and finished goods to ensure conformance to specifications. As such they also generate documentation, which must also be maintained, including in most organisations the Quality Manual, which details all the companies' quality systems.

The prime standard for such quality systems in the UK, was formally BS 5750, and is now ISO 9000. A company which wishes to receive ISO certification must convince external inspectors that it has in place procedures which continuously assure the quality of its products from design through to delivery and subsequent service. The ISO certificate is therefore a valuable standard to achieve; particularly for suppliers to other business who demand such ISO certification from their suppliers.

16.4

Quality Control

This is concerned with detecting and cutting out components or products that fall below standard. This takes place after the products are produced. Quality control is carried out by quality control inspectors. Inspections and testing are the common methods of carrying out quality control. Control system in the business is how does the business achieve and ensure quality.

Quality assurance and quality control is very important for Marks and Spencer, in order for Marks and Spencer to sell quality products the business must meet the quality requirement and customers. One of the main prime concerns of Marks and Spencer is to convert inputs materials into output (finished goods and services) to satisfy the needs of customers. Quality assurance and quality control helps to add value is then added to products and services during they are being produced, adding value to a product simply means making it more desirable to the final customer, this is so customers are willing to buy more products at higher prices. So value added is the difference between the cost of producing a product or service and the selling price. Some businesses employ inspectors to make sure the products are being produced to quality standards; this could often put pressure on staff and could be bad for the staff morale. Marks and Spencer also train staff so that they can work well to produce goods and also check that it meets quality standards.

16.5

100% Own Brand: The Company will return to selling only own brand products and brands exclusive to Marks & Spencer so it can guarantee customers the quality, value and service they have come to expect. Central to the recovery plan is the delivery of

significant improvements in product appeal; availability and value thereby rebuilding the relationships with core Marks & Spencer customers.

17.0 Alternative methods of quality assurance and control

17.1

Total Quality Management

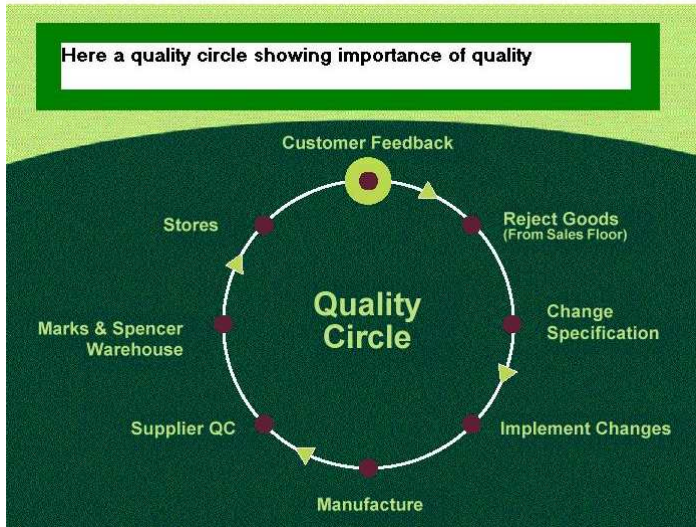
One of the alternative methods of quality assurance Mark and Spencer use is total quality management this goes beyond quality assurance. TQM is best described as an ethos / philosophy adopted by companies that place the pursuance of quality at the heart of the organisation and everything it does. To emphasise what a shift change this represented from the traditional approach of quality assurance. This is concerned with creating quality culture so every worker seeks to delight customers. T.Q.M requires that every employee is devoted to doing the best job they can, raising the probability of the customer getting what they want. In order to communicate this spirit of quality, they promote the idea of Internal Customers that an employee should see the colleagues he works with or for as customers to whom they should provide the highest quality service. In order to motivate staff to provide such quality, employees are shown in training the importance of their own job in relation to the end product / service, encouraging them to see themselves as a key link in the 'quality chain'. In addition, staffs are hired with the appropriate level of education, experience and more importantly aptitude. During Induction they learn about the company as a whole and the importance of their role in the organisation. Short training courses are also given to introduce the ideas of TQM. To encourage every employee to contribute to Total Quality they may have also operate 'Quality Circles'.

17.2

Quality Circles

Quality circles are relatively small groups of staff who meet at regular intervals to discuss the work they do and develop ideas to improve the quality of their work. Management is more often not represented in such meeting instead control / responsibility for the meeting is handed over to the workers present. As a result of such meetings a quality circle will either have the authority to implement changes to production, or will present their recommendations to management.

Total difference



17.3

Total difference

It should be noted that what one company considers TQM may differ greatly from the next. What is true in all cases is that the pursuit of Total Quality is as someone once said 'like walking up the down escalator', in that companies must constantly seek to move forward in relation to ensuring quality, even if they are to remain at their current level of achievement.

17.4

ISO 9000

ISO 9000 is another quality system method which is important to Marks and Spencer. This service is a reliable supplier of goods and services to use. Marks and Spencer are well known for providing high quality goods and services for many years, they have also extended their own quality control procedures into their suppliers' organisation to ensure reliability. A reputation for quality is important, but it can be established only over time. This presents problems for organisations tendering for orders from new customers. The international standard ISO 9000 certificate indicates to potential customers that the quality procedures of the certificate holders are reliable and, by implication, they are capable of delivering consistently the promised quality product and service. This shows that Marks and Spencer buys goods and services that meet the quality standards.

17.5

Improve the Supply Chain: The Company continues to see substantial benefits from the reconfiguration of the supply base, being shown in a Clothing primary margin that is rising strongly. The priorities now are to eliminate duplication and increase transparency. By re-establishing closer working relationships with its supply partners, historically a

unique strength, Marks & Spencer will achieve further improvements in quality, value, product appeal, and availability.

17.6

Evaluation of the alternative approach to quality control

Quality control can often be useful for Marks and Spencer, it can be used to see if the products meet the quality standards, in Mark and Spencer quality is very important to the business. Inspectors that do testing the common methods and carrying out quality control carry out quality control. Quality control this is taken place after the products have been produced. After the quality control has taken place the total quality management will take place so the products can be at it highest quality before the customer received the products. I think it's good that Marks and Spencer have quality control because it show how willing company want their customers to be satisfied with their goods they receive. The only effete that quality control has is that the inspectors don't really do that much most of the time they just check the people are working and producing the quality goods, plus the inspector can effete the finance department because the inspector are just reducing the amount of money of the business by just checking people are working to quality standards. In the long run it helps the business.

18 **Communication channels**

18.1

Communication

In Marks and Spencer communication is about sending and receiving information. Employees, managers and departments communicate with each other every day in the business. In the company, the personal manager might send a memo to all departments informing them about training courses that are available.

18.2

Good communication is vital for the efficient running of a business. Company delivery goods may have problems if it fails to given the exact time of department to its despatch department. Similarly, problem will also arise if instructions are not clear and goods are delivered to the wrong address. Effective communication will only happen if information is sent, received and then understood.

18.3

Communication channels

Communication can be along different routes or channels in the organisation. Sometimes this can be between a manager and subordinate (vertical) or between two departments

(horizontal). As well as this formal type of communication, information is often passed informally between department and employees. Information can be communicated in a variety of ways or through different communication media. These vary from written methods, such as annual reports, to oral methods such as discussion, to the use of information and communication (ICT) technology such as fax machine, e mail or the internet. In Mark and Spencer they also internal and external communication. There is vertical and lateral communication this is where information can be communicated downwards, upward and laterally. Downward communication has, in the past been used to tell employees about decisions they have already made, this may be important as it:

- Allows decisions by manager to be carried out by employees,
- Ensures that action is constant and co –ordinate,
- Reduces cost because fewer mistakes should be made,
- Should lead to grater effectiveness and profitability as a result of the above. There is evidence; however, that the flow of information upward can help in decision-making.
- It helps managers to keep more in touch with employees attitudes and values
- It can alert to manager to potential problems.
- It can provide managers with information that they for discussion making and gives feedback on the effects of previous discussions.
- It helps employees to feel that they are participating and can encourage motivation.
- It provides feedback on the effectiveness of downwards communication an how it can be improved.

18.4

Lateral communication takes place when people act the same level within organisation pass information. An example might be member of the finance department telling the marketing department about funds available for a sale promotion. One problem that firms sometimes face is that department may become hostile towards each other if they don't understand the problems that each face. The marketing department may also want funds, but might adversely affect the firm's cash flow. The basic communication process involves the transmitter (the sender) encoding a message (i.e. putting the message and the information into a form that can be easily understood).

18.5

The transmitter then chooses the communication channel that he wishes to use in order to send it to the receiver (the target for the message).

18.6

On receipt of the message, the receiver will decode it (i.e. interpret what the message is conveying) and act upon it as necessary.

There are a number of communication channels that the transmitter of the message can use to send the message to the receiver. The choice of communication channel will usually depend on the type of stakeholder that the message is being sent to (i.e. whether the receiver is an employee, a customer, or a supplier).

18.7

Formal/informal communication

Within Marks and Spencer there are both formal and informal channels of communication. Formal communication are recognised and approved by employers and employee representatives. An example of formal communication would be a personal department giving notice to an employee about redundancy. Informal communication channel can both help and hinder formal communication. Information that is communicated through the grapevine may become distorted. This might, in extreme conditions, because industrial relation disputes. However, the grapevine can be acknowledged by management and actively approved of. Rumours, such as of a launch of a new product by a competitor, can be useful to a business.

Research has shown that effective communication requires both formal and informal channels.

18.8

Internal and external communication

Internal communication is what take place inside the business of Marks and Spencer, while external communication takes place out side the business of Mark and Spencer and the out side world. Internal and external communication has both been transformed by rapid development in information and communication technology. Mark and Spencer have:

- A linked internal communication system an internal network.
- Links with customers a system for e-commerce (B2C) business to customers
- Links with other business e-business (B2B) business to business

Together, these links create what is called the networked economy, which vastly increases the potential of business to connect with employees, customers, other business, shareholders, etc.

18.9

Internal communication

This take place within the business of Mark and Spencer, the three main ways of communication is verbal, written and electronic.

19.0

Verbal information is communicated in face to face interaction, through telephone messages or recorded messages using answering machine and voice mail. Although verbal information can be obtained quickly, it often needs backing up in a written form. For example, when you communicate an important message to a work colleague he or she also might say could you email me about it or please can I have it in writing.

19.1

Written information will cover a range of paper documents that are exchanged within Marks and Spencer (including memos, letters brochures and annual reports, etc.) written information takes time to process and often requires extensive filing and distribution systems. Most of written information will take place in the administration department.

19.2

Electronic information is rapidly replacing other forms of communication. For example a stock list can be transferred electrically from the supermarket to its head office. Nearly all networks have an email facility, and this is used to send documents in electronic form around a company.

19.3

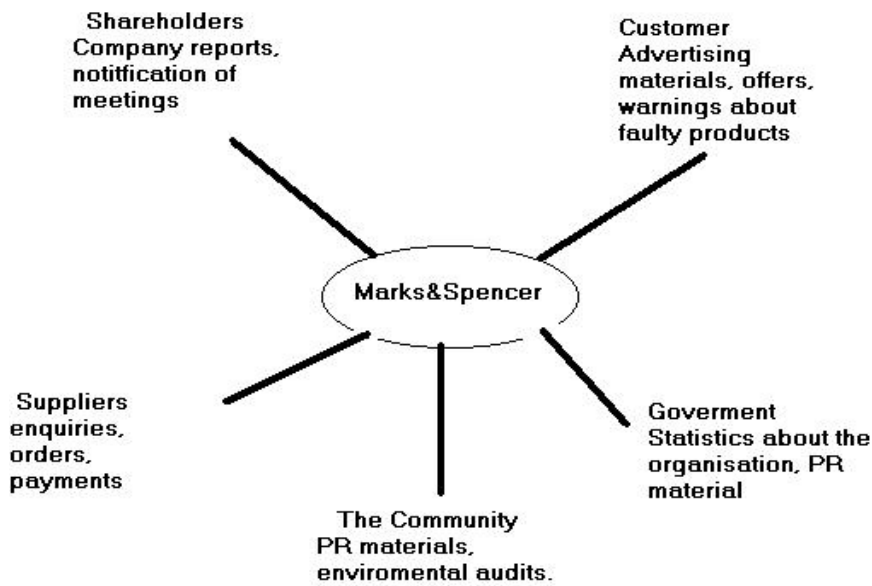
External communications

Mark and Spencer need to communicate with a range of stakeholder, including shareholder, customers, government officials, suppliers and the community. A range of different external communications media can be employed to communicate with these groups.

19.4

Communication with groups outside the business of Mark and Spencer. These communications perform a number of functions:

- 19.5 A public relations function to present a good image of the company reports and advertising materials.
- 19.6 An information function to provide various grouping with essential information about the company (e.g. tax records to the inland revenue, hours of opening for customers, detail of supply arrangements to suppliers, etc)
- 19.7 A transparency function today, it is often important that outsiders can see what is happening inside the business so they know the company is carrying out its business in a true and fair way (e.g. by providing environmental reports and audits, ethical reports etc.).



There are many types of External communication that marks and Spencer uses.

19.9

The Telephone

This is one of the most frequently used form on external verbal communication is the telephone. It's great because it's quick and allows people who would find it difficult to meet and converse. The telephone may be used for inquires or contacting someone. There may also be a telephone answering machine that will save messages. Mobile phone my also be used mad for communication on the move by Marks and Spencer.

20

Business letters

20.1

The business letter is used to inform someone such as making arrangements. A well-written business letter conveys its message while maintaining goodwill. If a letter is sent promptly, is well set out it will get message across. In Marks and Spencer letter head its creates a good impression, particularly by going for an eye-catching heading and layout. The administrative staff on A4 paper will often do the business letter. The business letter will often have a heading or letterhead and a reference and date, it will also include, the subject, also it will start with Dear Mr/Mrs and would usually end with Yours sincerely

20.2

Interviews

This is another form of external verbal communication is an interview with someone from outside the business of Mark and Spencer who may be interested in the business e.g. press, radio, or television. Part of the public relation strategy is that in such circumstance is to build up a positive perception and image of the business. Interview may also be taken place to recruit new staff for the business.

20.3

Electronic Mail

This is also alternative to writing letters and contacting people such as email. Email can be sent through an Internet service provider such as e.g. AOL the sender forwards documents to the receiver's email address. When the receiver logs on to the computer system can then receive the message or file. The advantage of email is that:

- 20.4 That it is faster than ordinary mail for Mark and Spencer to send.
- 20.5 You don't have to print the message or put it in an envelope and post it.
- 20.6 It maybe a better way of communicating if the receiver is on the Internet.

20.7

Web site

Mark & Spencer have their own web site, which is <http://www.marksandspencer.co.uk>. Perhaps this is the most dramatic increase of electronic media for external communication. This may be used for purposes of public relation activates. It also allows people contacting them and also allows people to shop online.

21 The impact of ICT on internal and external communication

There has been development in technology have greatly the way Marks and Spencer business communicate with each other. It is now possible to deliver instantly messages,

over great distances and to a number of people at the same time via variety of electronic media.

21.1

Lap top computers

The development of portable computers mean that Marks and Spencer business people can work, in different locations to their office. They allow people to continue working during train journeys, for example, and to e-mail text and image to other via satellite link. They prevent working time from being wasted. They also have the advantage of immediate sending and receiving of information at a variety of locations. Some lap top computers have to be plugged into a telephone terminal to receive e-mail, which can be a problem.

21.2

Impact of ICT upon internal communication

There is a big impact of ICT in internal communication; it has transformed the way Marks and Spencer works by bringing new technology to the business. In the administration department in head office computers are used to produce reports, letters, memos and databases. Networking is also used linking together more computers to allow facilities and information to be shared. This has the effect of decentralising information and communication so those managers have more information upon which to base their decisions. A computer network may be specifically developed for almost any type of application. A local area network (LAN) may be used to connect computers within a single room, without the use of telecommunication links. LANs may be used to link to a file server, who is a permanent data store that provides files and software for other PCs and also act as a storage base.

ICT can be used in Marks and Spencer Business by teams of people from different functions, working together to achieve the aim of the process. In a transformed business, people involved in particular processes are given more freedom to make decisions and have more information at their finger-tips by virtue of information and communication technology. Instead of having to get permission from their line manager, they are allowed to make more important decisions. Senior managers then become more concerned with external matters than running the internal system. ICT has a very important role to play.

21.3

Groups working together in a team will need to share information, and computer terminals of different specialists are linked, so that information is available to all. The benefits are a cost of reduction as a result of simplifying the workflow. The other benefit is the improved responsiveness to customer needs. Front-line staff is given powers to act rather than passing problems up to a line managers. Improved job satisfaction can result.

21.4

It's likely that ICT will have the same sort of impact in transforming production systems on a worldwide scale. As the Internet expansion increases, so too will the knowledge revolution – leading to knock – on effects that have the potential to transform the business in new and unforeseen ways.

21.5

Information and communication processing systems and their application influence the way in which the business operates and compete at all levels of decision making. Given the vital role it's essential constantly to appraise the effectiveness of the systems to ensure they provide the maximisation possible benefits for the business.

22

Marks and Spencer Creates Contracts Management System with Microsoft Windows NT

22.1

Marks and Spencer is a leading high street retailer with three hundred stores in the U.K. and more than three hundred stores worldwide. Marks & Spencer makes use of many third party suppliers to provide it with products. This involves managing a wide range of contracts with detailed specifications, many of which relate to seasonal goods that need to be prepared for up to a year in advance.

The challenge was to replace a manual contract management system with an application sitting on classic three-tier architecture, matching Marks & Spencer's strict business criteria. In a rapidly changing retail environment Bob Harris, Corporate Technical Architect, had to ensure that any system development was flexible enough to accommodate future developments

22.2

Benefits

Significant business benefits can be expected from the completed CMS project, such as streamlined communications with suppliers and a more efficient process for contracting products in time to match seasonal market trends.

Total cost of ownership is always an important aspect of IT development. Features of the system such as interoperability of existing systems and hardware, user familiarity with Microsoft interfaces and the inherent scalability and flexibility of a DNA system all drive down costs.

22.3

Conclusion

The success of the CMS project on the Microsoft platform has vindicated the bold steps Marks and Spencer has taken as an early adopter of Microsoft technology. The company has matched a forward thinking IT strategy with a pragmatic approach to systems usage and development. One example of this approach is the continued use of the Oracle database, where a compelling business case has to be developed before platform migration occurs. The use of Microsoft DNA technology will allow these systems to evolve over time, without the need to replace everything in one go. Indeed Harris has a vision of heterogeneous technologies integrating to form, what he terms, and a flat application space; where developers develop applications or business logic on the most appropriate platform and integrate them into this continuous space. Marks and Spencer will work towards an e-commerce capability. E-commerce will be focused initially on the business-to-business space, which is where CMS fits in.

22.4

Impact of ICT upon external communication

There has been a bigger impact in external communication such as E-commerce. There is also E-business that allows Marks and Spencer contacts other business such as their suppliers. Email also used as external communication and telephones.

22.5

EDI or electronic data interchange - A system used to automatically send orders and invoices between computers. For example, stock at a supermarket may be ordered automatically when stock levels become low. This allows users to exchange business documents and information such as orders and invoices directly through the telephone network and other, more sophisticated electronic communication systems.

23

How Organisational structure, culture and management style interrelate in Marks and Spencer

23.1

Marks and Spencer have a tall structure with many staff working together also communication and responsibility goes down the line of management, to help make sure the company runs smoothly. The company also has a customer driven culture with is very positive to try to meet customers needs. Management style is very useful because manager is able to make important discussion and are able to consult people before implementing a decision or sometimes they may also use a mixture of management style like they may be democratic, this is when individual teams work together for discussions being made by them. The structure, culture and management style are all used to improve and help the way the company works towards meeting its objectives such as increasing

sales. Staff might also feel they can work together to achieve their targets to improve sales and help the company recovery back, may be the company could increase their market share at the moment Tesco are doing very well they are at the for market share.

23.2

Evaluation of impact of ICT on the performance of Marks and Spencer

Marks and Spencer have used ICT in many ways in the business such as internal like for administration used for written work and annul reports, also external like email and the company web site. ICT is also used to design products and also can be used for market research and it also used to design the logo of Marks and Spencer, which is used on their bags and products and services. ICT has had a big impact on the company, shareholder are able to get information on the shares from Internet and from the company. The business ICT performance has been doing well also the business has been showing signs of improvement also sales has increased and also the market share for food and clothing has showed signs of improvements. The business is on its way for recovery.

E-commerce is a big advantage for Marks and Spencer that allows people on line to shop on line and buy product and services. On the 6 of November Marks & Spencer has reported a 20% increase in profits for the six months to the end of September. The company said the initial response to its Per Una range of womenswear had been "very positive", although it is too early to see this in the recent figures. Mr Vandeveldt told financial website Cantos that M&S had not seen the dip in consumer confidence reported by some UK retailers. Marks & Spencer has continued its recent revival of fortunes and announced better than expected sales figures for the crucial Christmas period. Sales in clothing, footwear and gifts jumped by 10.4% - nearly double what analysts were forecasting - while food sales rose by 5.4% it looks like Marks and Spencer are doing well. I will be showing how Marks and Spencer have been performing by showing they results of their sales and market share

23.4

The use of computer in the business

Today the use of computer based training and education covers a very broad spectrum of uses. This essay will explore the use of computer-based education and training in the area of staff training. The advantages and disadvantages of this computer-based training will be discussed and the facilities available will also be explained. Many companies now use computers in staff training and education. Computers are used as both a resource to present information and as a tool to develop practical expertise in staff.

Computers can be used as a resource to present information because of presentation programs such as Microsoft PowerPoint. This presentation package can be used for basic training such as an employee induction; the presentation could give information about the company and what the employees will be doing.

Computers can also be used as tools because they can help develop employees practical skills e.g. an employee who would be working with the companies database would probably be trained on a “dummy database” this would allow the employee to build up practical skills.

23.5

Among the many benefits of computer-based training the major benefit to an employer is the reduced cost. As they do not have to send people away on courses which means they don't have to pay for travel or accommodation. So the investment in a suitable training scheme often pays for itself, as the computers are already available. The only drawback is that the computer based training courses can be impersonal and the employee may have been computer literate to do the course.

One of the other advantages is that staff can train when they like at there own desks on the computer. The downside to this is that a computer, which cannot explain to the employee what they did wrong when they make a mistake, although some training packages may be able to do this to an extent, is teaching them.

Computers can also be used as simulators this could be simulating an aircraft to train pilots or simulating a database to help train staff that will be using it. In either scenario real life situations are simulated and the trainee can learn without the danger of performing live experiments. In the case of a pilot they can be trained to deal with dangerous situations such as hazardous weather conditions with no real danger involved. However simulations can still not replace real experience.

The previous text shows that the major advantages of computer-based training for employers are a reduction in cost and an increase in efficiency. This is because they do not have to send staff away on training courses because they can use the hardware the company already has to train them. The major benefit to the people being trained is the convenience; as they do not have to travel away and can learn in there own time. They can also get immediate feedback on how well they are doing.

23.6

Impact on People

While recognising the imperative to streamline Group operations, the Board understands and regrets the painful effect this will have on the people involved. In keeping with the Company's principles, it is committed to consult fully wherever restructuring takes place, with redeployment as the preferred option where possible.

The total number of roles directly affected by the changes announced today is estimated to be as follows:

Business Area	Potential Reduction in Roles
Continental Europe	3350
Direct	690

Head Office 350*
TOTAL 4390

*Includes 200 related to International and Direct and 150 likely to result from other reviews currently underway.

TRADING UPDATE

UK: Sales (Inc VAT)

Sales performance for 9-weeks and 51-weeks to 24th March is given below.
 Like-for-like sales are shown in brackets and have been estimated by comparing total sales, with new and developed stores excluded.

	9-weeks to 24th March 2001		51-weeks to 24th March 2001	
	% on Last Year		% on Last Year	
Clothing, Footwear and Gifts	-6.5		-5.4	
Home Furnishings	+9.1		+10.9	
General	-5.0	(-6.6)	-4.2	(-6.3)
Food	+8.0	(+7.1)	+3.6	(+2.5)
Total	<u>+0.8*</u>	(-0.5)	<u>-1.0</u>	(-2.6)

*The effect of Mothers Day this year (against no Mothers Day in the comparable period last year) has been to add 1.2% to the aggregate sales percentage change for the 9 week period.

International: Sales (in local currencies), including franchises

International sales performance for 9-weeks and 51-weeks to 24th March is given below.

	9-weeks to 24th March 2001		51-weeks to 24th March 2001	
	% on Last Year		% on Last Year	
Europe (exc. UK)	-0.1		+3.5	
The Americas:				
Brooks Brothers Inc				
Japan	-1.0		+5.1	
Kings Super Markets	+5.3		+6.1	
Far East	+3.0		+4.3	
Total	<u>+1.2</u>		<u>+4.6</u>	