

**Some pages of this thesis may have been removed for copyright restrictions.**

If you have discovered material in AURA which is unlawful e.g. breaches copyright, (either yours or that of a third party) or any other law, including but not limited to those relating to patent, trademark, confidentiality, data protection, obscenity, defamation, libel, then please read our [Takedown Policy](#) and [contact the service](#) immediately

THE PROCESS OF STRATEGIC CHANGE

A MANAGEMENT PERSPECTIVE

by

GERALD NUTTING JOHNSON

THE UNIVERSITY OF ASTON IN BIRMINGHAM

Registered for the Degree of Doctor of Philosophy

Submitted November 1984



THE UNIVERSITY OF ASTON IN BIRMINGHAM

THE PROCESS OF STRATEGIC MANAGEMENT - A MANAGEMENT PERSPECTIVE

by GERALD NUTTING JOHNSON

for the Degree of Doctor of Philosophy

Submitted November 1984

SUMMARY

This thesis is concerned with the management processes concerned with complex strategic decision in organisations. The research has sought to explore these processes by taking as its focus the reconstruction of decision processes a) on the basis of an historical study of an industry and in particular a major company in that industry; and b) the perception and understanding of strategic decision processes and change by managers involved in companies in that industry. The main body of analysis and theoretical contributions arise from the detailed analysis of extended depth interviews with managers carried out in 1980 and 1983 which trace thirteen years of the strategic development of a firm. In so doing, extensive use is made of verbatim accounts by managers of events and their interpretation of events. This is then compared with data gathered from similar interviews with managers of two other companies and examined in the light of existing research and theory in the field.

The thesis both provides a detailed insight into the processes associated with the identification and resolution of complex strategic issues and also generates a body of theory concerning the mechanisms by which strategic decisions and the processes of strategic change are interwoven with the cultural and political fabric of organisations.

The thesis is divided into four parts. The first part deals with the background to the research, providing a fuller summary of the purpose, structure and content of the thesis and a discussion of relevant previous research and the methodology employed herein. The second part mainly provides case studies of the industry and the main company studied. The third part is a detailed presentation and analysis of data. The fourth part is a synthesis of the findings and consolidation of the theoretical interpretation advanced in the thesis.

KEY WORDS

Strategic Management/Change/Decisions

## ACKNOWLEDGEMENTS

The inspiration for this thesis can be traced to the work of J.C. Spender and to the discussions with him on the underlying concepts and concerns underpinning his work. The encouragement to continue with it and complete it lies with many academic colleagues, but particularly those at Aston including, John Child and Ray Loveridge, who supervised the research and Harry Nicholls who facilitated its completion. It could not have been undertaken or completed without the active support of colleagues who undertook additional teaching work to cover for my absence and contributed stimulating criticism. I am particularly thankful to Ken Clarke, Mike Woolley and Martyn Pitt. What value there is in the work arises from the co-operation of the managers in the companies concerned. I am particularly grateful to Barry Davison of Foster Brothers for the free access to managers in the company and also to the directors of Hepworths and Burtons. For the completion of the typing I would like to pay tribute to the efficiency and thank Anne Graham and Shirley Wilkes. Finally, for their patience, encouragement and faith over a project that has lasted five years, I wish to acknowledge a lasting debt to my family, Enid, Claire, Faith and Gwendolen.

I wish to hold none responsible for the content, but thank them all for their help.

## CONTENTS

	<u>Page</u>	
1	<u>BACKGROUND TO THE RESEARCH PROJECT</u>	
1.1	<u>INTRODUCTION</u>	1
1.1.1	<u>A Normative Model of Strategic Management</u>	1
1.1.2	<u>What this Thesis Contributes</u>	6
1.1.3	<u>The Structure of the Thesis</u>	8
1.1.4	<u>The Availability of the Thesis</u>	11
1.2	<u>THE PROCESS OF STRATEGIC MANAGEMENT - A review of school of thought</u>	12
1.2.1	<u>Strategy Making an in Incremental Process</u>	13
1.2.2	<u>A Behaviouralist View of Strategy Making</u>	36
1.2.3	<u>Process as Implementation through Organisational Design</u>	53
1.2.4	<u>Integrating the Processes</u>	60
1.2.5	<u>A Summary of Issues Relating to this Research</u>	62
1.3	<u>METHODOLOGY</u>	66
1.3.1	<u>Symbolic Interactionism as a Relevant Perspective for Enquiry</u>	69
1.3.2	<u>The Research Strategy</u>	76
1.3.3	<u>The Research Activities</u>	98
2	<u>THE CONTEXT OF THE STUDY</u>	
2.1	<u>THE MENSWEAR RETAIL INDUSTRY 1970-1983</u>	130
2.1.1	<u>Expenditure in Mens' Clothing throughout the 1920s</u>	131
2.1.2	<u>Expenditure in Mens' and Boys' Wear Shops</u>	140
2.1.3	<u>Sales of Menswear Clothing by Product Type</u>	143
2.1.4	<u>Product Sales by Retail Type</u>	151
2.1.5	<u>Manufacture and Supply</u>	154
2.1.6	<u>The Retailers of Menswear</u>	158
2.2	<u>FOSTER BROTHERS LIMITED 1970-1983 - a case study</u>	170
2.2.1	<u>Early History</u>	171
2.2.2	<u>Fosters in the 1970s</u>	173
2.2.3	<u>1980-1983 - Decline and Change</u>	187
2.3	<u>STRATEGY AS OBSERVABLE OUTPUT</u>	200
2.3.1	<u>Patterns of Strategy</u>	201
2.3.2	<u>Strategy and Performance</u>	212
2.4	<u>THE "ACTORS"</u>	216
3	<u>AN ANALYSIS OF THE PROCESS OF STRATEGIC MANAGEMENT</u>	
3.1	<u>INTRODUCTION</u>	230
3.2	<u>FOSTER BROTHERS - a subculture in transition</u>	232
3.3	<u>HISTORICAL BACKGROUND AND INITIAL PROPOSITIONS</u>	243
3.3.1	<u>Some Initial Propositions</u>	243
3.3.2	<u>The Recipe of the 1960s</u>	246
3.4	<u>FOSTERS THROUGH THE 1970s - the consolidation of strategic frames and formulae</u>	256
3.4.1	<u>The Evolving Recipe of the 1970s</u>	256
3.4.2	<u>"Fashionpoint" - Merchandise Change through Political Influence and Incremental Adjustments</u>	263
3.4.3	<u>A Theoretical Re-statement of Fashionpoint</u>	276
3.4.4	<u>Diversification</u>	281
3.4.5	<u>"Blue Movers" - Internal Diversification and Development</u>	285
3.5	<u>MANAGING STRATEGIC CHANGE IN THE 1980s</u>	301
3.5.1	<u>Management's Perception of the Strategic Position in 1980</u>	302
3.5.2	<u>The Strategic Recipe Current in 1980</u>	317
3.5.3	<u>Generalising about an Adaptive Process</u>	
3.5.4	<u>Strategic Drift</u>	334
3.6	<u>1980 TO 1983: STRATEGIC RE-POSITIONING</u>	341
3.6.1	<u>1980 and 1981: Decline</u>	341



3.6.2	<u>The Impetus for Change</u>	344
3.6.3	<u>A Theoretical Interpretation of the Impetus for Change</u>	361
3.6.4	<u>Intervention, Resistance and Relearning</u>	369
3.6.5	<u>Recovery and Beyond</u>	388
3.6.6	<u>A Theoretical Interpretation of the Process of Recovery</u>	396
3.7	<u>FOSTERS STRATEGIC HISTORY AS INTERPRETED BY THE MANAGERS</u>	400
3.8	<u>SUMMARY TO PART 3</u>	409
4	<u>SYNTHESIS, COMPARISON AND MANAGEMENT IMPLICATIONS</u>	411
4.2	<u>BACKGROUND</u>	412
4.2.1	<u>The Interpretative Perspective</u>	412
4.2.2	<u>Research on Strategic Management Processes - Problems and Issues</u>	417
4.2.3	<u>Foundations of a Theoretical Interpretation of Process</u>	422
4.3	<u>A SYNTHESIS OF THE STRATEGIC MANAGEMENT PROCESS</u>	435
4.3.1	<u>Strategic Recipes, Frames and Formulae - Definitions, Meaning and Relevance</u>	435
4.3.2	<u>Incremental Strategic Change - A Frames and Formulae Approach</u>	438
4.3.3	<u>What is Incrementalism?</u>	448
4.3.4	<u>A Cultural Interpretation of Strategic Management</u>	450
4.3.5	<u>Fundamental Strategic Change - A Frames and Formulae Approach</u>	457
4.4	<u>GENERALISATION THROUGH COMPARISON</u>	480
4.4.1	<u>The Recipe and its Homogeneity</u>	480
4.4.2	<u>Adaptive Change - The Dominance and Resistance to Change of Strategic Formulae</u>	484
4.4.3	<u>Fundamental Strategic Change</u>	488
4.5	<u>IMPLICATIONS OF THE FINDINGS</u>	505
4.5.1	<u>Managing Incrementally</u>	506
4.5.2	<u>Managing Fundamental Strategic Change</u>	514
4.5.3	<u>The Implications for Teaching and Research</u>	520
4.6	<u>CONCLUSION</u>	531

#### APPENDICES

1. The Burton Group - a case study
2. Hepworths Limited - a case study

#### REFERENCES

## EXHIBITS

	<u>Page</u>
1. A Normative Model of Strategic Management	3
2. A Descriptive Model of the Strategic Decision Making Progress	21
3. The Dynamics of Recipe Change	42
4. Different Organisational Ideological Types and their influence on Policy Making	45
5. Denzin's Comparison of Sociological Methods	85/ 86
6. List of Key Events/Dates given to Interviewees	94
7. Levels of Data Analysis through Triangulation	96
8. Expenditure on Clothing - 1971-1981	133
9. Comparison of Consumer Spending on Clothing with other items 1971-1981	134
10. Influences on Menswear Sales - 1970-1983	135
11. Comparative Growth of the Menswear Clothing Market	137
12. Price Indices and Retail Performance	139
13. Index of Cumulative Performance of Mens' and Boys' Wear Shops	141/142
14. Sales of Menswear Clothing by Product	145
15. Percentage Share (of Value) of Menswear Products by Retail Type	152
16. Share of Menswear Product Sales by Volume (mn) of imported Goods 1979-1982	156
17. Menswear Manufactured in the U.K.	157
18. U.K. Clothing and Textile Trade Balance with E.E.C. and U.S.A. (1979) - £mn	159
19. Menswear Retailers - Distributed by Number of Outlets	161
20. Share of Menswear Sales by Size of Company	162
21. Number of Retail Outlets by Classification of Retailer	163
22. Retailers Share of the Menswear Market in 1982	164
23. Visitors to Clothes Shops (in past month)	167
24. Retailers - Consumer Profits	168
25. Foster Brothers - Summary of Financial Performance 1970-1975	176
26. Foster Brothers - Summary of Financial Performance 1975-1980	188
27. Foster Brothers Group Structure in 1980	189
28. Foster Brothers Clothing PLC Group Structure in 1983	196
29. Foster Brothers - Summary of Financial Performance 1980-1982	198
30. Foster Brothers - Numbers of Retail Outlets	199
31. Observable Patterns of Strategy for Burtons, Hepworths and Fosters - 1970-1983	202
32. A Description of the Annotation in Exhibit 31	203/204, 205
33. Sources of Mobility Barriers	215
34. Fosters Strategic Recipe of the Early 1970s	260
35. Formal Structure and Power Configuration in Foster Menswear in 1973-1974	263
36. Advocated Strategies in 1980	309
37. Fosters Strategic Recipe in 1980	321
38. An illustrated Restatement of an Adaptive Strategic Decision Making Process	325
39. Patterns of Strategic Change	335
40. "Key Points" from Minutes of the First Strategic Planning Committee Meeting	357
41. Fosters Strategic Recipe in 1983	399
42. Symbols and Culture - Interpretations According to Different Paradigms	413
43. A Restatement of Propositions Generated in Part 3	420
44. Levels of Complexity in Decision Making	424
45. Kolb's Experimental Learning Model	427
46. Bases of Compliance	478
47. Burtons Recipe of the Early 1970s	483

## PART 1

### BACKGROUND TO THE RESEARCH PROJECT

- 1.1 INTRODUCTION
- 1.2 THE PROCESS OF STRATEGIC MANAGEMENT -  
A REVIEW OF SCHOOLS OF THOUGHT
- 1.3 METHODOLOGY



## 1.1 INTRODUCTION

This thesis is concerned with the process of strategic management in organisations. More specifically, its focus is on understanding the processes as the managers themselves account for them; in this sense the research on which the thesis is based has sought to learn about the process of strategic management from what managers have themselves learned, perceived and experienced. In so doing the thesis seeks to contribute to the growing amount of research on the process of managerial decision making in general and of decision making in the complex area of strategy in particular.

### 1.1.1 A Normative Model of Strategic Management

Almost every book published in the past five years which includes the words "strategic management" in the title (e.g. Wheelan and Hunger, 1983; Harvey, 1982; Glueck, 1980; Pearce and Robinson, 1982; Rowe et al, 1982) adopts a similar approach to the subject. It is dealt with by using an essentially normative model with the focus on the rational formulation of strategies. In doing so a model similar to that summarised below and illustrated as Exhibit 1 is used.

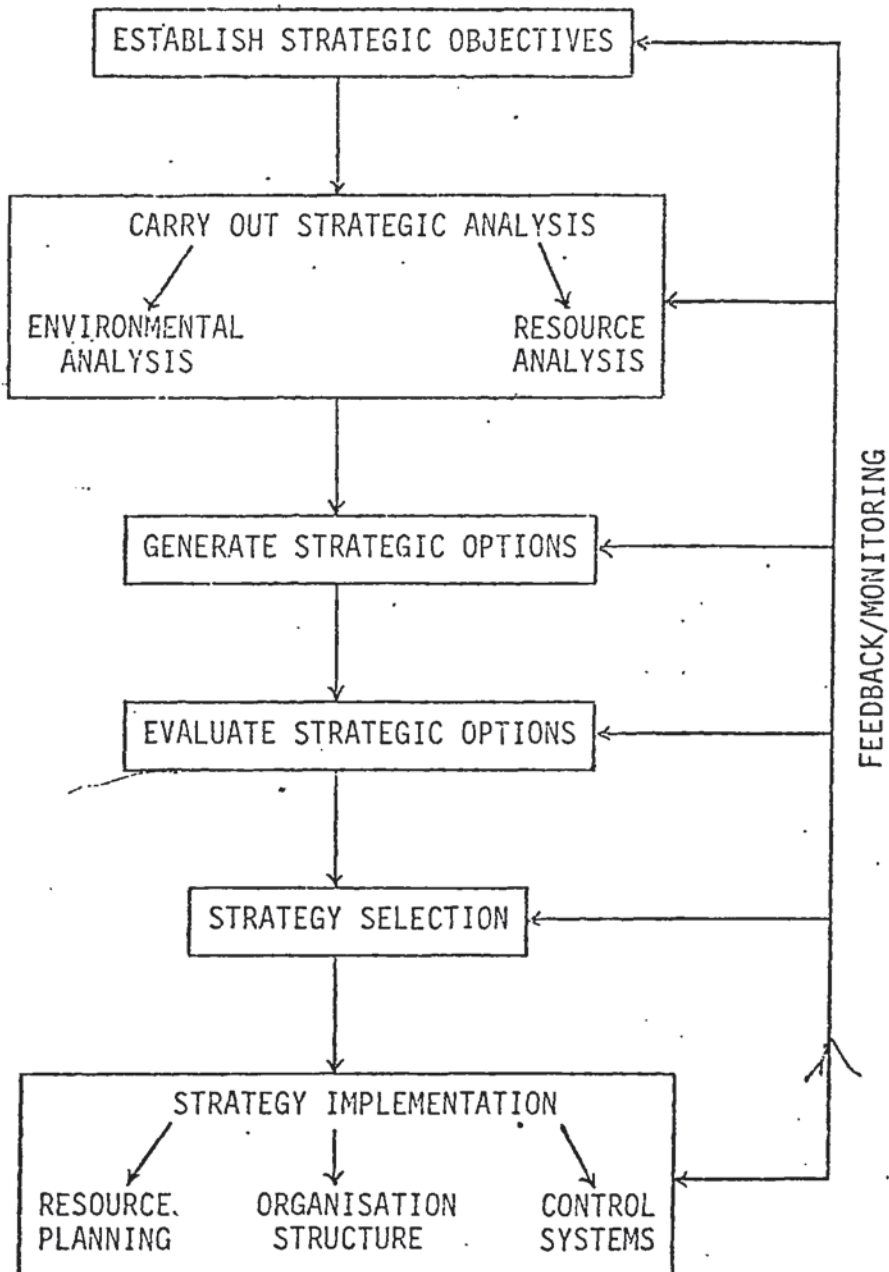
- i) A first step is the establishment of strategic objectives at an appropriate level of generality. So, for example, objectives at a corporate strategy level might be to do with some measure of financial return; whereas objectives at a business unit level might be to do with market share, levels of profitability and operating efficiency. The idea is that without clear objectives it is very difficult to make a sensible strategic decision since there is no yardstick against which to evaluate strategic options.

- ii) The second step is that of strategic analysis which is concerned with understanding the strategic situation of the organisation. Such an analysis might consider, for example, what changes have occurred and are likely to occur in the environment and how they will affect the organisation. The analysis would also deal with assessing the resource strength of the organisation in the context of these changes. Does the organisation have the physical, financial and management capabilities to deal with the sorts of changes that are occurring? There are tools and techniques recommended for such analysis: methods of examining environmental trends (e.g. Neubauer and Solomon, 1977), projecting future environmental changes (Linstone and Turdoff, 1975); resource audit checklists (Buchelle, 1962; Hofer and Schendel, 1978) methods of financial analysis (Rowe, Mason, Dickel, 1982) and so on. Essentially strategic analysis would involve collection, examination and interpretation of information to form a view of the key influences that will affect the choice of strategy.
  
- iii) The generation of strategic options is the next stage. Here the concern is with generating conceivable strategies that the business might follow. The idea underlying this is that without such generation, managers would not be likely to consider all options open to them which potentially address the strategic position of the business.
  
- iv) An evaluation of strategic options follows. Faced with a set of options, the management is then able to assess them in terms of their strategic analysis, that is in terms of the analysed strategic



EXHIBIT 1

A NORMATIVE MODEL OF STRATEGIC MANAGEMENT



position of the business, and evaluate which strategy or combination of strategies would be likely to achieve the business or corporate objectives. In addition other criteria of evaluation such as degree of risk and feasibility might be employed.

- v) It would then be necessary to make a selection between the available options. -The implication is that this can be achieved through an essentially rational decision making process.
- For a rational decision to be made the chosen option would need to be a) reconciled with the points recognised in the strategic analysis; b) be demonstrably workable and c) be acceptable to the various parties with interests in the organisation such as shareholders, managers and unions. In the end, the most rational decision would be to choose the option which meets these criteria and is likely to achieve the objectives laid down in the beginning.
- vi) The chosen strategy or strategies must then be implemented. Implementation would involve developing what may be generalised decisions into specific plans. Management would need to consider what resources would be needed: there might be financial, manpower, merchandise and property implications for example; it would also be necessary to consider how the company as a whole should be organised and what systems of control would be needed to manage the new strategy and provide the means of monitoring its progress.

A normative view of strategic management is, then, a logical step-by-step approach. It has much to commend it. It is neat, rational, understandable

and provides managers and students of management with a sensible enough approach to taking strategic decisions. Underlying such an approach are a number of assumptions: that the management of strategy can and should be conceived of as essentially rational and analytical; that rational analyses and evaluation will yield sensible strategies; that analysed environmental change will galvanise a rational research for strategies to cope with such changes; and that rational choice of strategy will lead to changes in strategy. It is a view which equates management with analysis and rationality.

The position taken in this thesis is that such an approach to strategic management, whilst of value, is not representative of what strategic management is in actuality. Whilst it might provide a useful means of considering strategic problems and planning their solutions, it says little about the problems of management. Specifically it does not address such issues as the limitations on analytical and rational behaviour, the interaction of managers and stakeholders in the location and definition of strategic problems or the exercise of choice and the management of strategic change at an interpersonal level. In short it is a de-personalised model of management which equates management with analysis and rational decision making. It is a model which can be illuminating but is limited if the management of the complexity of strategic decisions is to be understood in organisations - an assertion lucidly demonstrated by Allison (1971) in the parallel field of defence strategy and governmental decision making.

### 1.1.2 What this Thesis contributes

The most limited view of the contribution of this thesis would be that it adds to the still scant amount of empirical research on the processes of strategic management, helping to refine the explanatory and descriptive models that exist to illuminate a complex problem. It is argued that this, in itself, is of value since it allows a better understanding for student or practitioner. However, it is also claimed that the research provides at least two valuable additional contributions.

The first is that the data presented in Part 3 of the thesis, in the context of the data in Part 2, is as full and unique an account of the strategic development of an organisation as exists in any academic treatise. As such it provides the basis for, not only analysis and interpretation by myself, but also by others interested in the field; it is acknowledged that such alternate analysis would be illuminating and worthwhile.

The second particular contribution that is worthy of highlighting arises from the nature and methodology of the research (discussed in detail in section 1.3). The research concentrates primarily on a longitudinal study of one organisation, though it utilises parallel studies of two other organisations for comparative purposes. Whilst most other studies of process have attempted to generalise by examining processes in many organisations with a view to identifying and categorising decision routines, this study is primarily interested in observing the effects of such routines over time. This allows conclusions to be drawn about the effects of decision routines and modes of management. For example, it is observed that the general nature of the strategic decision making process is typically incremental, but it is possible to go beyond this to detail:



- the decision routines that lead to and preserve an incremental mode of management as a function of the behaviour and cognitive response of managers;
  
- inherent dangers in an incremental mode of management which account for and predict the likely eventual mismatch of organisational environment, and which pose questions about recent advocacy of incrementalism, and how effective management within an incremental mode may take place;
  
- decision routines which show how more fundamental strategic change in organisations may come about following such strategic mismatch.

It should, then, be clear that this thesis is not solely about describing or accounting for processes but is also concerned to learn about the practice of management. It was said earlier and can be repeated that the intention has been to learn from the learning of managers.

The question must be raised as to the generalisability of the work and its findings. The research has not set out to "prove" anything. There is no attempt here to say that the processes observed or their causes will always occur in all organisations. Rather the aim has been to understand in detail complex processes in the context of the structural relevance of the organisation in which they occurred, and to set this understanding against similar observations in a limited number of other organisations as well as existing research and theory relating to the observations. Whilst exaggerated claims of generalisability are not made, it is shown that the findings help account for many observations made in other organisational contexts.

### 1.1.3 The Structure of the Thesis

The thesis is divided into four parts. The first part, the Introduction and Background, contains three sections: the first is this brief introduction and this is followed by (1.2) a review of different schools of thought about the Process of Strategic Management which is intended to demonstrate the range of research and published work on the issue of strategic decision making as well as detail those that are of particular relevance to this work. This section is then followed by (1.3) a discussion of the Methodology employed in this research.

Part 2 of the thesis aims to provide a detailed context for the main body of the research. Since the research is primarily concerned with accounting for the processes of change as managers understand them, Part 2 provides an essentially historical background to the industry and company focus of the study. Specifically sections 2.1 and 2.2 are case studies of the menswear retail industry from 1970 to 1983 and of Foster Brothers Limited, the main organisation studied, for the same period. These cases have deliberately been drawn up on the basis of secondary data sources: in a sense they represent an understanding of the strategic developments of an organisation in its industrial context, as/informed analyst might perceive it without access within the organisation. They serve two purposes in this thesis; the first is to provide essential historical background; and the second is to provide a contrast with the understanding of the processes which account for the changes that took place as derived from the accounts of the managers themselves. This contrast is highlighted in section 2.3 which is a brief interpretation of the cases as might be made by deducing reasons and motives for strategic changes on the evidence of the data in the cases alone: it shows how sensible and rational explanations

of strategic behaviour can be derived from such accounts by applying concepts of strategy and decision making to observed strategic developments. It is, however, argued that such interpretations are limited in the extent to which they explain managerial behaviour. The final section (2.4) of Part 2 provides background to the main "actors" in the account that follows in Part 3; that is the career backgrounds of those interviewed in the research.

Part 3 of the thesis is the largest in volume and contains the data as well as the analysis leading to the propositions upon which the more general findings of the study are based. Following a brief Introduction (3.1) this part of the thesis provides an account of the development of Fosters as the managers account for it. Section 3.2 provides an overview of the organisation as a Sub-culture in Transition, showing how the nature of the organisation is seen by the managers to have changed and be changing. Historical time periods relating to main periods in the company's recent history are then used as a framework. Section 3.3 deals briefly with the 1960s as the managers recall it and also generates some initial theoretical propositions to help account for the situation described by the managers. Section 3.4 is concerned with Fosters Through the 1970s and describes the main changes in strategy perceived by the managers for that period: the section concludes with a theoretical re-interpretation of the data which begins to develop an explanatory model of the processes observed. Section 3.5 is a discussion of how the managers of Fosters perceived the management of strategy for their organisation in 1980 after a decade of growth and success. This is compared with the strategic situation of the company as an outside observer might perceive it. Foster Brothers Limited entered a period of rapid decline from 1980 to 1982 following its success in the 1970s. Section 3.6 examines the period 1980 to 1983 and



shows how the managers coped with the problems of decline and the difficulties of reversing the decline and achieving Strategic Repositioning. Again this is achieved by recounting the events as the managers account for them, together with interpreting the data to refine the developing explanatory models which emerge as the accounts progress. This part of the thesis concludes with section 3.7 which is an overview of Fosters Strategic History as Interpreted by the Managers themselves. It is important to emphasise that throughout Part 3 considerable use is made of verbatim accounts and explanation of events by the managers.

The final part (Part 4) of the thesis is a synthesis of the findings emanating from Part 3, a discussion of the comparative relevance of the findings and also of implications of the findings. Section 4.1 provides a theoretical contextual background to the explanatory model of strategic change that is developed. This is followed by section 4.2 which is an explicit statement of the explanatory model developed, which demonstrates its relevance to the understanding of incremental processes of strategic change. Section 4.3 examines the strategic development of two other organisations in the menswear retail industry - Burtons and Hepworths - to assess the more general relevance of the models proposed. The thesis concludes with a discussion (4.4) of the implications of the findings for both management and for teaching in the field of strategic management.

Appendices are also provided. These are case studies of both Burtons and Hepworths to provide historical context for those companies and are similar to those found in section 2.2 for Foster Brothers.



#### 1.1.4 The Availability of the Thesis

The data collected and provided in Part 3 of this thesis contains material which is sensitive and was given in confidence. Because of this the distribution of the thesis in the form in which it is here presented must be restricted at present to the examiners. However there is no restriction on alternate forms of output from the thesis. Specifically, the research has already contributed to a major text, "Exploring Corporate Strategy" by Johnson and Scholes (1984) and to papers presented at the Brussels Workshop on Strategic Management at the European Institute for Advanced Studies in Management in June 1984 and at the Strategic Management Society's Annual Conference in Philadelphia in October 1984. "Managing Strategic Change : a Frames and Formulae Approach" has been requested for publication in a book of selected papers arising from the Brussels Workshop mentioned above. In addition plans are underway to use the thesis as a basis for two books; a case book on the menswear retail industry which will also include a case study on United Drapery Stores/Colliers; and a book on the management of strategic change which advances the models and will utilise much of the data in this thesis, either in disguised form or in a form which is acceptable to the managers who contributed to the research.

## 1.2 THE PROCESS OF STRATEGIC MANAGEMENT -

### A review of schools of thought

This thesis is about the process of strategic management. A problem which needs to be addressed about this statement is that it is not self-evident what is meant by the word "process". The purpose of this chapter is to clarify what is meant by it in this thesis by describing the ways in which process has been handled as an issue by researchers and writers on strategy hitherto.

It is fairly simple to explain what the study of the process of strategic management is not about. It is not concerned with taking the sort of normative view which was described in the first chapter, though lessons about the practice of strategic management may well emerge. Nor is it primarily concerned with taking an economist's perspective on the performance of firms by seeking to relate strategic posture and performance: such an approach is essentially concerned with studying strategy as a given output of a process. (This approach is discussed briefly in relation to the content of this study in section 2.3 however.) Rather, those who study process regard the issue of how strategy is formulated or implemented as problematic in itself, and therefore important to understand.

It is not the purpose of this chapter to examine the work of all writers on the process issue in detail, nor to discuss this research in the context of their work - this is done as the thesis progresses: but rather to explain the different ways in which the process of strategic management has been addressed as an issue. In so doing it is convenient to conceive of three main themes or approaches running through the literature on process

These are:-

- a) The idea of strategy formulation as an incremental process. This arises from studies of how strategies developed over time and of the decision routines associated with strategic decision making.
- b) The behaviour of managers faced with strategic problems or issues: research in this area has sought to reconcile attitudes, values, behaviour and cognition of individuals and groups to strategy, decision-making and negotiation.
- c) A view of process as being concerned with implementation of strategic decisions: here researchers have been concerned with, structure and control in terms of organisational design.

#### 1.2.1 Strategy Making as an Incremental Process

##### The Nature of Strategic Change

The normative heritage of strategy studies has given rise to a view of strategic decision making as being concerned with the rational analysis of an organisation's strategic position with a view to a similarly rational evaluation of strategic options. It has been seen, essentially, as an intellectual activity to do with matching the organisation's resources with environmental opportunity. It is also a view of strategy which conceives of strategic change as concerned with long term and usually fairly major shifts in position. There is, however, a growing amount of evidence that this view of how strategy is formed is at least partially mistaken.

One of the first attempts to explain how overall strategy is formed in practice was proposed by Lindblom (1959, and Lindblom and Braybrooke



1963). His work was not based on systematically gathered empirical evidence but on argument and examples drawn from experience. Also, it was concerned with public administration rather than business. However, the ideas put forward are confirmed by much of the more recent empirical research. Lindblom's main proposal is that a rational decision process does not occur; indeed, if it did, that it would lead to poor decisions. Instead, what he calls "successive limited comparisons" build policies.

The main points he makes are that choice is not made on the basis of evaluation of possible options against set objectives. Rather, possible options are compared with each other to decide which seems to give the best outcomes. Thus objectives are not set initially but arise as alternatives are compared. The reasons he suggests for this are that we do not have the cognitive ability to rank all options against objectives, particularly as is often the case the objectives are in conflict and have to be traded off against each other. Added to this is the problem that decision making is usually a group activity, and the group is unlikely to agree on the relative value of objectives. He argues that the importance of any objective will depend on how well it is already being achieved prior to this decision being taken. Thus an objective that is well achieved at present will be of less value than one that is poorly achieved at the moment. But there is no practical way to state marginal objectives or values except in terms of particular policies and each decision is likely to change the value of an objective anyway.

Unlike that which is inferred by a normative view, comprehensive analysis does not take place and options that are considered usually differ only in small degrees from those already in effect. This he argues again is mainly due to cognitive limitations, time and resource constraints, and the

availability of information.

The idea of major changes in direction as a result of the decision making process is also rejected by Lindblom. Rather he argues that: "decision making is a succession of decisions approximating to some desired objectives in which the objectives themselves continue to change under reconsideration." The reason Lindblom suggests for this is that it is difficult to predict the outcome of decisions. There is no theoretical framework to provide a basis for predictions so the decision maker has to rely on past experience of the outcomes of previous decisions to determine what will occur for present alternatives being considered. Hence only alternatives similar to past decisions are considered to enable experience of these to be used. Also each decision becomes a trial that can be tested before moving on to the next one. This also reduces the risks as each decision is similar to the last and being only an incremental step can easily be remedied if wrong.

This process occurs in the political context of the organisation, in which different groups, with different aims have different degrees of power. Each will use this power to influence decisions taken, to ensure they at least to some extent satisfy their aims. Thus, assuming the present situation is a satisficing one to most people/groups, only incremental changes from it are likely unless one group gains a lot of power. Also, unless one group is very powerful, decisions reached will be a compromise.

In summary, Lindblom was arguing that strategy is formed through a series of small decisions, not made through some intellectual exercise of analysis so much as being rooted in the experience of individuals and made in a political context. Many of his arguments have been shown to be valid by



later research which has examined strategic decision making processes. It is the research of Quinn (1980) and Mintzberg (1978) that has begun to provide a clearer understanding of the process of strategy formulation in organisations. They have shown that strategy can more accurately be thought of as a what Mintzberg describes as a "pattern in a stream of decisions". Both writers argue that it is a mistake to think of strategic decisions being made at a point in time and then put into operation. Nor is it sensible to think of strategic decisions always being made at the top of the organisation and, as it were, being handed down to operating levels.

Mintzberg's work consisted of "intensive historical studies of single organisations over periods of decades". For each organisation all the important decisions, actions and environmental events and trends that were significant over the period were listed. From this strategies and changes in strategy were deduced. Thus an important aspect of his work was that strategies were seen in an historical and action context: strategy was not taken to mean that what was said by managers but that what was carried out by organisations.

From these historically observed strategies, Mintzberg deduced that strategies changed in different ways. Some periods of change were incremental, during which new strategies formed gradually; others were piecemeal, during which some strategies changed while others remained constant; and still others were global, during which many strategies changed quickly and in unison. In addition, he identified periods of continuity during which established patterns remained unchanged; periods of limbo, during which the organisation hesitated to make decisions; and periods of flux, during which no important patterns seemed evident in the decision streams. This broadly supports Lindblom's concept of

incremental change in strategy but also suggests that the change is not a continual gradual process but is intermittent and that global changes, though not typical, may occur. Mintzberg also distinguished between different means by which strategies might come about (or be realized). He identified:

- "Deliberate" strategies: that is strategies intended by management which get realised.
  
- "Unrealised" strategies: that is intended strategies that do not get realised.
  
- "Emergent" strategies: that is realised strategies that were not really intended at all but arose through the sort of flow of decisions which Lindblom argues is just typical.

He also argues that it is possible to perceive deliberately set "gestalt" strategies which are characterised by being unique and integrated, in the sense of their elements being "complementary or synergistic". Mintzberg is not clear about how these different kinds of strategy tie in with the processes of strategic change he describes but the implication is that the emergent strategies are formed through an incremental or piecemeal process of change, deliberate strategies through either incremental, piecemeal or global change but that the major shifts of gestaltstrategy are likely to be through global change and associated with changes in leadership.

Mintzberg argues that incremental change in strategy is typical due to the problems of predicting outcomes in an unpredictable environment. He also

suggests that this unpredictability may lead to deliberate strategies being reformulated during implementation by the flow of decisions. However, all environmental change cannot be perceived by managers so changes in strategy will not be smoothly incremental but intermittent.

Quinn's (1980) work is perhaps the most thorough exposition of an incremental view from the point of view of management. His research methodology consisted of studying nine large ("multiple billion dollar") companies with different technologies, time horizons and national and international dimensions, thus attempting to gain a representative cross-section although utilising only large businesses.

The study was carried out via a survey of secondary source data and interviews of at least ten people in each company involved in recent important strategy changes. It might be noted that this was not a historical study looking at strategic change over a period of time, but a single change in each company. Quinn found that strategy consists of a number of components which originate in and take effect in the sub-systems of an organisation, each of which may have its own strategy. By "sub-system" Quinn means "a grouping of activities and decisions interacting principally toward the accomplishment of one major strategic goal. Because each sub-system had its own cognitive levels and process limits, its strategies tended to be arrived at logically and incrementally". The strategy of the organisation is formed and changes incrementally as the strategies of each of the component sub-systems change. In fact Quinn suggests that an overall strategy is rarely likely to exist, it being constantly changed as component strategies change.

Quinn also suggests that strategies which are actually formulated by top



management are also formulated incrementally, the decision consisting of sub-decisions which, beginning on a generalised and rather vague form, are reviewed and developed until a strategy emerges. Quinn goes further than simply describing strategic decision-making as incremental; he also advocates it as logical and beneficial. He argues that it is sensible for decisions to be formulated in this fashion because it allows the organisation to experiment, testing responses to a changing environment rather than making large-scale moves which could be mistakes.

Another implication of an incrementalist view of the development of strategy is that the idea of the implementation of strategy following on from the choice of strategy in a sequential way does not hold good. It is not the case that strategy is first decided and then implemented; but rather that strategy is, to a much greater extent, worked out through being put into operation. It is this choice through action that persuades Pondy (1983) that incrementalism is the unity of rational and intuitive models of strategy making - that incrementalism is "unfolding rationality".

This incrementalist view of strategy is confirmed in the findings and arguments of other writers on process. Cyert and March (1963) found that goals and strategies were mainly responses to short run pressures in the context of conflicting stakeholder expectations; organisations sought to minimize uncertainty by following standard operating procedures, the prevalence of which, in turn affected strategic decisions by imposing constraints on discretionary choice. Bower (1972) found the management of change to be fundamentally at a middle management level and, he argued, because of this, was limited by a lack of understanding of resource provision potential and organisation-wide implications. There does seem to be a good deal of evidence that strategy needs to evolve substantially in

the sort of incremental fashion as described variously by Lindblom, Mintzberg and Quinn. Within this general incremental problem, the importance of particular decision routines becomes important. The next section examines how such decisions occur.

### Routines of Strategic Decision Making

A considerable amount of research now exists on the process of decision making, a good deal of which is related to decision-making routines on strategic issues. This section summarizes this research and amplifies some of the key areas. Mintzberg, Raisinghani and Theoret (1976) concentrated on decision making in terms of selection routines. Lyles (1981) focused rather more on problem formulation. The overall process of decision-making can usefully be considered by considering their findings which prove to be compatible and illuminating.

If the findings of these pieces of research are examined, there are four stages that can be recognised in the decision process, these are:

- \* problem awareness: the recognition that "something is amiss", that a state of affairs exists which needs remedying;
- \* problem diagnosis: the collection of information about and examination of the circumstances of the problem and the definition of the problem;
- \* the development of solutions: the generation of possible solutions to the problem;
- \* the selection of a solution: the means by which a decision about what is to be done is reached.

EXHIBIT 2

A DESCRIPTIVE MODEL OF THE STRATEGIC DECISION MAKING PROCESS  
(from G. N. Johnson and K. Scholes, "Exploring Corporate Strategy", Prentice Hall, 1984)



Illustration removed for copyright restrictions



These stages are amplified in the discussion that follows and represented in Exhibit 2.

#### Stage 1 : Problem Awareness

The awareness of a strategic problem usually occurs at an individual level. It is individual managers who are likely to get a "gut feeling" that something is wrong. This awareness is likely to develop through a period of what Lyles calls "incubation" and others call "observation and reflectives" (Kolb, 1971) or "intermediate buffers" (Hunt: 1971). In this period of incubation, managers sense various sorts of stimuli that confirm and define a developing picture of the problem. These stimuli are what Norburn and Grinyer (1973/74) call "signals" or "ear twitchers" and seem to be primarily of three sorts.

First, there are internal performance measurements such as levels of turnover or profit performance. Second, there is customer reaction particularly to the quality and price of services or products. And third, there are changes in the environment, particularly in terms of competitive action and technological change (Norburn and Grinyer: 1973/74) and economic conditions (Glueck: 1980). Together they create a picture of the extent to which an organisation's circumstances deviate from what is "normally" to be expected. This deviation may not be from a specified set of performance criteria such as profit measures, but could well be a perceived divergence from a normal trading pattern or a change from a typical customer response to some marketing activity for example. These stimuli have two different roles. External information, on the whole, has the role of awakening interest to a greater extent than internal information which feeds more directly into strategic decisions, mainly in

the form of financial and volume performance indicators.

This accumulation of stimuli eventually reaches a point where the amount of evidence is such that the presence of a problem cannot be ignored at an organisational level. This "triggering point" may well be reached when the formal information systems of the organisation begin to highlight the problem; perhaps the variance against budget becomes undeniable or a number of sales areas consistently report dropping sales. It is at this point, argue Lyles and Mintzberg, that organisational activity takes over from individual consideration of the problem.

It is important to emphasise the significance of this first stage of the individual's role in problem recognition. There is evidence to suggest that successful business performance is associated with management's capability in sensing their environment (Norburn and Grinyer; 1973/4; Quinn, 1980; Miller and Friesen; 1978). This does not mean that the organisation necessarily has a complex or sophisticated means of achieving this sensitivity but rather that managers respond to or take into account a wide range of influences and have an internally consistent view of these influences.

## Stage 2 Problem Diagnosis

At the organisational level there are likely to be two parts to the problem diagnosis stage. The first is information gathering and the second is problem resolution.

Information gathering could take the form of:

- exploration for information to determine more clearly the facts about

the problem;

- the rationalisation of information and stimuli to do with the problem so as to clarify the picture of the problem;
- diplomacy and solicitation to establish what those with power in the organisation think about the problem and gather political support for individuals' views of the problem.

As far as information gathering is concerned, this is usually on a verbal and informal basis (Norburn and Grinyer, 1973/74; Mintzberg et al, 1976; Aguilar, 1967) and this appears to be the more so the more senior the management in the organisation. Managers are, in effect, building up and refining a picture of the situation facing them by seeking for qualitative evidence. There is certainly little empirical evidence to support the notion that managers regard systematic environmental analysis as particularly useful or that there is any extensive use of management information systems for the purposes of strategic analysis (Hall 1973, Aguilar, 1967).

By problem resolution is meant the clarification of the problem through an attempt to get some sort of organisational view or consensus on it. This is likely to be attempted through debate and discussion and, since there may be many different views, it is likely to give rise to disagreement. Indeed, it is quite likely that some organisations may find difficulty in proceeding beyond this stage and continually refer back the problem to the information gathering or triggering stages of the process. Lyles (1981) in common with other researchers (Huse and Bowditch, 1977; Soelberg 1967) found this to be a time-absorbing and complex activity for managers. In fact Lyles found that there is considerable re-cycling within the process



anyway. The most common re-cycling, in 70% of the case she investigated, was from the problem resolution stage back to triggering: organisations found that the attempt to resolve what a problem was about at an organisational level, triggered different conceptions of the problem at an individual level. Both Lyles and Mintzberg, in their studies of the process of strategic decision making, also point out that the diagnosis stage may be missed out altogether. Managers may proceed direct from problem recognition to the choice of solutions.

The process of solicitation of views appears to be not simply concerned with clarification of the problem. Quinn (1980) sees it as a means of reconciling disparate perceptions of the problem to achieve the greater degree of consensus necessary for decision making.

Bower's (1972) work on problem identification and definition within resource allocation processes adds usefully to the understanding of the dynamics of this stage. He found that both problem identification and definition tended to take place within lower levels of management, primarily amongst functional managers within operating divisions. Discussions on problem definition were problematic for a number of reasons:

1. There was little integration of the particular nature of the problem with business level or corporate level strategy because the managers involved did not have such understanding and more senior managers were often not involved.
2. The more junior management rarely questioned the assumptions upon which conclusions were based. For example, bases of costings or sales projections might be accepted uncritically.

3. The development of a definition of a problem tended to drag on until more senior management got involved, which in itself provided the integrating device with higher level plans.

### Stage 3: The Development of Solutions

The most detailed study of the choice of solutions in strategic decision making, has been carried out by Mintzberg and his colleagues at McGill University (Mintzberg et al: 1976). They show that choice is likely to have two stages; the first is the development of possible solutions and the second is the selection between them. First, then, how does the development of solutions occur?

Managers will first search for ready made solutions to the problems that have been triggered. The indications are that this will first occur through "memory search", in which the manager seeks for known, existing or tried solutions, or "passive search" in which he will wait for possible solutions to be thrown up. It is only if these are unsuccessful that the manager will move onto more active searches for possible solutions. The manager starts with what he has experienced and moves from there. It is likely that there will be a number of these "searches" amongst the known, tried and familiar before any attempt is made to move to the next step which is the "design" of a solution. "Design" is where "custom-made" solutions specific to the problem at hand are constructed. Here it is not a matter of looking for what is familiar, what has been done before, for example, but rather to originate a solution. Whether the search routine or design practice is employed, the process of choice is iterative, beginning with a vague notion of what is desired and gradually being refined by recycling through selection routines, back into problem identification or through



further development routines. As the researchers described: "A solution crystallises as the designers grope along, building their solution brick by brick without really knowing what it will look like until it is completed".

(Mintzberg et al, 1976 p. 268)

#### Stage 4: The Selection of a Solution

It is likely that selection will be made on the basis of the following:

- i) The screening of possible solutions in two ways. The first is to "challenge the appropriateness of alternatives": managers ask themselves if the possible solution is likely to tackle the problems that they are seeking to deal with. For example, if there is a shortfall in sales or profit might the proposed solution address itself to this? If competition has taken some step which threatens the company, might the proposed solution be a way of countering this? Managers reduce a range of possible solutions to a lesser number by judging the extent to which each is suitable for dealing with the problems they perceive. The second criterion is rather different though it is certainly associated with the first. It is the assessment of the "feasibility" of an alternative. This criterion is concerned with whether or not a solution is likely to be workable and if it can be seen that there is a likelihood of its success.
  
- ii) An alternative way of selecting between possibilities is to refer the choice to a more senior level of management - to seek authorisation. It should be remembered that this whole process is incremental in nature and therefore is taking place below the most senior levels of management; so referring possible solutions to some higher hierarchical level may be required anyway. Typically though not always, authorisation is sought for a completed solution after the steps of

screening and evaluation have taken place. Such referral raises the question as to whether or not it is sensible to view this referral as a sort of checking of an incrementally generated strategic solution against some overall strategy. It would certainly be in line with Bower's and Mintzberg's view that whilst most strategic decisions emanate from a stream of decisions from within the management sub-systems, it is the role of leadership to maintain some sort of general direction. If this view is taken then the process of authorisation can be thought of as the matching of one strategic decision against an overall, more generalised strategy or mission of the organisation.

#### Judgement, Bargaining and Strategy Making as a Political Process

As has already been said, researchers consistently point to the fact that in the process of strategic decision making there is a much greater reliance on managerial judgement and past experience than the evaluative techniques of the management scientist would suggest. If evaluation does take place it is likely to be qualitative in nature perhaps taking the form of a discussion of problems or options amongst the managers.

Quinn (1980) does suggest that managers may seek to generate contra-arguments through such discussions so as to seek for evidence to challenge prevailing thinking. It is however clear that the selection of strategy is primarily by means of management judgement and likely to be bound up in a process of bargaining within the organisation. Solutions are not so much likely to be adopted because they are shown to be better on the basis of some sort of objective yardstick, but because they are acceptable to those who influence the decision or have to implement it. So there will be a process of bargaining and negotiation taking place which

seeks to build up the level of acceptance for a preferred solution arrived at through the screening process or which is developing incrementally within the organisation. This reconciliation of different and potentially conflicting interests and views may be reconciled through a sequential attention to the interests of different groups (Cyert and March 1963). Indeed, it has been suggested that organisations can be viewed as comprising "solutions actively looking for problems" (Cohen et al 1972). In other words, that organisations seek out opportunities or problems to fit preferences for action which already exist within its sub-units. This raises the notion of strategy making as a political process within an organisation. documented as early as the early sixteenth century by Machiavelli (1982). It is perhaps more surprising that it is not really until the 1960's and 1970's that serious attempts have been made to study the political process in organisations.

MacMillan (1978, p. 8) says political action "Takes place when an actor, recognizing that the achievement of its goal is influenced by the behaviour of other actors ... undertakes action against the others to ensure that its goals are achieved." The idea that the political process plays a central role in organisational decision making received support and impetus by the work of Cyert and March (1963) who saw an organisation as comprising of coalitions which indulged in a process of bargaining with each other to achieve their own ends, and through which the goals and strategies of the firm emerged. However, their work, whilst recognising the importance of the political activity of bargaining did not explain how this took place. Such explanation has been left to others



including MacMillan (1974, 1978), Thompson (1967), Karass (1970), and most notably, Pettigrew (1972, 1973, 1975) and Pfeffer (1981).

Coalitions may be formed on the basis of specialisation within an organisation as a result of size or complexity. They might also exist as informal coalitions where shared interests and loyalties arise for reasons other than performing specialist tasks (Reed and Palmer, 1972). The central point is that these coalitions are likely to be interdependent within the organisation so the interests and fortunes of one are to a greater or lesser extent dependent on another. A conflict of interests, will, therefore, inevitably arise as the coalitions bid for the resources of the organisation and the likelihood of one coalition or another prevailing will depend on its ability to generate support for their demands.

Parsons (1969) argued that this political process may take place through two modes of manipulation and two channels of manipulation. The channels may be "situational", in which there is an attempt by an individual or coalition to re-structure the nature of the situation, and thus change the competing coalition's perception of it: or the channel may be "intentional" in which case there is the attempt to change perception within the context of the situation. Modes of manipulation may be "negative" or "positive". Positive manipulation simply means that as a result of the manipulation, the other party feels better off: negative manipulation that the other party feels worse off. Resulting from these modes and channels of manipulation are four means of manipulation:

- "Inducement", which is an attempt to change the structure of a situation through positive manipulation.

- "Coercion", which is an attempt to change the structure of a situation through negative manipulation.
  
- "Persuasion", which is the attempt to present an argument about the situation which will be convincing enough to change perception of the situation and remain sufficiently in line with the values of the other party that it feels more satisfied with the outcome.
  
- "Obligation", which again seeks to present an argument about the situation but which, though changing perception, leaves the other party feeling less satisfied with the outcome but obliged to recognise the weight or validity of the argument.

The extent to which any of these approaches is successful will depend on the power or influence that one party can exercise over another. Power may not correspond to formal lines of authority, as pointed out by Dalton (1959): Pettigrew (1973 and 1975) conceives of power being endowed upon individuals or groups according to their possession, control or use of power resources: these might include control over information and systems, access to higher authority, group support, assessed structure, or specialist expertise. Others (Hickson et al, 1971; Thompson, 1967, Hambrick, 1981) have emphasised that power is derived from an individual or group responsible for activities which reduce uncertainty facing the organisation. To be more specific:

- "1) The degree to which a sub-unit copes with uncertainty for other sub-units, and
  
- 2) The extent to which a sub-unit's coping activities are substitutable"

(Hickson et al, 1971, p 218).

### Rationality and Strategic Decision Making

If the processes described in this section and the last are typical of that which occur in organisations, what then of some of the more traditional views of strategy formulation which are advocated, which are rooted in the notion of rationality? Central to the arguments of these writers is that strategy is evaluated against clear objectives: as Chang and Campo-Flores (1980 p76) argue: "Without realistically established business objectives, strategy is impossible to formulate and thus is totally ineffective".

However, there is little empirical evidence to suggest that objectives perform this role. Rather, they are often ill-defined, very diverse and not agreed upon (Norburn & Grinyer, 1973/4), post-rationalised (Mintzberg, et al 1975), unstated, not explicit or very generalised (Quinn, 1980). Quite simply, they do not appear to have the central role that a traditional strategic decision making model would claim for them.

Organisations certainly seem to have objectives. Norburn and Grinyer (1973/74) for example found that the companies they studied had many objectives and that managers almost always agreed that one was to increase profits. He also found that there were many other objectives that managers perceived to exist and that they thought there should be more of them. However, there was a low level of agreement in the firms about what the objectives were. Managers only really concurred on the existence of profitability as an objective. Even allowing for a much larger number of desired objectives, there was still relatively little consensus on what they should be.



The second question is whether or not objectives are or should be stated in clear and precise terms? After all, Drucker (1968) argued that:

"If objectives are only good intentions, they are worthless. They must degenerate into work. And work is always specific, always has - or should have - unambiguous, measurable results, a deadline and a specific assignment of responsibility."

Yet the fact is that there is evidence to show that many successful companies do not have precise, explicit objectives, and what is more their senior executives do not think they should have. Quinn (1980) found that "successful executives 'announced' relatively few goals to their organisation. These were frequently broad and general, and only rarely were they quantitative or measurably precise".

Objectives tended not to be announced for four main reasons. First because the effect would be to over-centralise the organisation, to "...tell subordinates that certain issues are closed and that their thoughts about alternatives are irrelevant." Second that announced objectives can become a focus for opposition. Such opposition could be from outside the firm or from within. Third, because once an objective is set, it can be very difficult to change: there is a fear of creating rigidity and an out-of-date or inappropriate stance. The final reason for not announcing objectives is perhaps the most obvious: it is a fear of lack of security. There is always the danger that competitors will get to know too much about what the intentions of the firm are.

Quinn also found that there were times when it was seen as appropriate to have general objectives, and other times when it was seen to be more appropriate to have specific objectives. General objectives were seen by senior executives as being useful in achieving what Quinn calls "cohesion,

identity and élan". By ignoring specificities, which can create disagreement, and concentrating on broad, generally accepted directions or intentions, a general concensus can be reached. Further, if objectives are broad enough, it allows managers the latitude to develop their own areas of discretion within them. What emerges is that broad, non-specific objectives are another way of managing the coalition existing in the firm that we discussed earlier.

However, it also became clear to Quinn that there were times when specific objectives are required. These are times when immediate or urgent action is required, such as a crisis of some sort, or at times of major, usually strategic, transitions. Essential to focus the attention of management onto a limited number of essential requirements. An extreme example would be in a turnaround situation. If the choice is between going out of business and surviving, then there is no room for latitude through vaguely stated requirements: intentions and requirements need to be specific. Quinn also found that objectives tended to be specific after a crisis: there was still a need for a clear focus.

This situation corresponds to Cyert and March's (1983) view of the firm as a collection of individuals with disparate goals which are resolved through the political process. The notions of there being a single objective to do with the maximisation of profits is quite simply unworkable. Cyert and March argue that, built into the system is this conflict of aims between individuals or power groups. To cope with such a situation there is what they call a continuing process of "quasi-resolution" of conflict. What they mean here is that the different aims and interests of individuals and groups are coped with by attempting to satisfy them in part or at different times. For example, different aims might be followed at different



times or in different parts of the enterprise such as different divisions, so as to satisfy the different groups. Or there could be what they refer to as "side-payments" to reduce conflict: the appointment to a more senior position of the leader of a dissenting power group for example. Or conflict could be minimised by decentralising decision making to sub-groups which then spreads the loci of goal resolution.

### Planning and Strategic Change

The words "Strategy" and "Planning" have become so inextricably associated that it becomes necessary to define the role and forms of planning clearly. This necessity stems from a common confusion between "planning" in the context of strategic decision making and "corporate planning" as a function often incorporated into a department within an organisation.

Planning, in the sense of analysing situations, considering the outcomes of proposals and thinking through the sequence of actions required to put change into effect, can be thought of as what managers do anyway - albeit not necessarily in the manner that many management writers advocate. There is little evidence to support the idea that corporate planning as a specialist activity or corporate planners as managers in organisations are actually responsible for strategic decisions being taken (Quinn, 1980; Mintzberg et al, 1976; Hall, 1973). Rather the role of corporate planning appears to be to contribute to the strategic management process in three main ways (Bahrami: 1981):

- i) By assisting in the adaptation of the organisation to its environment by means of monitoring changes in the environment, formulating environmental and strategic scenarios and acting in a consultancy capacity to parts of the organisation that wish to examine the



implications of environmental change. In this sense corporate planning is carrying out a strategic analysis function.

- ii) By providing an integration role in an organisation in the sense of acting as a communication channel between, for example, a corporate head office and its divisions.
  
- iii) By providing a control mechanism to monitor the performance of parts of the organisation (eg divisions) against strategic implementation.

The picture emerges of corporate planning as an aid to strategic decision making rather than as the means of strategic decision making.

Quinn (1980) also discussed the role of formal planning systems in the strategy formulation process. All firms in his study had some form of such a system despite the fact that he found that strategy was formulated in an incremental fashion. He argued that these formal systems "rarely formulated a corporations central strategy". However, he adds that what a corporate planning system may well provide is a mechanism for verification of earlier decisions made by or arising from sub-systems within the organisation.

### 1.2.2 A Behaviouralist View of Strategy Making

Traditionally, strategy has been viewed as the response of an organisation to its environment. The environment changes and the organisation rethinks and adjusts its posture if necessary. However, the organisation has severe limitations on making such readjustments. The constraints that have received most attention by writers in the area of strategy in the past have

been:

- \* first, constraints in the environment itself that hinder change - competitive action, government legislation, economic forces and so on;
- \* and second, internal organisational resource constraints - a lack of finance or competent management, for example.

Such a view neglects any influence by the managers who are supposed to be responsible for deciding upon and planning the implementation of strategy: specifically that managers may choose (Child, 1972) to position the organisation in strategic terms according to their interpretation of the situation they face, their expectations or values or perhaps the cultural context of their organisation or industry. The central idea here is that strategic decisions are not directly determined by environmental or resource influences because these are both subject to interpretation and, in any case, are capable of being influenced themselves by the decisions of managers. This view of strategy making is then concerned with its understanding as an interpreted outcome of management perception, deliberation or behaviour.

#### Reduction in Ambiguity and the Patterning of Change

There has long existed a body of research and theory within the field of social psychology which has been concerned with individual cognition and the handling by individuals of uncertainty and complexity. Tolman (1932 and 1949) sought to understand the "cognitive maps" that he saw as an intervening variable between stimuli and response for the individual. His view was that individuals build a set of expectations and understandings about their world: this cognitive organisation of their world, which in his

later work he called "field expectations", is the mechanism by which the individual makes sense of the complexity of his experiences.

Since Tolman's work there have been a number of social psychologists who have described similar ideas. Most are rooted in the argument that social reality cannot be conceived as separate from human cognition in terms of problem solving or decision making; and that in consequence it is important to understand the cognitive process which interpret and pattern external stimuli. For the purposes of this thesis, the work of two such writers can be used to illustrate the arguments.

Karl Weick (1969) in "The Social Psychology of Organising" argued that the members of an organisation "see what they are attuned to see and these "perceptual sets" are regarded as stable characteristics constituted on the basis of past experience. The perceptual sets are ready-made explanations that the actor carries from situation to situation" (1969, p 38). He goes on to suggest that "the human actor does not react to an environment, he enacts it" (p 67): that is he creates meaning from environmental stimuli on the basis of attention to that which has already occurred, and that, in turn, what he understands by what is occurring currently affects his perception of past occurrences. There is then this notion of present decisions being taken on the basis of past experience, and past experience being confused by present action. In this way the uncertainty and ambiguity - Weick calls it "equivocality" - is reduced and becomes manageable.

Argyris and Schon (1978) have argued that individuals demonstrate what they call "theories-in-use", which are codes of practice by which that individual conducts his life. These are not the same as "theories of



action" which are espoused codes of practice: individuals may espouse certain theories but act in an altogether different manner. It is the "theories in use" that guide action and it appears that these are, demonstrably, very difficult to change. Even when "owners" of these "theories" are able to spell them out and recognize the need for changing them, it is still very difficult for them to do so. Individuals seek, rather, to confirm and reinforce their theories in-use by searching for solutions to problems or behaving in ways which are in line with them. Since organisations are collections of individuals, there evolves organisational theories in use which are also resistant to change. Argyris and Schon point out that members of the organisation respond to changes in the internal and external environments of the organisation by detecting errors which can be defined in terms of their existing "theories": these errors can then be corrected so as to maintain the central features of organisational theory in use. It is this re-cycling of a problem within the bounds of the existing theory in use that Argyris calls "single loop learning".

There are others in the field of psychology who have noted and sought to explain similar phenomena. Whilst they have used different terms and referred to different arenas of application, the theme is much the same: faced with uncertainty, or ambiguity, man interprets this on the basis of past experience through cognitive structures which also guide current action. For example, in the field of psychology, Kelly (1955) shows how individuals possess cognitive "constructs" for interpretation.

Other psychologists have referred to "scripts"; a script is a "hypothesized cognitive structure that, when activated, organises comprehension of events based on situations": it is therefore an "expectation bundle (which) might direct cognitive processing towards the appropriate inference" (Abelson,

1981 p 717). Within the field of psychology this is rooted within what has come to be known as "congruity theory", (Osgood and Tannenbaum)<sup>1955</sup>/which argues that individuals seek to reduce ambiguity and uncertainty by reference to their previous commitments.

In the field of strategic decision making, there has been, until recently, relatively little that has built directly on these notions of interpretative cognitive structures to help explain strategic decision making. Hedberg and Jonsson (1977) employ the word "myth" to mean a metasystem of beliefs and interpretations of reality - a theory of the organisational world - through which strategy is predicted, though they are not clear as to how this "myth" comes about or whose property it is.

Perhaps the most thorough exposition of the idea in the context of strategic management is by Spender (1980). There exist what Spender calls "recipes", a term he derives from the work of Schutz (1967) but uses somewhat differently as meaning "an accepted set of beliefs about what is consistent, realistic and which outcomes will follow the commitment of resources to specified actions. These beliefs which comprise the recipe may reflect generally available scientific and technological knowledge but many are specific to an industry" (Grinyer and Spender, 1979(b), p. 183). These sets of beliefs can be identified and tend to be industry based: so the constructs of a recipe will be more similar within an industry than between industries. The constructs of the recipe evolve over time and are based on individual and collective wisdom based on the experience of operating in the context of a particular industry.

Spender argues that the recipe is vitally important in the construction of strategy because it allows the "experience gathered over years" to be

applied to a situation so as to identify its familiar characteristics and likely required responses. In this respect the recipe is vital to managers: without it they would be faced with inventing new solutions to each problem they face. However the recipe is also a highly conservative influence (Grinyer and Spender, 1979(a)). It is likely that faced with the need for change, managers will seek to deal with the situation in ways which protect the recipe from challenge. Exhibit 3 characterizes how this might occur. Faced with stimulus for action, in this case declining performance, the management are first likely to seek means of improving the implementation of existing strategy: this could be through the tightening of controls for example. If this is not effective, then the management will consider a change of the strategy, but still a change in the strategy which is in line with the existing recipe. There has been no change to the recipe itself and Spender argues that there is not likely to be so until this attempt to reconstruct strategy in the image of the existing recipe also fails. What occurs is the predominant application of the familiar and an attempt to avoid or reduce uncertainty or ambiguity, which manifests itself as a threat to the recipe.

Other management researchers have found similar phenomena. Steinbrunner (1974) argues that executives seek to reduce ambiguity and complexity to more simple and familiar states so as to aid decision making. Mintzberg (1978) suggests that strategy can be thought of as the "interplay between three basic forces". The first is the environment which is dynamic. The second is what Mintzberg describes as the "organisational operating system, or bureaucracy, which above all seeks to stabilise its actions despite the characteristics of the environment it serves": so Mintzberg too, finds this organisational pull to what is known and established. However, what Mintzberg adds to this is that the mediating agent between these two



EXHIBIT 3

DYNAMICS OF RECIPE CHANGE

(from P. Grinyer and J.C. Spender, "Turnaround : Managerial Recipes for Strategic Success" (Associated Business Press, 1979, p. 203)



Aston University

Illustration removed for copyright restrictions

forces is "leadership" the third force "whose role is to maintain the stability of the organisation's operating system while at the same time to adapt it to environmental change".

Mumford and Pettigrew (1975) have also shown how change from outside or from within the organisation is likely both to raise levels of uncertainty and levels of resistance to change. Strategic change is very often triggered by a change in the environment which forces a response at the organisational level. This organisational response, such as the decision to enter a new overseas market, or develop a new product line, in turn creates uncertainty within the parts of the organisation which may respond by trying to reduce uncertainty.

These actions in turn will tend to increase the uncertainty of individuals and this may induce protective action by them. In turn this may give rise to a response from senior management. For example, union threats to strike may be met with offers of fuller consultation, activity within the Marketing Department may require the Managing Director to confirm the company's commitment to the home market to dispel rumours of an intended run-down of UK sales. This whole process will continue through many "cycles" before a new "stable" position is found.

The common finding within these pieces of research is that managers work in a context in which the natural tendency is to seek to reduce the ambiguity of change or threat to that which is known and stable and that this is achieved through the mediating influence of cognitive mechanisms of interpretation rooted in past experience. There is little support for the notion of the manager, or the organisational system, as a basis for innovatory interpretation of change.

### Ideologies and Culture

Miles and Snow (1978) argue if managers do play this central role in interpretation, enactment and choice of strategy, then it is important to understand the value systems and ideologies of managers. Their study of the strategies followed by 16 firms in the college textbook industry, 49 firms in electronics and food processing and 19 voluntary hospitals in the USA attempted to identify value systems and relate them to strategic choice, the structure of the organisations and their management control methods.

Their findings suggest three basic organisational types, defined in terms of prevailing ideologies, within each of which there are fairly consistent patterns of strategy, structure and control processes. The three basic types are:

- "Defenders" who resist and avoid change and concentrate on efficiency, seeking to "seal off" a portion of the market for themselves;
- "Prospectors" who actively seek out or create change as a generator of opportunities and avoid over-dependence on any one technological base;
- "Analysers" who are followers, seeking to locate and identify new opportunities, whilst aiming for efficiency, by watching what the "prospectors" do and learning from this.

The choice of strategic "posture" is not dictated to them by their environment but is a matter of managerial choice. Managers tailor the



Characteristics of Policy-Making			
Organisation Type	Dominant Objectives	Preferred Strategies	Planning and Control Systems
1. Defenders	Desire for a secure and stable niche in the market.	Specialisation; cost-efficient production; marketing emphasises price and service to defend current business; tendency to vertical integration	Centralised, detailed control Emphasis on cost efficiency. Extensive use of formal planning
2. Prospectors	Location and exploitation of new product and market opportunities	Growth through product and market development (often in spurts). Constant monitoring of environmental change. Multiple technologies	Emphasis on flexibility, decentralised control, use of ad hoc measurements
3. Analysers	Desire to match new ventures to present shape of business	Steady growth through market penetration. Exploitation of applied research. Followers in the market	Very complicated. Coordinating roles between functions (eg Product Managers ). Intensive planning

EXHIBIT 4

DIFFERENT ORGANISATIONAL IDEOLOGICAL TYPES AND THEIR INFLUENCE ON POLICY MAKING

(after R.E. Miles and C.C. Snow, "Organisational Strategy, Structure and Process", McGraw Hill, 1978)

conditions of their environment to how they wish it to be. The "defender" manager who values stability seeks out a market niche that is likely to provide this and orders the company's affairs in such a way that he protects it. In contrast, prospectors welcome change and new ventures despite the risks they might involve. So values are likely to influence the purpose and scope of policy and all aspects of operations from choice of produce/market to structure, control systems and rewards given to individuals. Exhibit 4 (from Johnson and Scholes: 1984) summarises some of the major differences between the three basic types.

It is important to understand too, that the ideologies which underlie organisational management style, perceptions and inclinations towards different strategies are likely to be self-perpetuating since managers in positions of authority often build a team around them of similar minded individuals.

Meyer (1982) has argued for the importance of ideologies. He uses Beyer's (1981) definition as "relatively coherent sets of beliefs that bind people together and explain their worlds in terms of cause and effect relations": so the meaning is not so dissimilar from the notions previously discussed in terms of cognition. He goes on to show how these ideologies are displayed at an organisational level, for example through the language, symbolism and organisational stories in the organisation. He also shows how these ideologies explain rather better an organisation's response to its environment than does, for example, formal organisational structure.

What Meyer is describing is organisational culture. Culture has been variously defined: Keesing (1974) distinguishes between "ideational" definitions in which culture is seen as that which is shared in the minds of



members of a community and the "cultural adaptationists" who see culture in terms of patterns of behaviour, speech and the use of material objects. Certainly Meyer adopts the latter perspective when he states that "organisational ideologies are manifested and sustained by beliefs, stories, languages and ceremonial acts" (Meyer, 1982, p 45). Indeed, the definitional stance which embraces ideas, and their symbolic manifestations such as ritual or structure is most commonly employed as the meaning of culture by those studying social systems. Others do go further to include material objects within the definition, a view which can be traced back to Malinowski (1931) who viewed culture as "inherited artifacts, goods technical processes, ideas, habits and values", though it is perhaps more precisely stated as the "artefacts and products ... whose significance resides in their relationship with human behaviour" (Lindesmith, Strauss and Denzin, 1977).

The point is made by others (Turner, 1971; Pettigrew, 1979) that to understand why an organisation acts in the way it does, it is important to attempt to understand the whole of its culture. The reason it is important to understand culture is because the "cultural system glues the organisation together because it 1) provides members with cognitive maps with which to understand and influence behaviour in the organisation and 2) it provides a social justification for what people are doing" (Tichy 1983, pp 253-254). There is, then, this inherited cultural system which is likely to influence the organisation's strategy. Proponents of this view would argue that it is not sensible to try to understand organisational decisions about strategy, structure or methods of control out of this cultural context.

At a global level, Hofstede (1980) and Faucheux et al (1982) show how cultures of different societies around the world influence management



styles and organisational structures. Individual countries are markedly different from one another and he shows how this can be particularly problematic for multi-national companies employing different nationals and expecting them to cross cultural boundaries. The different cultures of Western and Japanese companies have been examined (Ouchi 1981) and shown to be linked to quite different management styles in problem solving. Western managers emphasise situational analysis as a basis for decision making, valuing fast decision-making and seeing top down objective setting as a basis for implementation, whereas the Japanese are more likely to employ extensive and time consuming consultation processes around the practicalities of implementation before taking decisions.

There are examples of cultural influences at a global or national level. Cultures within organisations are, similarly, of importance. Tichy (1985) gives an example:

It is very important at Exxon to do things the "Exxon way", that is consistent with the Exxon culture. Exxon Enterprises was created by purchasing small, state of the art, high technology companies run by the entrepreneurial founders. Initially, Exxon wanted these founders to stay on and run their businesses. There was an immediate clash as these people neither cared about the Exxon way nor wanted to be controlled. As for the Exxon managers, they had trouble understanding those way-out, crazy inventor types who were losing money and didn't care about running a business efficiently".

Indeed, the most obvious examples of the importance of organisational cultures is when culture-clashes occur, notably with take-overs, mergers or attempts to re-align culture. Examples abound in the literature of case studies: the clashes resulting from new professional managers' impact on Dansk's traditional designers (Uyterhoeven et al; 1977); when Japanese management meets Western practice as with Yoskida Kogyo KK (Stopford et al: 1980) or as big company personnel become associated with small

family businesses as with Eaves and Washbourne (Birley: 1980).

Much of the difficulty arising from these cultural clashes centre on difficulties of matching what Dalton and Lawrence (1971) call "social control" mechanisms as distinct from more bureaucratic "organisational controls". Social controls are not explicit or written down but as part of the culture of the organisation are powerful forces within organisations and operate through pressures on individuals to conform to group norms. Cultural clashes may well emerge if, for example, social control mechanisms come into conflict with one another or social controls are challenged by organisational controls. For example Cammann and Nadler (1976) argue that often implementation of strategy is unsuccessful not because the "systems" do not fit the overall culture of the organisation but because they do not fit the style of the managers who have to operate the systems. For example, managers who have always relied heavily on informal relationships as their form of control may be in difficulty if forced to introduce highly formalised systems.

#### Management Expectations and Growth Orientation as an Influence on Strategy

It is one thing to suggest that generalised ideologies or cultural norms affect strategy: it is more specific to say that what managers expect of an organisation will affect strategy. The former is somewhat vague: it argues for culture as a sort of filter through which influences are refined into decisions. Expectations are a good deal harder in concept; they suggest a more deterministic link with decision outputs. If managers form the strategy of an organisation, then what they expect and why, is arguably, likely to have a fairly specific influence.



A good deal of the work on management expectations has hinged on the findings of managerial economists who have argued strongly that the driving force behind business growth is managers' desires for growth because of expectations of personal benefits of financial or status reward from such growth. Most powerfully and comprehensively expounded by Marris (1969 and 1971) the logic of this argument is followed in part or wholly by economists and industrial observers (Baumol, 1967; Dent, 1959; and Williamson, 1964). The emergent theory states that managers seek to maximise their own status, prestige, salary and career opportunities in so far as they can do so whilst maintaining levels of corporate performance such as profits and return on capital acceptable to shareholders and the capital market. Since volume growth of a firm leads most effectively to the achievement of these managerial aims, the aims of management become volume growth with measures of profit as the constraint on growth. Marris (1971) has shown that the performance of firms can be quite readily explained by this model.

This managerial theory of growth is not, however, without its critics. The evidence from the Growth of Firms project reported by Francis (1980) and Silberston (1979) indicates that managers are not primarily motivated by salary and prestige, both of which factors rated low on the results of a ranking exercise of managerial motives. It was also found by Child (1974) and Silberston (1979) that owner-controlled and not managerially-controlled firms grow faster: this might lead to the proposition that it is the growth expectations of entrepreneurs rather than managers that drive growth.

Certainly it appears to be the case that managers and entrepreneurs see growth as desirable and wish it to occur. Reasons for this desire for and



expectation of growth are less clear from past research since there has been a dearth of empirical work on the subject.

Murphy (1978) reports a conversation he had with a company president. "Why are you fighting for growth in this company? You're a rich man and the company is already enormous". The company president replied: "A company is easier to manage when it is growing."

The reply makes sense in terms of Cyert and March's (1963) concept of management as a continual process of quasi-resolution of conflict between coalition members. They reject the idea that differing individual goals are reconciled simply by cash rewards: the suggestion is that growth provides reward opportunities of a wider nature of status, job satisfaction and so on.

The Growth of Firms Project was a major research project carried out in 1975 and 1976 in 29 UK and 26 West German companies and involving interviews with 186 senior executives. It set out to investigate the nature of managerial objectives and their impact on major company decisions (Budde et al/ <sup>1982</sup> Findings emphasised differences in reasons for growth between UK and German managers. Whilst both German and UK managers held the view that growth is of great importance, UK managers held the view for more personal reasons than German managers. German managers argue for the operational, often market, benefits of growth. UK managers argue that growth gives job opportunities and facilitates motivation of personnel within the firm. In the UK there is what first appears to be a paradoxical set of managers' objectives. They place greater emphasis on growth of profits than German managers and less emphasis on growth of sales than of profits. We might expect from what Marris and the

managerial economists have to say that managers placing more emphasis on personal reasons for growth would have as their primary objective growth of sales. The growth of firms researchers suggest that this UK emphasis on profits may be for two reasons: it may be that the generally lower level of business performance in the UK concentrates managers' minds on problems of generating profit: or it may be that the greater equity financing in the UK means that the fear of shareholders withdrawing support in the event of an about-turn in profits tends to promote a greater attention to profits. Both UK and German managers believed that profitability and growth were directly linked. Increased profits meant that there would be increased retained earnings which could be ploughed back into the business to generate further growth, thus providing a continual cycle of growth. What emerges, then, as far as UK managers are concerned, are growth objectives rooted in an orientation towards satisfaction and reward for the managers themselves and the facilitation of the management process by providing rewards and incentives for others.

There are, however, indications that this intra-organisational, personalised orientation about the growth of the business may change somewhat with seniority of management. Fidler (1979) found that top executives' orientation was more towards relationships with leading shareholder groups, government or financial institutions so it is possible that their expectations for the development of their firms might well change accordingly.

However, it has to be said that the amount of empirical work which has sought to elucidate managerial expectations about the development of their firms, and their rationales behind these, is sparse, and is one of the focuses of this research.



### 1.2.3 Process as Implementation through Organisational Design

The schools of research so far described in this chapter have been mainly concerned with influences on the formulation of strategy. There is, however, a longstanding school of research which has been concerned with studying how strategy is put into effect. Researchers in this field have been primarily involved with studies of the structure or organisations in terms of organisational design and the management of strategy implementation in terms of systems of control. The scope of this work will be reviewed only briefly since, whilst it has a bearing on this research, it is not its primary concern.

The theme running through the work of those interested in the relationships of strategy, structure and control, is the search for an understanding of "fit" between the strategic posture of an organisation and how it is organised. By "fit" is meant the most suitable means of organisation in terms of structure to achieve optimum performance - normally conceived in financial terms - for a given strategy.

One thread of such research can be traced back to the work of Chandler (1962), a business historian, who studied the development of seventy of the largest USA firms throughout the 1940s and 1950s. Chandler found that structure is affected by the strategy followed by an organisation. A change in strategy is likely to give rise to administrative problems because the existing organisational structure is not adapted to cope with the new strategy. In fact what usually happens is that given that a strategic change occurs, there is a reluctance of management to change organisational structure. Resistance to structural change to meet the needs of the changed strategy is likely to result in a decline in company performance. It is this decline in performance that triggers structural



change. The decline in performance may well result in a change in senior management who will then institute the structural changes that are required.

Chandler found patterns of evolution of strategy and structure. The firms he studied began as single unit operations such as a small manufacturing plant with a single function (manufacturing or distribution, for example) and they operated in one industry. Their early development was through volume expansion. This early volume expansion then developed into geographical expansion. Here is the first change in strategy, one of market development. The problems that ensue are likely to be problems of co-ordination between the different operating locations or areas. It is the administrative problems resulting from this that give rise to the need for a functional organisation. In such a structure the owner becomes the general manager co-ordinating the work of the various functions. The next strategic step is likely to be vertical integration. Firms are likely to stay in the same industry but develop or acquire other functions. The manufacturer who has expanded into new markets might decide that it would be as well to have some sort of distribution facility for example. The sorts of problems they are likely to face are to do with the balancing of the flow of goods. This sort of problem could still be handled by a functional structure but it required increasing specialisation: so there is the need for forecasters, inventory controllers and soon - the birth of the service functions.

The next stage of development is that of product diversification. As original markets decline or plateau, firms move into different product or service areas. The problems that emerge are to do with the familiarisation and appraisal of very different industries and markets and

the translation of these conditions into operating requirements for the firm - or rather the different interests of the firm. Chandler suggests that it is this product/market based set of problems that give rise to divisionalised structures. Firms cannot expect to, and do not, operate in very different sorts of market or industry contexts efficiently with a functional structure. It makes more sense to have different divisions, each of which concentrates on sensing its own environment and building the expertise to deal with that environment. So there evolves the structure that is now most common in larger organisations - the multi-divisional structure.

Chandler's findings and propositions raise most of the issues that other studies of structure and control explore. Why are different structural forms adapted, what are the relationships between structure and strategy, structure and performance and what are the systems of control employed within the structures to implement strategy effectively?

Chandler's work was followed by replications of the study in the UK (Channon, 1973; Luffman and Reed, 1984; France (Pooley-Pyas 1972); Germany (Thanheiser 1972) and Italy (Pavan, 1972). Similar findings emerged in all the studies. For example in the UK in 1960, just one third of major manufacturing companies had a divisional structure. By the end of the decade over two-thirds had such a structure. This dramatic change coincided with a major programme of diversification by these firms, many of which were involved in extensive acquisition programmes at that time. Channon concludes that divisionalisation has, in large measure, been a response to the need to manage diversity.

Channon (1978) found similar though less developed trends in the UK service industry sector. From 1960 to 1974, there is again a move away



from functional and holding company structures towards divisionalisation and, in this sector, what Channon calls "critical function" structures. Again this trend is associated with increasing diversity, although in service industries this happened later than for manufacturing industry.

The relationship of structure with strategy was refined by Rumelt (1973) when he examined financial performance in terms of both. Rumelt's findings showed that multi-divisional structures out-perform other structural types. However, underlying this general finding are other important points. Divisionalised firms performed better than functional firms on measures of growth than they did on measures of return; the gap between the two types for measures of return on investment and equity are marginal when compared to measures of growth in earnings and sales. However, since divisionalisation tends to occur when firms expand and diversify, it might be expected that firms with divisional structures show higher growth figures. Rumelt's data also shows that firms which are content to manage through a functional structure perform virtually as well on measures of return as those which opt for divisionalisation.

Rumelt's work, too, has received considerable attention in terms of replication but with less consensus of findings and interpretation. Channon's (1978) work on the UK service industry also related strategy, structure and performance and showed similar if more marked patterns. The growth performance of the divisionalised firms was markedly superior to the functional operations but the functional operations actually out-performed the divisionalised ones on profit measures.

Other researchers have sought to develop the study of the relationship of structure and strategy by examining more precisely measures of control



rather than more general structural issues. They would argue that structures do not, in themselves, determine methods of control although they may constrain or facilitate them. For example, it is possible to have varying degrees of de-centralisation through various sorts of mechanisms within a divisional structure. These researchers have, therefore, been concerned with identifying patterns between control, structure and, sometimes, performance.

A number of researchers have, for example, found relationships between strategies and the extent of de-centralisation within firms. Lorsch and Allen (1973) found that higher degrees of central control were found in higher performing companies where there was vertical integration but similar degrees of centralisation were associated with low performance in diversified conglomerates. Khandwalla (1973) and Pfeffer and Leblebici (1973) found that the higher the levels of competition, the more it appeared that high performing companies de-centralised decision making but used complex monitoring systems to inform corporate management. Horovitz and Thietart (1983) found that high growth companies de-centralised more than those emphasising profits: however, they also found that high performing companies, whether on measures of growth or profits, tended to retain fairly high degrees of central control on matters of overall, general strategic direction of the company. These are all findings which tend to support and refine the general findings of the original studies of Lawrence and Lorsch (1969) which demonstrated that, with growing levels of uncertainty - perhaps through high levels of competition or a changing environment - organisations tended to de-centralise whereas in more stable environments, organisations were more centralised. They also showed that, with increased de-centralisation requiring increased differentiation of management tasks, there was a

necessity for increased integrative mechanisms within the firm.

Lawrence and Lorsch were arguing that the way a firm is organised is contingent upon several factors. Other researchers have argued, similarly, for a contingency view of organisation. Burns and Stalker (1961) showed that organisations facing higher levels of environmental change tended to employ more organic management systems than those in more static conditions which were more mechanistic in their management approach. Similarly Duncan (1972) found similar relationships between management control and levels of de-centralisation with increasing environmental complexity. Environmental hostility, on the other hand, appears to lead to centralisation of decision making (Hamblin, 1958). Organic management styles were also found by Horovitz and Theitart (1983) to be associated with high performance in divisionalised companies emphasising high growth strategies. Woodward (1965) found relationships between manufacturing technology and organisations. Specifically, that mass production was associated with higher levels of formalised organisational behaviour with more organic management in process industries. Inkson and his co-researchers (1970) found that age of organisation and degree of formalisation within organisations were associated. Size of organisation has been found to be associated with greater differentiation and complexity within the organisational structure (Pugh et al, 1968; Khandwalla, 1977), with more formalised behaviour (Pugh et al, 1968) and with a greater likelihood of multi-divisional structure (Grinyer, 1982).

The overall implication of these studies is that, just as it is necessary to match strategy with the environmental forces influencing the firm, so is it necessary to achieve effective implementation of strategy by designing the form of the organisation to fit the strategy and the environment. A



number of writers have attempted to bring together the various pieces of research into consolidated models describing this fit. Scott (1971) proposed a three stage model of organisational development derived largely from Chandler's propositions of the evolution of strategy and structure but incorporating characteristics of management control systems. This model has been expanded by other writers - for example Child (1977) and Galbraith and Nathanson (1978) - who have added stages or refined characteristics within the model. Perhaps the most comprehensive attempt to bring together the research findings on organisational fit, is that by Mintzberg (1979). He proposed, not a staged, evolutionary model, but a true contingency model, in which organisational parameters were argued to be associated with a whole range of contingency factors such as organisational size, technology, environmental change and complexity and sources of power.

It does appear that the internal consistency of the organisational design affects performance: this has been shown by a number of researchers, notably Lorsch and Allen, 1973; Khandwalla (1973) and Child (1977). For example, Child's study shows how within the aircraft industry companies operating in the same environment had varying levels of performance which could be explained in terms of the extent to which the various aspects of their organisational structure were compatible with each other. Of the four airlines he discusses, two performed better than the others and were competitors. However, their structures were quite different. One was divisionalised, relatively de-centralised at least for operational decisions and formalised in terms of its control and planning, which was on a long time horizon basis. The other successful airline was not divisionalised, operated on much shorter time horizons, remained centralised with top managers meeting regularly to take the major decisions speedily. The



point is that both organisations, though structured differently, operated a structure which was internally consistent and enabled them to handle the environment they faced effectively. The poorer performing airlines, on the other hand, had inconsistent structures. For example, though nominally de-centralised they severely restricted authority for decision-making, failed to monitor the project performance of divisions and had cumbersome decision-making procedures.

All these findings on structure and control are primarily concerned with the implementation of strategy. It is argued separately that the methodology employed in such studies is too limited to be employed in research which is concerned with the overall process of strategic management. However, the findings from such research do have an important bearing on this research. The argument behind the idea of organisational fit is that the performance of a firm is likely to suffer if it is not structured in such a way that it can implement strategy effectively: further that the organisational design will have a bearing on the ability of the firm to adopt its strategy. Both of these arguments are relevant to this study for, in studying the processes which have given rise to the development of strategies in the firms in the menswear industry, it will be possible to examine the extent to which organisation design has constrained or permitted both the implementation of strategy and the adaptation to new circumstances.

#### 1.2.4 Integrating the Processes

Bower (1972) showed in his studies of resource allocation processes how what he called "structural context" (organisation structure, information systems and reward systems) "shapes the purposive manager's definition of business problems by directing, delimiting and coloring his focus and

perception; it determines the priority which the various demands on him are given." (pp 261/262). In particular he points out that it can have negative effects by cutting managers off from "wisdom" or support outside their normal operating area. In other words, organisations achieve differentiation but inadequate integration (Lawrence and Lorsch, 1969). Even where he found integrating devices present he still found problems for both structural and behavioural reasons. First the planning systems of organisations did not "fit" with organisational units. Resource allocation at a corporate level was based on planning systems which dealt typically in product market dimensions and were therefore wide in concept whereas operating units, where problem definition took place, were narrow and specialist. Second he found in large organisations with highly differentiated units there was a demand for a high number of management generalists which just could not be met. Managers could not just "become" generalists because "it is rare that anything in his past experience will have prepared the manager for this task" (Bower: 1972 p. 264). Third he found that there were situations of inadequate top management intervention as an integrating device. Specifically he found that an effective process of de-centralised management appeared to have two basic stages:

1. The definition of a discrepancy in performance by top management who realised, however, that they could not act themselves because of their inadequate understanding of the environmental and operating context.
2. The process by top management of clearing away sources of mismanagement and setting "rules" and objectives for resolution of the problem. In other words the setting of a specific "context" for action.

Bower found, however, that where top management were ineffective was when they attempted to substitute stage 2 for detailed involvement instead of the specification of "structural context.

In many ways Bower's findings round the circle of incremental change influenced by behaviour and structure. Organisations adapt on the basis of past experience, definition of problems taking place within the sub-systems of the organisation by managers working on the basis of past experience and within a structural context which has "a strong influence on the way in which individuals in the organisation will perceive events in their organisation" (p. 287).

#### 1.2.5 A Summary of Issues which arise relating to this Research

The problems raised in this research are much the same as the anthropologist finds. He is faced with different and potentially conflicting social theories and seeks to understand and describe a society in such a way as to make it intelligible to those not familiar with it: as Evans-Pritchard (1951) said "he translates from one culture to another". In this study there are similar problems. There are a variety of theories and approaches as to why organisations have the strategies they have: even within the "process school" these not only differ but in themselves offer only partial explanations, are potentially conflicting and perhaps most important are rarely consolidated.

There would appear to be conceptual links, for example, between individual cognition, cultural context, group or organisational action and the incremental strategic development of organisations: but such links can only be made from an interpretation of piecemeal research at present. There



has been no study of how such processes interrelate in practice. This research aims to study the development of strategy within one industry in sufficient detail to reconcile different approaches, examine the relevance of previous findings and theories and translate these into both description and propositions which fellow academics and also practitioners might find useful about the management of strategic change. There are some specific issues which the review of existing work highlights and which will be explored in this thesis:

1. In what ways and to what extent do the models of processes of strategic management help explain and have a relevance to the industry under study? In this sense the research is an exercise, if not in verification, then in the testing of theory and propositions about the processes of strategic management.
2. Can the contribution and relevance of the confusing variety of the theories described under the loose description of "behavioural" be made clearer by examining them in the context of particular companies, particular strategies and particular decision routines. In terms both of analysis and synthesis of action do the notions of managerial values, expectations, theories in use and recipes have any utility in understanding the development of strategy in this industry, and in the management of strategic change.
3. How do the different models of process interrelate - if indeed they do? For example if managerial expectations, ideologies or "recipes" contribute to the way in which strategic choice occurs or develops over time, do they contribute in different ways? How do the particular forms of organisational design in the organisations under

study contribute to strategy development? How do decision routines themselves link in with the behaviour of managers and contribute to the ability of managers to develop strategy?

4. How do the ideologies evolve? Theories of organisational learning hold that they are immensely resistant to change: is this so and are there any mechanisms for change which can be identified from this study?
5. The idea of strategy as the resolution of environmental forces and resource opportunities and constraints remain central in the literature on strategic management and in discussions with management on strategy in their organisations. Do such forces have the primacy that is argued for them in the development of strategy; specifically can the notion of enactment be shown to be relevant in the companies under study? How do the management processes which are the focus of the research interact with or serve to interpret environmental forces or resource constraints which can be observed?
6. Central to this research is the notion of incrementalism; there is a strong indication that it does help describe strategy development rather better than other less empirically rooted ideas. There are however some problems. It is arguable that Quinn in particular has fallen into the trap of offering normative guidelines on management on the basis of an analysis of what managers say without a sufficient study of the context of how incremental processes work. He suggests that managers consciously manage, and manage effectively, incrementally. Is this the case? Are there dangers in what appears to be a normal inclination towards incrementalism? This research

examines how strategy has developed in this industry and concludes that there are important and typical dangers in incremental approaches to strategic management.

7. This in turn raises the issue of the problems of managing change. The research examines how the processes of management contribute to both an ability and inability of organisations to change strategies. Specifically, what can be learned about:

- a) how companies get into positions of "strategic failure";
- b) how they extricate themselves from such positions; and
- c) how they attempt to manage and organise themselves to avoid such failure.

These issues represent a very wide span of coverage for this research. How this has been tackled will be discussed in the next chapter. However, it is important to point out at this stage that, wide as the scope of the work is, its width is necessary if a more holistic conception of the management of strategy and particularly of strategic change is to be developed. It is a central argument in this thesis that an approach to the study of process by attempting to isolate parts of processes is of limited value. Essentially the management of strategic change needs to be studied in its cultural context, and culture infers both an integrated and an historical perspective. The scope of the work is, then, wide in order to handle one central issue - the problems of managing strategic change.



### 1.3 METHODOLOGY

"If men define situations as real, they are real in their consequences" (Thomas and Thomas: 1928, pp. 572).

On several occasions during the fieldwork for this research, I was asked by interviewees, on first meeting them, to explain why I was doing it. The explanation I gave also serves as an introduction to this section of the thesis. I explained that by career background, I had been a manager in industry who had latterly switched to an academic career; and that one of the things that had struck me, was that in all the reading it had been necessary for me to do about theories of management, there was remarkably little I had read which was based on what managers themselves thought about what they were doing. My intention was to add to the little that did exist. This was not only a true statement of my aim, it also served as a good way of getting into the interview because it properly placed the interviewee as the focus of the interview with the prime status. It also serves as a means of now introducing the logic and method of the research.

My initial interest in the process of strategic management as a field of research stemmed from an interest in theories of the growth of the firm. It is an interest which has subsequently broadened very considerably; nonetheless it is worth explaining briefly since my early involvement with the subject raised issues which affected this research. Researchers and authors on business growth have arrived at the conclusion that businesses grow because managers want them to. However, the work on motives for business growth has, in the main, lacked empirical foundation and attempts to generate any substantial theory concerned with motives for growth are

scarce.

Such theory as does exist is not grounded in a direct study of managers' beliefs and actions. The most influential work on corporate growth (Marris, 1967 and 1971) is essentially logico-deductive in nature as is the later work by Wood (1975). Marris has argued powerfully for the existence of managerial motives for growth but his conclusion about what they were, were made without talking to managers or eliciting their views.

A search for existing work which has attempted to study managerial attitudes to growth or the decision process about growth by direct contact with managers has shown a marked scarcity of material. Boswell (1975) touches on the subject in relation to small firms, and Newman and Logan (1955) held group discussions with chief executives in the USA nearly thirty years ago. One thesis only has been located which has been written on the subject in the past fifteen years; this is for an MSc and sets out to test some specific hypothesis about organisational and personality factors affecting growth in small businesses (see Butteriss, 1971). There has been more recent work which is in the process of being published and is the outcome of the "Growth of Firms Project" (Child et al, 1975). This research was concerned with strategic decision processes in the firm and was based on contact with managers through interviews and questionnaires (Francis: 1980, Budde et al 1982).

It was my examination of published work on theories of management growth, and in particular, the early opportunity I was afforded by researchers on the Growth of Firms project to listen to their taped discussions with managers which led to two broad convictions that guided the design of this research project. The first was that, since managers did



not seem to talk about growth as an issue without talking about the strategic development of their business, it was sensible to broaden the scope of the research from a concern solely with management theories of growth as an issue, to the wider strategic development of firms which is the subject of this thesis. Second, specifically as far as research method was concerned, I became convinced that the most fruitful means of understanding the views of managers is to allow the managers the greatest possible freedom to express their views in face-to-face contact with the researcher with the minimum imposition of the researcher's views.

The commitment, then, in this research is to gaining an understanding of processes of strategic management through direct contact with managers themselves. This basic commitment has given rise to most of what follows as an explanation of a methodology and research design which is essentially interactionist and takes as its focus a longitudinal case study of one firm.

There now follows an explanation of the methodology employed in the research. This comprises the following:-

- i) A discussion of the underlying perspective on sociological enquiry which has been employed.
- ii) The research strategy adopted including the selection of the processes to be studied the focus on one case, the timing of fieldwork and the choice of research method.
- iii) The research activities involved including the methods of data collection, data processing and analysis.



### 1.3.1 Symbolic Interactionism as a Relevant Perspective for

#### Enquiry

A number of features of the subject of this research raise methodological problems. It was decided early that, in order to cope with these features, there was value in an interactionist perspective. The particular features of the research which lead to this conclusion are now discussed.

The notion of symbolic interactionism as employed here is derived from the writings of Blumer and others, Blumer (1966, p 538) states:

"Symbolic interaction involves interpretation, or ascertaining the meaning of the actions or remarks of the other person, and definition, or conveying indications to another person as to how he is to act. Human association consists of a process of such interpretation and definition. Through this process the participants fit their own acts to the ongoing acts of one another and guide others in doing so."

This is a study of management processes. As such it is concerned with the relationships and interplay between individuals and groups of individuals. More specifically it is about how strategy comes about through the interaction of these individuals and groups. The adoption of an interactionist perspective was therefore natural to the point of being obligatory. The alternative would have been to attempt to study management process by making assumptions which would be quite unreal. For example, the assumption could have been made that the appropriate unit for investigation was "the organisation" and that it was possible to detect what occurred within this construct by reference to discussion with, perhaps, the chief executive. This would however endow the notion of "the organisation" with a unity which is spurious and the chief executive not only with unlikely objectives but an unacceptable omnipresence.

Bittner (1965) argues that it is important to examine organisational activity, not simply by understanding it through the eyes of the chief executive or a power elite, but to accept that the perceptions of one individual or group may be different from another and differ again according to events or problems. The danger is that notions of strategy, or structure, or organisation will be implanted on the analysis. The attempt in this work has been to start, at least, from what Bittner calls a "common-sense" view of organisation, to attempt to avoid "a refined and purified version of the actors' theorising" (p. 245) that he argues is a danger inherent within notions of bureaucracy in which the organisation "as a notion is reified". In studying an organisation he argues it is important "to decide that the meaning of the concept, and of all the terms and determinations that are subsumed under it, must be discovered by studying their use in real scenes of action ...". (p. 246).

This is not then the study of an organisation so much as a study of the interplay between the beliefs and actions of over twenty individuals over a period of years, and through a series of events. The organisation is not seen as the subject of study but rather an output of the processes under investigation. In this sense the notion of "the organisation" is no more than a convenient device by which to bound the study. "The organisation" is conceived in much the same way as Beattie describes his view of "society" for the social anthropologist:

"It is a concept, an abstraction from people's observed behaviour; and it exists only in the minds of the people who are concerned with it ..... It is simply a number of people who are related to one another and to their environment in innumerable ways..... Simmel put this point in a different way when he said that society is not a substance but an event - or, we might add, series of events" (Beattie: 1964 p 56).

A second assumption that could have been made is that, somehow, the study of process might take place by examining "public" output. That is, in the context of management studies, by assuming that, because "firm x" acts in such a way that it is possible to infer how it came to behave in that way. This is an assumption underlying most of the work of business analysts or management economists. The flow of logic from which the assumption is derived is that, if an act can be discerned to be relevant to an environmental dynamic, then the act must have taken place as a response to that dynamic. It is a logic which imputes causality because of effect. Those who would defend this position argue that this statement trivialises such analysis which is, in fact, a good deal more rigorous. Yet the roots of the criticism are not trivial. The first is, to return to the discussion above, that "an organisation" as a unity cannot respond to anything: it is individuals who respond. Second, if this is so, then it may be simplistic to believe that individuals will interpret, or respond to, environmental dynamics uniformly. Individuals respond, according to how they interpret events. If this is the case, then within any management group, output will be a function of the interplay of different perceptions of reality. The possibility of potentially significant divergence of perceptions must at least be considered. Bittner's views argue for a methodology which takes as problematic the mechanisms by which an individual or individuals make sense of their context by starting with the individual and not a notion called an organisation. Blumer (1967) argues that:

"Human beings interpret or define each others actions instead of merely reacting to each others actions. Their "response" is not made directly to the actions of one another but instead is based on the meaning which they attach to such actions" (p. 139).



Action must therefore arise out of the interaction and inter-perception of individuals and must be understood in these terms. This research attempts to understand processes of strategy formulation and change by examining the way in which individuals make sense of the actions and views of their colleagues: it is, in this way, within the symbolic interactionist tradition of social study. The emphasis is on how "human being construct their realities in a process of interaction with other human beings" (Meltzer, Petras, Reynolds, 1975). Such an approach requires an understanding of events and social process as the subjects of investigation perceive and interpret them (Maanen, 1979).

There has been much indictment of approaching the study of societies in a natural sciences, positivistic framework. Evans-Pritchard (1951,1969) criticises it because it aims to produce laws which are mere tautology. Kobben (1973) argues that a positivistic methodology is built around the search for correlations between social phenomena which, once discovered, are taken to impute causality when there is no reason why this should be so. Also he questions the underlying premise behind the search for causality, which is that social structures are purposive and that their purposive nature can be disclosed by statistical correlation. As does Evans-Pritchard, he argues that whilst societal patterns may be detected, and may disclose "latent functions of intention" this is not the same as suppositions about purposiveness in social systems.

Evans-Pritchard's (1969) case against functionalism in anthropology is a case against positivism in the social sciences. He rejects attempts to "reduce all social life to laws or general statements about the nature of society which allows prediction" and to explain society as a balanced system with little reference to social history and condemns the

functionalist approach as attempting to force societies into a natural sciences model. Instead, he argues for the importance of the myth of history - "the conscious tradition of a people ..... The collective representation of events as distinct from events themselves" - and the need for search for social patterns - the "latent underlying forms of a society or culture" - rather than laws".

This study's focus is the ideas and interpretations by managers of their reality. It is in essence a study of organisational culture in what Keesing (1974) calls an "ideational" sense which Sathe (1982, p 7) defines as: "the set of important understandings (often unstated) that members of a community share in common", and which Pettigrew (1979, p 574) calls "the system of terms, forms, categories and images (that) interpret a people's own situation to themselves". With such a research focus a positivistic perspective would be inappropriate.

If the process of strategic management is viewed in this way, then it must be viewed as a highly complex activity, not just in terms of the inputs for decision making but also in terms of the processes themselves. The method of research therefore either needs to accommodate this complexity or reduce it so that the research task is simplified. It is considered that this is a fundamental choice in research design. There is value in the reduction of complexity for research purposes by concentrating on particular phenomena and adopting methods which, for example, examine identified hypotheses relating to these. The value of such an approach is that it provides useful insights into just the complexity it seeks to reduce. For example the work of those who have studied the relationship between strategy and structure of companies (e.g. Wrigley, 1970; Rumelt, 1974; Channon, 1973, 1978; Grinyer et al, 1980; Donaldson, 1982) have raised

valuable questions about company strategic evolution, appropriate structures for strategic response, issues of determinism between strategy, structure and performance and so on. These are all issues which are related to process; but none of the research actually deals with the process of how strategic decisions are made.

The position is taken here that complexity reduction strategies of research can only be of use if there is a context in which to place them; and that context must be the study of the complexity itself. The concern here is with the complexity and that has certain implications for the research approach.

As Scott (1965, p 269) has argued:

"As organisational theory develops, the researcher should be less and less inclined to think in terms of one or more hypotheses guiding his inquiry and begin to work with theoretical models which generate numerous implications each of which becomes a proposition guiding field observations. To the extent that the models developed focus on social processes the most important contribution of field research in the future may be the collection of detailed descriptive information".

Mintzberg (1979, p 586) has been more directly condemnatory of complexity reduction research approaches and has argued that studies of management processes must be as descriptive as possible:

"As soon as the researcher insists on forcing the organisation into abstract categories - into his terms instead of its own - he is reduced to using perceptual measures which often distort the reality. The researcher intent on generating a direct measure of amount of control or of complexity of environment can only ask people what they believe on seven point scales or the like. He gets answers alright, ready for the computer; what he does not get is any idea what he has measured .... The result is sterile description, of organisations as categories of abstract variables instead of flesh and blood processes."



An interactionist approach to the subject of study provides, indeed demands, an immersion in the complexity and encourages the use of descriptive material as data.

One feature of this complexity of process that deserves special mention and, again, points to an interactionist perspective for the research is the importance of time. It has been explained that the study covers many years and embraces periods of success, decline and recovery. There are two sorts of time that are therefore relevant: one is "chronological time", that is in terms of months and years of the company's development. The other is "social time" (Sorokin and Merton, 1937), that is time as it is relevant to the actors. Since in this research the concern is to understand the ways in which the interplay between managers and their beliefs and ideas result in strategic action, then it is their interpretation of time and events over time which becomes important to understand. For example, it may be useful to know that event x in fact preceeded event y: but it may be just as significant to understand that individuals recall that y preceeded x, or do not mention x at all, if it can be discerned that the way in which they recall events may have a bearing on their views on a situation. Again then an interactionist approach is useful; through an involvement with individuals involved in the action it is possible, not only to establish an "objective" view of chronological time but an understanding of social time.

To recap, it is for these reasons that an interactionist approach has been adopted in this research:

- i) The concern is essentially about the interplay between individuals in a social setting;

- ii) It is necessary to attempt to understand their interpretation of reality and how different interpretations, if they exist, are resolved.
- iii) If this is to be done, then the complexity of data is such that an essentially ideographic approach is necessary.
- iv) Process occurs over time represented in both chronological and social terms. As such time is partially the property of interpretation and perception.

### 1.3.2 The Research Strategy

This section describes in more detail what has been involved in carrying out the research and why the work was carried out in the way it was.

#### Foster Brothers Limited - Selection and Entry

One way in which an organisation takes on an undeniable reality as a corporate entity is when a researcher needs access to it. The researcher may, methodologically, regard an organisation as a collection of individuals but for the purpose of selection and entry it becomes necessary to conceive of it as a bureaucratic phenomenon.

At the beginning of this research its progress was not so clearly mapped out as to know how many organisations might be included. It later became clear that the study would focus on one organisation. So the selection of that organisation in the first instance was not the result of a judgement at that stage that it was suitable for a longitudinal study. Rather, initially, the aim was to carry out an exploratory piece of work for the purpose of sensitizing to the research theme. The criteria for

selection of a company for study at that time were therefore as follows:

- It needed to be within a reasonable travelling distance since it was realised that a good deal of contact would be necessary with the managers;
- It was felt that for the purposes of an initial study it would be helpful if the company was not so large in terms of numbers or diversity that it would prove difficult to get a grasp of the corporate nature of problems. Linked to this it was felt that it would be helpful to be within a company in which the managers themselves might be expected to have views on corporate activities as opposed to purely departmental operations. Equally the intention was that the company should be of sufficient size that there would be managers with different responsibilities and a discernible management structure within which they worked. These criteria then, ruled out either large conglomerates or small companies.
- It was decided that it would be helpful if the company was identified with one or a limited number of industrial sectors.
- Whilst these criteria were concerned with keeping the field of study fairly "simple" in the first instance, it was considered desirable to select a company which was involved in change in some form, either in terms of its markets or in terms of its own strategy, since the subject of the research was the management of strategy.
- Since it was considered that comparative research might be sensible, it was also important to select a company which might have other



companies in terms of product market spread as competitors.

The initial search for companies meeting these criteria concentrated on two quite different industrial sectors. One was engineering and the other retailing. In both sectors there were medium sized companies operating in reasonably distinct industrial sub-sectors. However, an early decision was taken that retailing was the more promising in the sense that these sub-sectors were, if anything, more clearly defined in terms of markets. For example, it was possible to identify relatively specialist groups of retailers - chemists, DIY, fashion, motor accessories and so on.

Initially two retail companies meeting the criteria outlined above were selected. One was Halfords, a retailer of car and cycle accessories and the other was Foster Brothers and in both cases I wrote to the Chairman asking for an interview to explain my research project. In both cases interviews were given and entry was granted by Foster Brothers. At this interview with the Chairman the principles of the research were discussed at some length and it was made clear that it was not simply about drawing up a company history, but was essentially being carried out to understand the processes of management from the point of view of the managers themselves. It was also made clear that the information obtained was likely to be sensitive both as far as the company was concerned to the outside world and as far as the managers were concerned internally. For this reason, a number of conditions were agreed before the fieldwork began; these were:

- All information of a strategic nature which might be considered useful to competitors or in any way harmful to the company should not be made "public" without the agreement of the Chairman. The practical

implications of this are that the thesis itself should be restricted in distribution and that material published as an output of the research should disguise the company or be approved by the Chairman.

- Since it was important to observe the confidentiality of statements made to me by individuals, it was agreed that in any published material, every effort should be made to preserve the anonymity of managers. In any case, it was agreed that no remarks made by managers would be passed to other managers in the company.
  
- Notwithstanding the above it was agreed that the Chairman or any other manager would exercise no editorial or censorial powers over the interpretation of findings.

The question was asked at the initial interview by the Chairman: "What's in this for us?" I made clear that I was unable to say at the outset that there would be any benefit to the company; however I would be prepared to discuss with managers my general findings on completion of the work, and it was possible that managers themselves might find it useful, or at least enjoyable to take some time to discuss their views and role in the development of the business. I also stressed again that the prime reason for my requesting entry was not so that I could provide them with help, but that I might "learn" from them as managers of the business. It is not clear to me if this was understood as a statement made in the spirit of symbolic interactionism, or regarded as flattery; I suspect it might have been considered as the latter.

In all subsequent discussions with managers the conditions of entry were made known to them by myself.

Subsequently entry has been obtained into other retailers within the same retail sector. Specifically this has included the Burton Group, Hepworths and two smaller menswear retailers, Zissmans/Flittermans Limited which operates throughout the West and East Midlands, and Royce Menswear which is now no longer trading. In all cases similar explanations of the work were given and similar undertakings provided.

### Timing of Fieldwork

This is a longitudinal piece of research. Whilst the initial idea was to use Foster Brothers as a basis for sensitising, the intention changed for both practical and methodological reasons so that it became the focus of a longitudinal study. First it became clear that it was not sensible to consider process by taking a static viewpoint: it also became clear that, after my initial visits, the company entered a period of turmoil and change in fortunes which was in itself of extreme interest in a study of process. These reasons for the conversion of the company to the focus of a longitudinal study are explained in more detail in the relevant section. A further reason for the conversion was that, following the initial visits and partially on the basis of the data and analysis resulting from them, I took time away for the research to write a book on strategic management (Johnson and Scholes, 1984). The writing of this book both clarified many of the ideas arising from the intended sensitising stage of the research, and also meant that there was a gap in time during which it became clear that the changes in the fortune of the company were taking place.

The result was that the timing of fieldwork was as follows:

- 31 September to 19 November, 1980: first round of interviews with



twenty one Fosters managers.

- May 1981 second interview with B G Davison, Chairman and Managing Director of Fosters.
- 24 May to 9 November 1983: second round of interviews with seventeen Fosters managers and the company design consultant.
- 2 May 1984: third round of interviews with three Fosters managers.

In the intervening periods contact was also made irregularly by letter and telephone with managers. Interviews were also carried out in 1983 and 1984 in Burtons and Hepworths.

#### The Employment of Personal Documents

Bogdan and Taylor (1975) define personal documents as "those materials in which people reveal in their own words their view of their entire life, or part of it, or some other aspect about themselves." Such personal documents might be diaries, autobiographies, letters, or as here, mainly transcripts of open ended interviews. Since a large part of the data on which the findings of this research is based is such personal documents, it is necessary to explain why the method has been employed.

Given the purpose of the research there were two appropriate research methods. The one was the use of personal documents and the second was participant observation. In fact, for practical reasons the use of participant observation had to be ruled out: the research had to be conducted on a part-time basis given my employment and commitments at the University. The choice was in reality between the use of personal

documents or changing the aims and purpose of the research. The issue was whether or not the use of personal documents could satisfactorily accomplish the research tasks in practice. It was decided that it could for the reasons stated below.

Denzin (1978, p. 216) suggested there are four underlying assumptions behind the use of what he calls the "life history method" and what is here called the use of personal documents. These four assumptions will be used to explain why the method was attractive for this research.

First he says that a "central assumption of the life history is that human conduct is to be studied and understood from the perspective of the persons involved .... Clearly this is a case for taking the role of the "acting other" and actively sharing in the subjects experiences and perspectives." It is then an approach which allows the researcher to plumb the views, beliefs and interpretations of events and relationships of individuals as explained by those subjects in their own way. The danger of other methods, such as surveys, is that they require the subjects to express themselves in the way the researcher requires, which may be convenient for the researcher but inevitably constrains and bounds the expression of the subjects. It is not claimed here that the use of personal documents perfectly allows free expression - indeed explicit reservations are made below - but the method does permit a relatively greater degree of free expression than some other methods. Since this research is primarily concerned with understanding process from the point of view of the managers, the method was attractive.

Denzin's second stated assumption is that the researcher using the method "will be concerned with relating the perspective elicited to definitions and



meanings that are lodged in social relationships and social groups." In the context of this study that the aim will not just be to elicit individual views and interpretations of process, but to build an understanding of the inter-relationships and inter-connectedness of these views and interpretations. Since the individuals are engaged in social interpretation as a means of managing, it is necessary to understand how management process works as a social and interpretative process. The use of personal documents allows this not least because it is found that managers are very keen to talk about it. The third assumption is that "concern will be directed to recording the unfolding history of one person's, one group's or one organisation's experiences. This feature becomes a hallmark of the life history - the capturing of events over time. The sociologist employing the methods becomes a historian of social life, be it the life on one person or the life of many persons similarly situated". In short, the method is likely to be useful to those who are interested in understanding interpretative processes in their perceived historical context. This is particularly attractive since strategic processes cannot be regarded as static. The typical way of tracing the strategic development of a company is to map it out through secondary data, perhaps with some access to senior managers at a point in time. It is difficult in so doing to get an understanding of history as the managers taking part in the complexity of social relationships, that is the management process, see its relevance. It is this complexity of interpretation that is being sought in this research; the facility to get many managers to verbalise such interpretations was therefore particularly attractive.

Denzin's fourth assumption reinforces the first. It is that: ".. because the life history presents a person's experiences as he or she defines them, the objectivity of the person's interpretations provides central data for the



final report." The use of personal documents provides the opportunity to use the subjects own interpretations as data, with perhaps less interpretative interference than any other method. Even participant observation relies on the interpretation of action and events by the researcher prior to those events being useful data.

It became clear that there was no "perfect" method of research for the study but that, of those available and practical the use of personal documents offered the most benefits as the basis of the work. A comparison of methods is usefully offered, again by Denzin (1978 pp. 29-31 and pp. 137-256). The summary he provides is shown as Exhibit 5. It demonstrates concisely the advantages and weaknesses of the method adopted; the use of personal documents is rated as highly as participant observation and higher than other methods in terms of its ability to deal with aspects of the interpretation and subject centrality argued as necessary for this research and fundamental to the principles of symbolic intercacionism. Where it rates lower than participant obervation is in its ability to deal with explanations of causality. However, significantly, the method still rates higher in this respect than any other method other than experimentation - which would be inappropriate in all other respects. It is also regarded as "excellent" as a means of handling history, that is the mapping of events over time; and maturation, that is changes over time as they relate to subjects of study; and both of these are important aspects of the research.

One further reason for the decision to proceed with this approach is its suitability to provide what Becker (in Shaw, 1966, pp x-xviii) calls a "touchstone" as far as other theories and propositions about process are concerned. Whilst not going so far as to suggest that it enables

EXHIBIT 5

DENZIN'S COMPARISON OF SOCIOLOGICAL METHODS

Comparison of Major Sociological Methods in Terms of the Principles  
of Symbolic Interactionism

	Experiment	Survey	Participant Observation	Unobtrusive Methods	Life History and Historical Methods
Combines symbols and interaction	Possible but moderate	Seldom	High	Low	High
Takes role of the observed	Seldom	Seldom	High	Low	High
Enters subject's social worlds and links symbols to them	Seldom	Possible but seldom	High	Low difficult	High
Records behaviour settings	High with rigor	Possible but seldom	High	Moderate	High
Reflects change and process	High but probabilistic	Moderate	High	Low	High but retrospective
Sensitizes concepts	Seldom	Seldom except in index construction and open-ended questions	High	Moderate	High

Comparison of Major Sociological Methods in Terms of the Principles  
of Causal Analysis

Control of Rival factors	Excellent	Good (multivariate analysis)	Fair	Fair	Low
Time order	Excellent	Poor (except panels)	Excellent	Fair	Fair (with documents)
Covariance of Variables	Excellent	Very good (probabilistic)	Good	Fair	Good
History	Fair	Fair	Excellent	Low	Excellent
Maturation	Fair	Fair to poor	Excellent	Low to poor	Excellent

	Experiment	Survey	Participant Observation	Unobtrusive Methods	Life History and Historical Methods
Testing effects	Fair	Fair to poor	Good	Low	Good
Instrumentation	Good	Fair to poor	Good	Fair	Good (if reported)
Possibility of triangulation	Good	Fair to low	Excellent	High	Good (if reported)
Selection bias	Fair	Good	Fair to medium	Fair	Fair to low
Mortality	Medium	Medium	Medium	Unknown	Low
Reactive effect	Moderate	High (social desirability)	Low	Nil	Diminished by familiarity
Universe of generalization	College sophomores	Adults communities	Case studies of institutions	Behaviour in public places	Single individuals communities

(From Denzin: "The Research Act" - McGraw Hill, 1978 pp. 30/31)



verification of theoretical propositions, it does provide a mechanism whereby they can be examined and tested for relevance and counter evidence. Moreover, in so doing existing bodies of related theoretical work can illuminate the considerations and analysis of data arising from this research.

In summary, the use of personal documents as a central means of carrying out the research was chosen as the most appropriate available method given the aims and scope of the research. Its limitations and dangers are however known and the steps taken to deal with these will be discussed as more detailed explanation of the research strategy is now given.

#### The Focus on One Case

It has been said in the previous discussion in research perspective that the research is not conceived as a study of one organisation but a study of many managers through a series of events. Nonetheless, it is important to address the issue as to why the focus of research is on one "case" as opposed to a number. The most significant reason is that the research methodology of interactionism and, as will be addressed later, inductive analysis, is as well suited to one case as a number. There is no claim here that this one company, or these managers are somehow representative of all companies or all managers. To conceive of one case as being a methodological problem is to slip back into positivistic notions of "the organisation", of eliciting social facts for proof and so on. Rather, in this research, interviews have been carried out in companies other than Fosters not to "prove", but to illuminate, the findings from the focus on one case.

It also has to be said that some of the most stimulating insights into management processes have been provided by researchers who have

focussed on one organisation for their study: for example: Pettigrew's (1973) study of the introduction of new computer systems, Dalton's (1959) participant observation in the workplace, Hall's (1976) historical study of the Saturday Evening Post and Allison's (1971) work on the Cuban missile crisis.

The positivist will criticise the research design for lack of scientific rigour. Perhaps the most relevant basis of criticism is that set out by Cambell and Stanley (1963) in their discussion of case based research. They argue that "securing scientific evidence involves making at least one comparison" (p. 6) and indict detailed single case studies as "misplaced precision". They go on to examine various frameworks of case comparison, setting out advantages and disadvantages of each. The one which most clearly corresponds to the longitudinal study which is the subject of this research is what they describe as the "pre-test - post-test design", in which the actions of a group are compared before and after events or stimuli. Cambell and Stanley argue that this methodology's weakness lies in the problem that between events there may be many historical events and it is difficult to know what is being compared.

What is demonstrated by this brief mention of Cambell and Stanley's critique is the very different perceptions of methodologies which arise from different research paradigms. Cambell and Stanley take an essentially positivistic posture in which the purpose of case research is seen to be the comparison of organisational wholes to elicit some "proof" of casual relationships. It is an essentially anti-historical and anti-interactionist posture. This research begins, not with the view that one case of one organisation is being examined, but that a process of management over time involving the interaction of many individuals, needs



to be understood.

As Burrell and Morgan (1979) have demonstrated, different ontological and epistemological bases of research yield quite different research paradigms. To use Pepper's (1942) terminology, this research employs rules of evidence which are generally "structural" and specifically "contextual". By this is meant that the research seeks to understand the form of events as they evolve and shape each other over time in a specific setting. The claim of the research is not that this search to understand and elucidate complexity in context is somehow superior to other methodologies but that it is necessarily complimentary to other methodologies. For example, the positivist who must reduce the complexity of social settings to measurable phenomena needs contextual research both in order to generate hypotheses, and in order to examine the worldly relevance of his "proof".

#### The Problems of Reconstruction and the Importance of Triangulation

The main dangers inherent in the employment of personal documents are as follows:

- i) The methods used to collect and interpret the data; that is that the methods employed for collection of data introduce bias or are over-intrusive by the researcher; and that the methods of analysis are insufficiently rigorous. Both collection and analysis of data will be discussed below fully.
- ii) The problems of reconstruction of events from the basis of the personal documents: specifically, that since the advantage of method is that it captures the perceptions and interpretations of the subjects, its weakness also lies therein, in that it is difficult to know what is



an event and what is an interpretation.

- iii) It could be that as anthropologists have found, interviewees "have a tendency to tell you either what they think you want to know or what they can most easily explain" (Cohen, et al, 1973). It is hoped that this research has been sensitive to the problem and that the risk of such bias has been taken into account in several ways. First it has to be said that, given the nature of the study, bias of individuals is, in itself, of interest as part of the understanding of process. If an event or institution is seen by different individuals differently, then it is legitimate to consider why this might be: such consideration has proved enlightening in itself in the analysis. Second, it has to be said that, given the informal and on the whole trusting relationship built up between interviewer and interviewee, it became relatively easy to detect deliberate misrepresentation of events or views. For example one interview took place in 1983 with a senior manager who had reason to perceive his position under threat. It was noticeable that his stated views were markedly more guarded and deferential than his colleagues and more so than they had been in 1980. This observation meant that allowance for bias here could be made in analysis: it also helped to confirm the picture that emerged of the threat to that individual.

Nominalists amongst interactionists might argue that there is no need to go beyond the statement that what is "real" is that which is seen to be real and that the search for a more objective reality is, ontologically, irrelevant. That standpoint is not taken here, though the primacy of interpretation is emphasized. It is accepted here that there is relevance in three concepts of history. The first is that which is the nominalist

view, that is that events have a meaning in so far as they mean something to the subject. The second is a "collective" view of history, that is that there may be culturally endowed group or social version of historical events, and that these may be important to know about. And the third is the "chronological" view of history, that is that certain events demonstrably occurred at particular times: here for example would be events such as the acquisition of a business, the departure of a manager from the company, a particular meeting and so on. In so far as these different concepts exist, they are all three relevant to this study in that they provide one avenue of analysis; for example to what extent do individuals concur on interpretations of history? Are there individuals who have views which are particularly different from others or from more generally held collective views? Do these differences change over time? And of those events which, in chronological terms took place, which are emphasized and which are not?

The need to establish more than purely individualistic data on history is therefore accepted as a requirement in this study. This therefore raises the problem of the extent to which a methodology based on personal documents can achieve this. The approach to this problem has been to recognize the value of triangulation in research design and build in several devices to achieve this. Triangulation is the employment of different methods to observe the same subject. Denzin (1978) suggests that there are four types of triangulation that might be considered in research design, which are:

- i) Methodological triangulation, that is the use of different methodologies to examine the same research issues.

- ii) Data triangulation, which is the use of different data sources to examine the same phenomena; here he suggests three main different data sources, data collection at different times, in different places or from different people.
- iii) Investigator triangulation, that is the collection of data by different researchers.
- iv) Theory triangulation, by which he means the examination of the data from the point of view of multiple perspectives. In this study elements of all these forms of triangulation have, in some respects been built into the research, though there has been an emphasis on data and methodological triangulation.

The main area of relevance for the idea of triangulation has been the examination of different perceptions of historical events. To do this three types of triangulation have been employed. First within the same methodology, that is the collection of data through personal documents, triangulation was achieved both in terms of time and persons. The same sorts of issues were raised with each interviewee who gave their versions of historical events and how they came about. For example, the development of the company throughout late 1960's and 1970's, the most remote period of its history studied, was discussed both generally and by what the respondents saw as main events, by all the managers who were interviewed. In this way it was possible both to examine differences and similarities in historical interpretation.

In terms of time, the interviews were carried out with a time lapse of



some three years between them; and the same historical ground was covered at the second round of interviews as at the first as far as the 1960's and 1970's was concerned; so again it was possible to analyse differences and similarities of interpretation. Triangulation also took place in terms of methodology on the same issue of *historical reconstruction*. First, the history of the company was examined by reference to published secondary data such as annual reports and newspaper articles back to 1970. In this way the chronological history of events was established at least. Second, in 1983 the managers were each issued with a tabulated statement of historical events for their perusal and comment both in terms of chronological accuracy and in terms of the highlighting of what they saw as key events. This was no more than a list of headings without explanation (as shown in Exhibit 6). It was however a means of obtaining more structured information.

As a means of gathering secondary data and ensuring that chronologically significant events were not overlooked, investigators were also used. These were MBA students who undertook project work on the fashion industry in general, specific companies in the industry, including Fosters and structural analysis of the industry, (Pemberton, 1982; Halkias 1983; and Glacken 1984).

The result of the use of secondary data collection and analysis was that it was possible to build up a thorough picture of the chronological history of the company throughout the 1970's and the early 1980's together with the performance characteristics of the firm. This then provided a view of history separate from but useful for comparison with the accounts in the personal documents.

LIST OF KEY EVENTS/DATES GIVEN TO INTERVIEWEES

- 1960 Commencement of intake of Hepworths management
- 1961
- 1962 Switch from outfitting/workwear to menswear jackets/trousers  
acceleration of branch acquisitions
- 1963 ↓
- 1964 ↓
- 1965 Acquisition of Dormie Menswear
- 1966
- 1967 Acquisition of Jessops
- 1968 Move to Solihull Head Office/Distribution Centre  
Commencement of computer-based stock control systems
- 1969 Approach to Dorothy Perkins for Joint Operations
- 1970 Acquisition of Bradleys (160 shops)  
Closure of Tamworth factory and cut back on loss making outlets
- 1971 Testing of self service layout  
Increase in overseas buying
- 1972 ↓
- 1973 Establishment of Marshall Lake Properties/500 stores trading  
Acquisition of D P Adams (Childrenswear) and Stone-Dri (118 shops)
- 1974 Rationalisation of smaller/unprofitable outlets
- 1975 Conversion of test stores to ladies-wear ("Crowds")  
Move to younger men's fashion-wear
- 1976 Conversion of Jessops factory to production of blazers  
Opening/conversion to larger menswear outlets
- 1977 ↓ Disposal of Bolton & Salford factories  
Acquisition of discount for Beauty Limited
- 1978 Acquisition of Staff Facilities (Holdings) Limited  
Acquisition of Millets of Bristol Limited (50 shops)
- 1979 ↓ Testing of footwear and sportswear sales in outlets  
New Head Office and warehouse and development of mail order for Adams  
Opening of Blue Movers stores

As a result of this research design it was possible to examine data in seven ways (see Exhibit 7):

- a) By taking a nominalist perspective and examining individuals views of events as at 1980.
- b) Similarly, by examining individuals' views of events as at 1983.
- c) Again at a nominalist level, by comparing the extent to which an individuals views were similar or different between 1980 and 1983.
- d) Taking a collective view of history, by examining similarities and difference in interpretations of history between individuals as at 1980.
- e) Similarly by examining similarities and differences between individuals as at 1983.
- f) Again at a collective level, by examining any differences and similarities between 1980 and 1983.
- g) As far as chronological history is concerned by comparing the sequence of events I discovered through secondary data searches with the sequence derived by other researchers.
- h) Finally by examining the extent to which either individual or group interpretations of history were similar to or differed from chronological accounts of historical events.

It is not felt that an adequate or superficial reconstruction of history is



EXHIBIT 7

LEVELS OF DATA ANALYSIS THROUGH TRIANGULATION

Bases of Triangulation	Concepts of History	
Time		1980 <span style="float:right">1983</span>
People (i.e. M = nos. interviewed)	M <sub>1</sub> <span style="margin-left: 100px;">M<sub>21</sub></span> <span style="float:right">M<sub>1</sub> M<sub>17</sub></span>	
	Nominalist	A <span style="margin-left: 150px;">B</span> C
	Collective	D <span style="margin-left: 150px;">E</span> F
Secondary	Chronological	<span style="margin-left: 100px;">}</span>
Data Collection		
- by researcher	G	H
- by others		

too great a risk given the different levels of interpretation that have been recognized and utilised.

In addition to the use of triangulation, consideration was also given to the reliability of data as collected from informants. Here the guidelines for reliability suggested by Gottschalk, Kluckhonn and Angel (1945) were considered. They are as follows:

- The closer the subject to the event reported, the greater the reliability: in this research managers were encouraged to report on events with which they had personally been involved.
- "The more serious the author's intention to make a mere record, the more dependable the source"; it is not thought that this criteria of reliability was met as far as the interviews with managers was concerned since it was known from the start that I was interested in their interpretations; however, as far as the collection of secondary data is concerned, the primary aim was specifically to provide a dispassionate record of events.
- The third guideline is to do with confidentiality; the greater the degree of confidentiality, the greater the degree of reliability. It became clear as the interviews progressed that highly confidential and indeed highly personal views were being expressed by informants, indeed views and information which managers said they would not talk to colleagues about.
- The greater the degree of "expert" testimony, the greater the reliability. This is a guideline I find difficulty with simply because it

appears to infer that the more informed the subject, the less he will be interpretative of events. I did not find this to be the case, nor would I expect it to be. On the other hand it was expected, and did occur, that managers most directly concerned with an event had more information to draw upon and offer than those that were not so closely involved.

- Can information given by informants be corroborated? Here the requirement to ascertain reliability returns to the sort of steps discussed above under the heading of triangulation. It is submitted that there was ample cross-checking of information.

### 1.3.3 The Research Activities

In 1951 Evans-Pritchard described the stages in anthropological research as he saw them as follows:

"As I understand the matter, what the social anthropologist does can be divided into three phases. In the first phase, as ethnographer, he goes to live among a primitive people and learns their way of life. He learns to speak their language to think in their concepts, and to feel in their values. He then lives the experience over again critically and interpretively in the conceptual categories and values of his own culture and in terms of the general body of knowledge of his discipline. In other words, he translates from one culture to another.

In the second phase of his work, and still within a single ethnographic study of a particular primitive society, he tries to go beyond this literary and impressionistic stage and to discover the structural order of the society, so that it is intelligible not merely at the level of consciousness and action, as it is to one of its members or to the foreigner who has learnt its mores and participates in its life, but also at the level of sociological analysis. Just as the linguist does not merely learn to understand, speak and translate a native language but seeks to reveal its phonological and grammatical systems, so the social anthropologist is not content merely to observe and describe the social life of a primitive people but seek to reveal its underlying structure order, the pattern of which, once established, enable him to see it as a whole, as a set of interrelated abstractions.

Having isolated these structural patterns in one society, the



social anthropologist, in the third phase of his work, compares them with patterns in other societies. The study of each new society enlarges his knowledge of the range of basic social structures and enables him better to construct a typology of forms, and to determine their essential features and the reasons for their variations.

Most of my colleagues would, I fancy, disagree with this description of what a social anthropologist does. They would prefer to describe what he does in the language of the methodology of the natural sciences, whereas what I have said implies that social anthropology studies societies as moral, or symbolic, systems and not as natural systems, that it is less interested in process than in design, and that it therefore seeks patterns and not laws, demonstrates consistency and not necessary relations between social activities, and interprets rather than explains. These are conceptual and not merely verbal differences" (Evans-Pritchard, 1951, pp. 61-62).

Whilst this statement cannot be taken as a literal prescription of the research method - it is dismissive of what Evans-Pritchard calls "process", for example - it does correspond to the steps employed and indicates the extent to which the approach has been influenced by a tradition of anthropological fieldwork. The sequence of research events is here described more along the lines as described by Denzin (1978, pp. 108 - 109) but the similarity with Evans-Pritchard is worth noting.

There have been four discernable research activities. They are stated here as if they have been undertaken in sequence, which is not the case, since there is iteration between them; there is however a flow of reasoning which is described by the sequence:

- It has already been stated that the research began without clearly defined bounds. There was the interest in processes of strategic management as a general theme and an early interest in management attitudes and reasoning about business growth; but there was no more precise definition. The first activity then was to gather data which would provide a means of understanding rather better what these

areas of interest meant to the managers themselves, - "to think in their concepts, and to feel in their values", as Evans-Pritchard would have it. It was an activity of sensitisation.

- The second activity is what Denzin calls "abduction", that is to: "...ask how it is that the persons in question go about producing orderly patterns of interaction and meaning". Evans-Pritchard explains that this involves living "the experience over again critically and interpretatively" and grants that this will be done in the terms of the researchers own culture. What occurs is a matching of the reasoning of the managers, in this case, with the perceptions of the researcher. The result is a greater understanding by the researcher of much of what the managers think and do (but also many gaps of understanding) and a readjustment and re-definition of research aims and scope, to move them closer to the world of the managers themselves. For example, in this research it became clear after the initial discussions with managers that my initial interest in "growth" as a separate definable concept was not one which the managers subscribed to; as a notion it was not seen as problematic by the managers but was subsumed within their ideas about how to run the business or their personal values about the business. The consequence of this adjustment of research ideas and the awareness of gaps in understanding, was the need to talk with the managers again and gather further data.

- As the research progressed there was an increasing level of analytic deduction. As Denzin explains:

"...The investigator is forced to systematically define critical concepts and inspect multiple instances of the



behaviour in question. Here the investigator explicates the tentative hypotheses formed in the abductive phase."

It is, then, an activity of more systematically building sets of propositions and concepts to explain the data as the understanding of the data itself increases. This activity is explained more fully below when the grounded theory approach that was adopted in the analysis is discussed. The result of this activity is a set of conceptual "building blocks" which provide the foundations for the generation of theory.

- Homans (1964, p 952) states that "theory is nothing if it is not explanation". The researcher's task is to weld the concepts and propositions, which are the outcome of analysis, into what Evans-Pritchard describes as "patterns which, once established, enable him to see it as a whole, as a set of interrelated abstractions". This activity is one of inductive reasoning, in which the building blocks of theory are re-orderèd, tentatively built into explanations only to be knocked down by counter evidence or by their own explanatory insufficiency, and rebuilt again until an order emerges which does account for the phenomena being observed.

Throughout, the analyst returns to the data to provide supporting or challenging evidence. There is also here the challenge of existing research and theory which must be taken into consideration; it is the recognition that "in large part, knowledge and theory can be profitably conceived as the outcome of a dialectical interplay between relatively autonomous and prior, theoretical knowledge about the objective features of social life .... and the relevatory activities



of field research" (Laynder, 1982 p. 112).

- The last activity is one of comparison for the purposes of, again, challenging emerging theory and searching for relevance outside the one case. It is accepted that there are those who would argue that it is unnecessary to proceed beyond the one case to generate theory (Leach, 1961; Denzin, 1978; Glaser and Strauss, 1968) and indeed in this work the theory generating activity is based on the one study of the processes in Foster Brothers. However, just as other research and previous theory is useful, so is comparative data: as Evans-Pritchard says such comparison "enables him better to construct a typology of forms, and to determine their essential features and the reasons for their variations." In this study, then comparison has been made with the processes of strategic change in two other companies within the same industry as Fosters, namely Burtons and Hepworths.

#### Data Collection

The method of data collection most central to this research has been what Richardson, Dohrenwand and Klein (1965) have called the "nonschedule standardised interview", that is an interview in which I had determined the sorts of issues to be covered but not the sequencing of them and, in any case would allow the interview to range more freely over other issues if the managers so desired. This approach was decided upon since, given that the purpose of the interview was to elicit the views of the managers, the traps of structured interview design needed to be avoided as much as possible. A structured questionnaire posing tentative reasons for decisions with which managers might agree or disagree or rate in some way, was inappropriate. It would be based on the preconceptions of the researcher

and not the views of the managers, who were the focus of the study; and it would be likely to suggest all too plausible reasons which managers might well, with hindsight, decide were legitimate, but which hitherto played no part in their frame of reference.

In all cases discussions were recorded on a small portable tape recorder. At first, I feared this might be a dis-incentive to free discussion, but a number of considerations convinced me that its use was wise. First, I explained to the managers that since I was interested in listening to their view I could not do this effectively if I had to rely on taking notes or remembering what they had said. I also explained that the tapes would be made available to no-one in their company. Second, I found that any initial nervousness was quickly dispelled by the opportunity to describe their career and job. This often continued for some considerable time, by the end of which they had accepted the presence of the tape recorder. Third, the evidence of any reticence in what was being said by the managers was very limited; the content of the tapes included information about fellow managers, which they said they would not wish to be repeated "outside this room". Finally, even if some restriction on freedom of discussion did occur, the richness and complexity of material which resulted was such that it could not possibly have been handled in any other way. Quite simply my initial recollections or impressions of a discussion were so inferior to, or out of line with, its actuality that I seriously doubt the possibility of making use of depth discussions of this sort without the facility of taping them.

Interviews were conducted on company premises usually for Fosters at the head office in Solihull, but also, for some retail managers, in area offices above shops. The precise location of interview was left to the manager;



usually this meant that the interview was conducted in his office, though for some, interview rooms were made available. Each interview varied in duration. Most lasted about an hour, though with senior managers this time was often almost doubled. Care was taken not to extend interviews to the irritation of managers; indeed the longer interviews were usually at the instigation of the managers. Blum (1970) argues that there is benefit in the interview being rooted in an exchange of experience between interviewer and interviewee so that it becomes more of a "conversation" in which the interviewee is relaxed and open. These guidelines were borne in mind and steps were taken to forge such a relationship without becoming over-intrusive on the interview. In particular, I emphasized my own past involvement in retailing, without being specific as to views arising from that. I also ensured that throughout the interview I took part in more ways than simply asking questions. Mainly this took the form of feeding back comments they had made for clarification and also raising historical questions about events I expected they had been involved in. Certainly Blum's advice appeared to bear fruit. Not only were most of the interviews relaxed and open, but most of the managers enjoyed the experience: on several occasions managers who had explained they only had a "spare half hour" to talk, were still talking an hour and a half later, having postponed a meeting. On one occasion, aware that a director had missed an appointment as a result of our discussion, I felt I should close the interview. When I suggested this he replied: "Haven't you got any more tapes? Put another tape on".

The adoption of this approach to interviewing was employed at each round of interviewing. The following is a summary of how the aims and content of the interview programme proceeded.



The initial aim was to sensitize myself to the issue the managers saw as significant, the language they used and the views they held. However, it was not sensible to arrive for these first interviews in 1980 without any means of clarifying what I was about: yet any such clarification should not over-constrain the manager. The procedure adopted was to design a guide to the discussion for my own purposes. I was prepared to accept that this list of preliminary issues must inevitably reflect my own preconception of the subject, but I resolved, as does Miles (1979), that the researcher is bound to start with some framework and it is best to be explicit about this whilst allowing and encouraging as much data as possible to emerge freely from the discussions.

This initial checklist included:

- a) A brief explanation of my own background, identifying myself as a manager in industry before transferring to academic life; a statement of my research interest with the minimum of elaboration; and an emphasis on my desire to research managers' views about the topic. The purpose of the introduction was not only to explain the purpose of the discussion but also to gain the confidence of the manager by stressing common backgrounds and, in particular, my interest in his views.
- b) The discussion usually commenced by my asking if the manager could describe his own career. This was intended as a means of my understanding his background, career development, position within the company and association with events in the history of the company. However, as important, was its role in relaxing the managers: they were comfortable in describing their backgrounds and jobs and often

enthusiastic in their descriptions of what they had done. Whilst I learned not to curtail or direct discussion at this early stage in such a way as to make the manager uneasy, it did become necessary at times to intervene a little, simply to prevent the whole discussion becoming a set of highly personalised reminiscences. By the end of this part of the discussion a fairly relaxed atmosphere had been established and a sympathetic relationship established between myself and the manager.

c) At this very early stage, it must be remembered, the research was based on an interest in business growth. The initial checklist of issues reflected this and included:

- if the manager considered the growth of the business to be important for what reasons;
- the discussion of one or more past or present decisions that the manager considered to be important in the company's development;
- the manager's views about what the company should do in the future.

However, even at this early stage the interviews were conducted with sufficient flexibility to allow other issues which managers wished to embrace, to be included.

What emerged from these initial interviews was a valuable fund of information about the company's historical development and a picture of

the roles played by different managers. This was able to be cross-checked against a separate interview conducted with the Training Manager, who had been with the company since the 1960's, which was specifically an account of the chronological history of the firm. The second thing that emerged from the early interviews has already been mentioned; the managers did not conceive of or discuss the issue of growth in the way in which I as an academic conceived of it. To them, it was not a problematic issue. Growth was natural; lack of growth was un-natural: what they wanted to talk about was how they as successful managers in a successful firm had made that firm successful and how they would continue to do so. For this reason the emphasis within the initial checklist of issues quickly shifted towards the discussion of past events and how they occurred, the present trading conditions, what future strategy should be and why they considered the company had been successful.

So proceeded the first round of interviews in 1980 with twenty one managers in total being interviewed. By the second round of interviews a number of events had occurred which influenced the focus of the interviews. First, it had become clear that the success which Fosters managers had talked about in 1980 could no longer be claimed; so much had become clear by the time I saw Barry Davison, the Chairman, in 1981. Second I had undertaken a great deal of analytical work on the data gathered from the initial round of interviews. Third, this analysis had been "Exploring Corporate Strategy" (Johnson and Scholes, 1984) during which it had been necessary to reconcile emerging propositions and hypotheses from the analysis with the construction of a text on strategic management. The result of these events was an even clearer adjustment in the focus of the second round of interviews towards the processes of strategic management.



The checklist of issues used for the second round of interviews was, if anything, more straightforward and simple than the first round. It was as follows:

- a) They were shown a chronological listing of main events up to 1980 in Fosters history as derived from the round one interviews and documentary sources. This listing is shown as Exhibit 6. Managers were asked if they thought anything should be added or deleted. They were then asked what they thought were the most significant events (for good or bad) and why they thought they were particularly significant. These were then taken as the basis for discussion of those events in terms of how they came about and how decisions relating to them were taken. In this way managers covered the events that were, according to them, of most importance particularly during the period 1970 to 1980.
- b) Managers were asked to update the story; that is to explain what had happened in the company from 1980 to 1983 and explain why the events described had taken place. Their accounts covered both external events and internal decisions; and they were encouraged to "relive" the experience of the events of that time they considered to be most important.
- c) They were then asked what Fosters should do from 1983 onwards.
- d) Throughout the interview, but particularly towards the end, the opportunity was taken to encourage the managers to explain what they saw as "lessons" from the events of the past. In fact, managers

often did this without any prompting, but if prompting was necessary, the sort of question asked was why Fosters had done so well in the 1970's and, relatively so poorly more recently?

In addition to the use of this checklist with the 17 Fosters managers in the second round of interviews, an additional interview was carried out with an external design consultant who they all regarded as playing an important part in the company's development in the period 1981 to 1983. This interview concentrated on establishing the consultant's background, his views of the industry, his account of the events in the company as he had seen them since his involvement, and his views about the management of Fosters.

A year after the second round of interviews, and following further analysis of the data, a further three interviews with Fosters personnel were conducted to:

- a) check certain facts which were confusing about the company's chronology and
- b) to trace through certain decisions that had been pending or unclear in 1983.

In truth, however, this last "mini-round" of interviews was not so much an exercise in interactionist research as in curiosity: by this time, given the developments in the business and my interest in them, I confess to wanting to know what was going on.

The interviews with personnel from companies other than Fosters were

conducted on much the same lines as the second round of interviews at Fosters. That is they dealt with the history of the business in question and asked managers to reconstruct the key events as well as deal with the way in which the business was managed.

### Processing and Use of Data

Just as the method of interviewing changed over the period of the research, so did the way in which the data was handled. All interviews were tape recorded. Initially these tapes were transcribed by myself listening to the discussions and dictating into a hand-held dictating machine the content for typing of the personal documents. However, later this method was changed and a third party undertook the work of transcribing. A number of points should be made about these procedures. The first few transcriptions when examined in finished form were felt by myself to be over-edited versions of the discussions. Later transcripts done myself and all those done by the third party were virtually verbatim, excluding only stutters and irrelevant occurrences such as requests for coffee and editing only the initial summary of career details. The use of the third party - a research student - was decided upon, not primarily because of the earlier over-editing since this had already been corrected: the decision was made because of the fear that I could be editing out some important aspects of the discussion simply because, as a result of ongoing analysis, I was building up a set of views or propositions about the situation. The assistant was encouraged to produce verbatim discussions and their content was cross-checked by myself against the original tapes. Where transcripts were thought by myself to be inadequate during subsequent analysis, I referred back to the original taped discussions.

All the first round interviews were processed in this way. However, in the



period between the two rounds of interviews, I found myself referring back to the original tapes so often to check data, that I decided that it would be sensible to use the tapes themselves, without processing, for analysis of further interviews. There were no transcripts as such of these later interviews. Rather the analysis was undertaken by repeated listening to the tapes themselves.

#### Use of Secondary Data

It must be stressed that this is not a study of the performance of particular firms: it is a study of the views of managers and strategic developments and processes within firms. As such the use of secondary data has a particular role, that of providing a means of cross-checking chronological events and thus contributing to the understanding of the nature of the firm. For example, the secondary data used and their usefulness was as follows:

- As simple a piece of datum as the published organisational chart was useful in understanding the formally stated responsibilities of the directors of the company;
- Annual reports for Fosters, Burtons, Hepworths, United Drapery Stores and seven other medium or large companies in the industry were examined. These were obtained direct from the companies or on microfilm from Companies House. Not only did these provide a basis for checking comparative performance of companies, but the public statements contained therein also provided a means of checking the chronology of events and comparing explanations of events with current versions by managers.

- The Fosters company newspaper to employees was useful in so far as it reflected the "corporate" attitude to trading conditions and policy.
  
- Over 250 articles from the financial press and newspapers for the period were referred to as were over 30 articles in trade journals. These were useful, again in building up a history of the industry and of particular companies from a perspective different from those of the managers.
  
- Certain specialist reports were obtained: notable amongst these were published research on the market by market research companies reported in Mintel and a confidential stockbrokers report issued in 1976 on the Burton Group.
  
- In addition certain confidential reports from within Fosters itself were made available. These included internal market and attitude research reports which managers referred to in the interviews, briefing documents for meetings and to the design consultant, minutes of meetings relating to some of the key events discussed by the managers and a "data history" of the company drawn up by the Financial Director. All of these were valuable because, again, they provided a means of relating verbal reports by managers of past events to data current at the time of the events.

However, it has to be said that since this research is less about the factual reconstruction of historical events than about managerial perceptions and interpretations of events. The secondary data, whilst important and interesting, has a more contextual than substantive role. It is the interviews with managers that form the core of the data.

### The Process of Analysis

The process of analysis has, in general terms, already been outlined. This section deals with the process in more detail and attempts to show the mechanics of theory generation.

The approach to analysis was strongly influenced by the work of grounded theorists and particularly the writings of Glaser and Strauss (1967), Glaser (1978), Schatzman and Strauss (1973), and Turner (1981). The central features of their approaches which appealed were:

- The commitment to the development of theory from data as distinct from the generation of data in order to verify hypotheses.
- In consequence the suitability of the approaches they advocate to open ended discussions necessary to handle the sort of conceptual and interpretative issues which are the subject of this research.
- The quite precise methods they describe for carrying out the analysis. Much of the writing of other researchers committed to qualitative methodologies is vague in the extreme when it comes to analysis. For the researcher beginning on the track of analysis of qualitative data, such statements as: "We understand other minds by immersing ourselves in the interpretative study of their external objectifications" (Brown, 1977) were not helpful. Immersion did indeed seem to be a requirement of any qualitative study, but what was not clear was precisely how the interpretation was to be done? For the researcher committed to the principles of qualitative methodology but anxious to achieve a balanced analysis, it is conceptually attractive and useful



but methodologically frustrating.

The account that now follows explains the way in which the guidelines provided by the grounded theorists have been adapted to provide for the steps of analysis previously described.

### The Components of Analysis

The components of analysis are relatively well covered in texts on grounded theory, but most ably by Turner (1981). The components used in this research are different from Turner's but *not fundamentally so*. They are here presented in a more or less sequential listing, that is in the sort of order that they might emerge or be used in the analytical process.

#### a) Categories

The identification of categories is basic to the research. Categories, also called "classes", are what Glaser and Strauss (1968) describe as the "conceptual elements of theory", and are essentially descriptive. In this research categories include decision processes; future expectations or desires about performance or strategy; management beliefs about the roles of, for instance, profits: aspects of the nature of the business under consideration such as its performance or its structure and so on. They are not uniform in their nature but are the varied elements necessary to describe and understand a complex situation.

Some obvious general categories arise because of the subject of the research and it has to be accepted that they are presupposed in the sense that the very rough planned outline of the discussion presupposes them. Thus categories which could be labelled "decision processes" or "advocated future strategies" must exist because they are the themes of the research.

However, within these very general categories arose sub-categories which were not at all preconceived but which arose from the data and are much more specific. Amongst the most obvious of these were the specific decision linked processes which related to particular events or time periods and which arose from the descriptions of events by managers. Other sub-categories which arose were concerned with modes of decision making, organisational structure, views on competition, views on fellow managers and so on.

It should be clear, then, that a category, as the most basic unit of analysis may differ in its level of specificity, so that within one general category, say "decision processes", will be decision specific categories, and it may well be that within these will be further sub-categories which define activities within those.

The categories continually develop; it is one of the features of qualitative data analysis that these categories are likely to be refined and added to every time the data is examined. They are thus unlikely to become fixed. However, what does occur is that a point is reached where the analyst is confident in meeting fresh data or on re-examining data that a phenomenon can be allocated to an existing category.

#### b) Properties

Properties are "conceptual aspects or elements of a category" (Glaser and Strauss, 1968): they are the characteristics of the categories. So for instance:

- a category could be an event and its properties include the circumstances of or acts within the event;

- a category could be a stated reason for or result of something and its properties include the people who make such statements.

The terms categories and properties, are used by Glaser and Strauss but correspond to what Homans (1964) calls "descriptive" and "operational or relational" concepts. For the purpose of this analysis, I found the Glaser and Strauss terminology more useful in the sense that the notion of "concept" can then be kept separate to define the combination of categories and their properties. For example a concept in the terms used here would be, not simply the descriptive label of an event, but also include the characteristics which are associated with it.

#### c) Linkages and Propositions

Linkages are the relationships between concepts (categories and properties of the categories). In a sense this is what the process of qualitative research seeks to achieve because the linkages form the structure of the researcher's growing understanding of what is going on in the data.

At its most basic level, a linkage may be no more than an observed association of categories - for example, that managers tend to associate a particular decision with a particular individual or group. What the analyst particularly seeks is, however, "a key linkage - that is, a metaphor, model, general scheme, overriding pattern or story line" (Schatzman and Strauss, 1973) which binds together a significant part of the whole data. It is these key linkages which the researcher is seeking because it is these that are likely to provide an understanding of the complexity of the situation.

It is these key linkages between concepts which are the first moves.



towards theoretical explanations of the data. In the analysis contained in this thesis, they are called "propositions" which as Denzin (1978, p 59) says are "a statement of relationship between two or more concepts (which) combine concepts in an explanatory and predictive manner". Frequently, then, a proposition may be made because concepts are seen to be associated regularly; for example certain sorts of events may regularly be associated with certain sorts of contextual situations, giving rise to a proposition about the relationship of event and context.

d) Theories

A theory "permits the organisation of descriptions, leads to explanations and furnishes the basis for the prediction of events as yet unobserved (Denzin, 1978, p. 48). Denzin argues that a theory must meet all three conditions stated in that definition and that few so called theories in social research do. It is much the same view as Kelly (1955) who states that theory "should be expressed in terms of abstractions which are of a sufficiently high order to be traced through nearly all of the phenomena with which (in his case) psychology must deal".

In terms of the terminology used here, and Homan's concept of social theory, such theory as is the outcome of this research must be judged on the extent to which it interrelates propositions in a deductive scheme such as to permit explanation and prediction. It is a demanding task and as far as this research is concerned, I feel like Dalton (1964), "professionally committed to understatement rather than overstatement". It is a commitment similar to that of Mintzberg (1979, p. vi) who commits himself to:

"... theory which is grounded - that is rooted in data, that grows inductively out of systematic investigation of how organisations

behave. I am firmly convinced that the best route to more effective policy making is better knowledge in the mind of the practitioner of the world he or she actually faces. This means that I take my role as researcher and writer to be the generation and dissemination of the best descriptive theory possible."

By descriptive theory, Mintzberg means a sufficiently lucid and powerful explanation of events and patterns of events so that interpretation - by practitioners as well as academic theorists - may lead to prediction and prescription.

### The Activities of Analysis

The analytical process aims to generate categories, define them and perceive their properties so as to establish linkages between them which facilitate emerging propositions about what is going on in the study. Turner's (1981) exposition of the activities involved in analysis on the basis of grounded theory, provided a useful framework for the activities employed in the analysis of data in this research. These are as follows:

#### a) Direct reference to data

The most basic guideline given by those who have written in qualitative data analysis in general and grounded analysis in particular, is the necessity to become very familiar with the totality of the data itself. In this research this has involved listening to the tape recordings of the interviews over and over, and the reading and re-reading of transcripts or memos, such as descriptions of categories and properties arising from the data.

#### b) Memo-ing

Memo-ing consists of noting down anything that occurs which is related to the research. Memos were generated which were directly concerned with

observations of what was going on: these are "observational notes" and might take a form as simple as this:

"Throughout this discussion (with one of the retail managers) there is no mention of profits at all. There also seems to be less mention of the role of profits in other discussions with retail managers than with, for example, buyers".

These observational notes are not intended to be analytical: they are simply observations of what is occurring. They are means of illustrating categories or properties of categories.

Memos might also be about the method of research: these are "Methodological Notes", which could for instance be memos to myself on how to improve the conduct of discussions or carry out some method of analysis.

Memos might also be interpretative notes which Schatzman and Strauss (1973) call "Theoretical Notes". These memos form the basis of the interpretation or explanation of particular observations. They are also the means of elaborating the understanding in the form of linkages, thus:

"The reasons for a particular strategic decision do not necessarily arise out of nor are apparently consistent with managerial views about the external environment. They are for more operational reasons which are discernibly distinct, for example ..."

So the "interpretative" or "theoretical" notes form the basis for later analysis.

This memo-ing went on throughout the whole process of research. It occurred during the early stages of the discussion with managers, later when reading the transcripts and throughout the analysis. Indeed one of



the most fruitful yet daunting experiences of the research was the way in which the generation of interpretative memos increased as the research progressed. My own method of memo-ing took the form of notes which could be ordered and re-ordered in terms of the emerging categories and later propositions.

c) Developing and saturating categories

When the process was begun the first stage was to go through the transcripts and identify categories. Turner (1981) describes this as developing categories and suggests that the researcher asks, paragraph by paragraph, "What categories, concepts or labels do we need in order to describe or to account for the phenomena discussed in this paragraph?".

An example of the way in which the development of categories and their definitions is carried out might be helpful. This example is taken from the early stages of the research when analysis of the 1980 interviews was taking place. The following is from one of the interviews:

"If we stagnate we are far more likely to be taken over by someone who thinks they can do more with the company than we are doing. Growth will give the security of jobs and it will bring promotions, especially in retail."

In just these few lines we can see a whole set of categories. Clearly the statement is a set of reasons for growth which is a general category different from, say, a future strategy for growth or a recollection of process. But within this general category of "reasons for growth" are a number of further categories. "If we stagnate we are far more likely to be taken over" is to do with a perceived determinant for growth - if we don't do something, something will happen. "Growth will give the security

of jobs" is to do with a benefit of growth or a benefit of not being taken over which are in any case perceived to be associated. And again "and it will bring promotions" is another perceived benefit of growth. Thus, in this brief extract at least one general category and two sub-categories concerned with growth emerge. Of course, it is also possible to generate further categories from such an extract: categories to do with the reasons for takeover or the nature of job progression in retailing for example; and later when the notes were referred to again, the emphasis on operational motives for growth was seen to bear out similar observations in other interviews. Each category arising would be defined to facilitate the placing of future statements within categories, and as defining categories took place, they were refined and became more precise. For example, the category to do with a perceived determinant of growth was placed within a category group labelled "imperatives for growth" and defined as "limitations on, determinants of or requirements for action perceived as imposed on the firm or managers, tending to promote growth or the perceived need for growth".

The process of category identification has two main purposes. The first is to develop an understanding of the data in such a way that phenomena observed within it can be seen to be described by the emerging categories. If they are not, then new categories need to be created. In this way a "catalogue" of categories is built up which accounts for the data. This is not a simple listing of data for it is also necessary to define the categories. Definitions are, of course, part of the categories in that they set down the parameters of the categories; but there is separate importance to the definitions because when the identification of a category first takes place it is inevitably very loose and only subsequently becomes tighter. The act of defining - and subsequent acts of re-defining



categories - are therefore part of the theorising or abstraction process. The definition or development of a definition of a category is an important component of the analytical process, not least because it can "both sensitise the researcher to recognise further instances of the phenomenon in question and stimulate further thinking" (Turner, 1981). In fact, the process of category identification and definition therefore has the second purpose of challenging the researcher's pre-conceptions of the research in general and the data in particular. For example, in the analysis of the early data from the 1980 interviews, it became clear as category identification and definition proceeded, that "growth" as an issue was a phenomenon which was not as significant in terms of management discussion and explanation as was at first supposed it might be: when it came to decision making managers addressed much more operational, "down-to-earth" issues. The early balance of the research therefore shifted towards the processes of decision making that were identified as more central to managers.

d) Considering conditions - the move towards linkages and propositions

Having generated categories and defined them, it is then necessary to move to developing properties of categories and perceiving linkages between them. This is achieved by considering the conditions under which views are held, actions occur and so on. Conditions are characteristics which describe properties of categories or linkages between them.

Consider for example these statements made by one of the managers:

"Egotistically it suits me to see something I have a hand in going from that size to that size ... People want to be associated with a successful company. They want to be part of that growth ... There is a certain satisfaction in being courted by big



suppliers".

An early sub-category labelled "Association with Company success" had already been formulated. The "base" level at which conditions are systematically and extensively generated is in fact the creation of properties of categories which are in effect a first level of linkage. This was achieved in this analysis by asking:

"How many and what sorts of managers contribute to this category that has been developed?"

"What are the characteristics of these managers?"

In carrying out this level of analysis the principles of content analysis (Holsti, 1969) were employed in order to gain a more structured understanding of the conditions relating to various categories. As categories were developed in reading the transcripts they were listed for the purpose of content analysis. To use the example of the statements above and the sub-category "Association with Company success", it was found that there were seven managers out of twenty-one contributing to this category and that these seven included all four buyers and the Chairman. The characteristics of the managers contributing to this category were then examined individually: such an examination included the personal backgrounds and job backgrounds and responsibilities of the managers, their status in the organisation, the extent to which they contributed to what sort of decisions and so on. In the context of this category, for instance, one condition which emerged was the extent to which the buyers, who all contribute to this category, were all responsible for negotiating major deals with suppliers. In considering the characteristics of the managers and their jobs it was also considered how these managers perceived their own and others' jobs in the organisation.

So again, using this example one feature that emerged was the extent to which the buyers and the Chairman placed very considerable emphasis on the aspects of their jobs relating to external organisations. In this way, then, the conditions which described the properties of the category were beginning to be generalised by linking categories and individuals contributing to them.

This base level of linkage could then be further generalised by seeking for properties of linkages by looking for contra-conditions, again starting with the managers. The most obvious way in which this might be achieved was by asking what managers, or sorts of managers, do not contribute to this category. For example, using the category "Association with Company Success", it was found that none of the eight retail, middle or senior managers contributed to this category. Again the conditions relating to the characteristics of these managers can be analysed and in so doing it is found, for example, that they saw their jobs very much in terms of management of staff in the shops and the execution of head office trading policy.

Linkages were further generalised by examining the extent to which one category tended to recur in the presence of another. Indeed, it is possible to explore conditions which link whole sets of categories. The process of establishing linkages continued with this gradual development of generalisation. This study of conditions could be extended then to consider patterns of relationships between categories and individuals which helped to describe more general conditions still. For example, a general relationship between a set of views - described in terms of categories - held by buyers which is different from those held by retail managers could be identified

and so it was possible to move towards general propositions.

### Theory Building through Induction

The process of analysis described here provides the raw material for an inductive exercise in theory building. The categories, properties, conditions and linkages identified constituted a descriptive and interpretative coding of data on the basis of which the search for causal links could take place. Denzin (1978, p. 109) explains the process of induction as follows:

"The investigator has to show that the causal processes which have been isolated are actually at work and, furthermore, to what degree they are operative. That is, how many behaviour specimens can be explained, or accounted for, by the hypotheses?" (And it should be remembered that Denzin equates "hypotheses" with what is herein called a "proposition").

Following Lindesmith (1947) he uses the term "analytic induction" to define the method whereby propositions are continually tested a) by the extent to which they explain the data and b) by the extent to which negative cases cannot be found to invalidate the proposition. In the event of negative evidence, then the proposition has to be scrapped or, more likely, re-formulated. Further, the search for fit between propositions and the "reality" of the data continues and is increasingly generalised until theory is developed which accounts for the phenomena being studied in a universalistic rather than purely piecemeal fashion.

Glaser and Strauss (1968) choose not to use the term analytic induction but rather employ the term "constant comparative method" as a way of describing their advocated method of theory generation. They distinguish the two terms as follows:

"... the constant comparative method is concerned with generating and plausibly suggesting (but not provisionally testing)



many categories, properties, and hypotheses about general problems. ... Some of these properties may be causes, as in analytic induction, but unlike analytic induction others are conditions, consequences, dimensions, types, processes etc. .... Further, no attempt is made by the constant comparative method to ascertain either the universality or the proof of suggested causes or other properties." (Glaser and Strauss; 1967, p. 104).

The two methods are essentially inductive in nature and are different in emphasis and scope rather than purpose. Analytic induction emphasises universality of theory and proof of propositions. The constant comparative method, which is inductive in its logic, emphasises a more descriptive explanation and contingent explanation of data.

In this research the primary aim has been to explain and understand the processes over time, which can be identified as a series of events, within one organisation. Whilst some comparison is carried out, it cannot be claimed that such comparison is exhaustive and hence, by default, cannot claim to be universalistic. The inevitable extended logic of analytic induction is extensive comparative data to search for negative cases to lead to reformulation of theory to more universalistic levels. More realistically, this research follows the intentions and principles of Leach (1961) in arguing for the application of inductive logic and skills to generalise from particular phenomena. In so doing the generalisations will benefit from examination for comparative relevance with other like material (in the form of similar processes or existing research) and with existing bodies of theory: but the primary aim is to achieve a theoretical explanation of the data themselves - to provide a conceptual and integrated insight into the structure of complexity.

In so doing it may be that bodies of theory or concepts are illuminated and extended, but this is different from attempting to begin with

hypotheses derived from such theories or to prove such theories. As Glaser (1978, p. 38) states:

"... as the generating (of theory) continues, comparisons with extent theory may link it to a number of diverse theories which touch upon various aspects and levels of the emerging theory. This linkage, at minimum, can place the generated theory within a body of existing theories. More often ... it transcends part of it while integrating several extant theories. It may shed new perspectives and understandings on other theories and highlight their process. Other theories are neither proved or disproved; they are placed, extended and broadened".

### Presentation of Data

Data in this thesis are presented in two quite distinct forms. In Part 2 of the thesis there are historical case studies of both the retail menswear industry and Foster Brothers Ltd for the period 1970 - 1983. Also in appendices are similar case studies for Burtons and Hepworths.

These case studies have two purposes:-

- i) They are written deliberately from the point of view of an outside, uninvolved observer seeking to understand a company and its environment. They draw on published, secondary data and do not attempt to get within the cultural fabric of the companies. They therefore provide a contrasting prospective on the understanding of strategy from the later account in Part 3 which examines the same time period and events from the perspective of the managers involved.
- ii) They provide a context for the reader: it is important to understand the nature of the industry and competitive environment "factually before understanding how managers perceived it".

Part 3 of the thesis is the main body of data on which the analysis, findings and theory generation are based. This takes form in a more or less chronological account of the development of Fosters as described and explained by the managers themselves. This entails an extensive use of verbatim extracts of transcripts of interviews. As such it should be borne in mind that the verbatim extracts are minimally edited and ordered and therefore represent conversational and not written language: allowance should therefore be made for relatively unstructured expression of ideas and argument on occasions in those extracts. Also, with well over fifty hours of taped interviews, it has been impossible to provide total transcripts of all interviews and this is not attempted. Also, since the emerging theory is based on data from all the managers, the extracts presented are, inevitably illustrative. One advantage of the employment of personal documents, is the ability to present the evidence for the statements made in the findings by direct reference to the data. In this thesis there has been an attempt to show how propositions and theory emerges by "telling the story" or more precisely, as advocated by Becker (1970, p. 199) to provide:-

"A description of the natural history ... of conclusions, presenting the evidence as it (comes) to the attention of the observer during the successive stages of his conceptualisation of the problem".



## PART 2

### THE CONTEXT OF THE STUDY

- 2.1 THE MENSWEAR RETAIL INDUSTRY
- 2.2 FOSTER BROTHERS LIMITED 1970-1983 - a case study
- 2.3 STRATEGY AS OBSERVABLE OUTPUT
- 2.4 THE "ACTORS"

The focus of this research is on management processes. It is argued that decisions on strategy and the success or failure of those strategies, cannot be appreciated without understanding the managerial context in which they came about.

To achieve this understanding it is necessary to look within the firm and within the competitive environment of the firm. Part 3 of this thesis concerns itself with detailed examinations of phenomena at these levels. To make sense of such detail it is therefore necessary to place it in a context of the changes in the industry throughout the time-span of this study. This part of the thesis provides such a context.

The focus of the research is the period 1970 to 1983. There follow two case studies which outline the nature of the industry environment during that time and the changing strategies and fortunes of Foster Brothers which serves as the main company context for the study. Appendices 1 and 2 are similar case studies for the Burton Group and Hepworths, for comparative purposes. The cases provide not only a general introduction to the detailed analysis which follows but also a picture of the strategic development of the different companies as the outside observer might see them. The cases build mainly on published material for their framework.

## 2.1 THE MENSWEAR RETAIL INDUSTRY

"All is well and the outlook is good" concluded Geoffrey High, the Chairman of Foster Brothers at the end of the company's 1971 annual report. It was a sentiment that, to a great extent, was reflected in most of the major menswear retailers of the time. Hepworths had been able to report record profits for two consecutive years; United Drapery Stores (UDS) were continuing their expansion plans and trading from over 600 menswear outlets fed by 13 factories; and Fosters themselves had just acquired Bradleys, a Northern mens outfitter with 160 branches to take their total number of menswear shops to nearly 450. Even for Burtons, who had spent several years trying to overcome management succession problems, prospects seemed exciting: in 1969 they had appointed Ladislav Rice as Chairman and were embarking on a programme of reorganisation and expansion for the decade ahead. In fact the next twelve years was to see the takeover of UDS, the near collapse of Burtons, severe profit downturns for all the companies in the industry, a revolution in retailing methods and product mix and a determined attempt by the major companies to diversify away from their menswear base as menswear retailing's share of consumer spending slumped.

The structure of the menswear retailing industry in 1970 comprised three main sectors. There were the multiple tailors who concentrated on the sale of suits and other outerwear-jackets and overcoats for example. Traditionally the service they offered was a tailoring service, that is the making of garments to the individual measurement of the customer. The retailer measured the individual and assisted in the choice of material and the fitting of the garment; and the companies' factories cut and assembled the product. This was the business that Hepworths, Burtons and the



menswear chains of UDS, John Collier, Alexandre's and Claude Alexander were in: it was also a sector which included such companies as Weaver to Wearer, Hector Powe and Willerby's, part of Great Universal Stores, Moss Brothers, Austin Reed and many smaller independent companies. The sector was however dominated by the large, vertically integrated multiples. In the 1930s these companies had expanded their manufacturing capacity when the retail demand for suits had outstripped production capacity. Since the end of the Second World War, during which most had concentrated on the production of uniforms, they had found that capacity exceeded demand and had opened or acquired more and more retail outlets to provide the throughput needed for the factories (FT Jan 25 1975 p4).

The second sector comprised the outfitters. These were companies such as Foster Brothers, Harry Fenton and Ray Alan, smaller than the multiple tailors, and selling shirts, ties, knitwear as well as jackets and trousers, usually ready to wear. Some of these companies had their own manufacturing capacity but to a much more limited extent than the tailors. It was in this sector that the great majority of the 14000 independent menswear retailers were to be found.

The third sector comprised companies who were not menswear specialists at all; rather these were the departmental stores and variety chains which sold menswear products as part of their overall range. In 1970 the menswear merchandise focus for these companies was mainly the sort of products sold by the outfitters and, in particular they had a high proportion of sales of underwear, ties and the socks.

#### 2.1.1 Expenditure on Mens Clothing Throughout the 1970s

In 1971 expenditure on mens clothing, at £648 million represented 33.5% of

total clothing expenditure (Mintel: 1982). The menswear market was not as large as the womenswear market at £967 million but over twice the size as that for childrenswear (£319 million). By 1981 expenditure on mens clothing had reached £2250 million, but this was only 20.5% of expenditure on clothing. The total value of the menswear market had risen by 247% but the value of the womenswear market had risen by 274% and that of the market for childrenswear by 317%. Exhibit 8 shows consumer spending for the eleven years 1971-1981 by the three market sectors. Expenditure on mens clothing rose more slowly than either womens or childrens wear. Indeed if expenditure on mens clothing is compared with other items of consumer expenditure, it becomes clear that it showed less growth than almost all items of consumer spending in the period. Exhibit 9 provides such a comparison: only expenditure on tobacco grew less in the period 1971 to 1981.

If this expenditure pattern is studied more closely it becomes clear that the differences in growth between the sectors of the clothing industry did not become pronounced until the mid 1970s. By 1975 the index of total clothing was 182 , for menswear 181, for womenswear 184 and for childrenswear 179. In 1976 expenditure on menswear outstripped that of the other sectors. It is in the period 1977 onwards that menswear expenditure slumped in relation to other clothing sales.

An examination of the Chairmens' statements in the annual reports of the major menswear companies yields some possible reasons for these changes in expenditure patterns. These tend to be similar for each of the companies and are summarised in Exhibit 10. Specific influences on clothing expenditure such as the effects of weather are mentioned. For example the long hot summer of 1975 and 1976 are said to have depressed

EXHIBIT 8

EXPENDITURE ON CLOTHING : 1971-1981

YEAR	MENS		WOMENS		CHILDRENS		TOTAL	
	£mn	Index	£mn	Index	£mn	Index	£mn	Index
1971	648	100	967	100	319	100	1934	100
1972	721	111	1117	116	405	127	2243	116
1973	829	128	1228	127	460	144	2517	130
1974	1044	161	1521	157	568	178	3133	162
1975	1172	181	1782	184	571	179	3525	182
1976	1321	204	1741	180	676	212	3738	193
1977	1404	217	2259	233	780	245	4441	230
1978	1664	257	2528	261	904	283	5096	263
1979	1899	293	2957	306	1156	362	6012	311
1980	2142	330	3441	356	1266	397	6849	354
1981	2250	347	3620	374	1330	417	7200	372

SOURCE : Mintel : Retail Intelligence: "Consumer Spending", 1982.



EXHIBIT 9

COMPARISON OF CONSUMER SPENDING ON CLOTHING  
WITH OTHER ITEMS : 1971-1981

<u>ITEM</u>	<u>INDEX OF EXPENDITURE</u> <u>1971 = 100</u>
MENS CLOTHING	347
ALL CLOTHING	372
FOOD	353
TOBACCO	327
ALCOHOL	437
CONFECTIONARY	414
EATING OUT	456
HOUSING	549

SOURCE : Mintel Retailing Intelligence "Consumer Spending" 1982.

EXHIBIT 10

INFLUENCES ON MENSWEAR SALES 1970-1983

as proposed in annual reports of menswear companies.

- 1970 : Leeds clothing strike interrupts manufacturing capability, delays delivery of suits.
- 1971 : Credit and hire purchase facilities eased in July stimulating consumer durable sales.
- 1972 : January import duties on woven fabric with 50% cotton increases prices.
- 1973 : Change to VAT creates pre-VAT rush but slows sales thereafter. Late 1973 beginnings of 3-day week. Introduction of profit restraints and wage controls.
- 1974 : Trade disrupted by Middle East War and oil crisis. Three day week impairs manufacturing and delivery capabilities. Restrictions on lighting in stores slows retail sales.
- 1975 : Expected general price rises stimulate pre-emptive consumer purchases ; but particular fears of VAT increases promote pre-budget durable sales. Inflation combined with wage controls dampens buying power. Long hot summer depresses sales.
- 1976 : Rising fixed costs for consumers (e.g. rates, heating) cuts discretionary spending and combined with inflating prices, depresses sales. Long hot summer also depresses sales.
- 1977 : Reduction in direct taxation - some stimulation to sales - but continuous squeeze on consumer spending through price rises.
- 1978 : (There is little explanation offered for the rise in menswear sales in 1978 but inflation moderates and personal disposable income rises - see Exhibit 11 ).
- 1979 : Introduction of 15% VAT hits suits. Lorry drivers strike slows deliveries.
- 1980 : Growing recession, increasing interest charges, unemployment and short time working all reduce spending power. Drop in tourist trade depresses sales in London.
- 1981 : Unemployment cutting sales particularly at lower end of the market. Continuing recession depresses sales.
- 1982 : Recession and unemployment continues to depress sales.

sales as is the mild winter of 1975. Increases in VAT (e.g. in 1979) are said to have depressed sales of suits and the decline in the tourist trade in 1980 is said to have reduced sales of menswear clothing particularly in London. But it is the annual reports for the years 1979 onwards which continually re-assert that the major reason for the decline in sales is that, given reduced buying power, particularly amongst the unemployed or low wage earners, menswear purchases are delayed or shelved. This view was borne out in consumer research undertaken for one of the major retailers; the research report (Attitude Research Ltd. 1980) found:

- Clothes are a low priority for most men; many fathers, in particular, buy clothes as a last resort, especially if the family is short of money.
  
- The economic situation is forcing many men to make their clothes last longer than would be the case if they were more affluent.

It is a finding which appears to be borne out if the pattern of mens clothing expenditure is examined against relevant economic indicators. Exhibit 11 shows menswear clothing expenditure as an index against all clothing expenditure, inflation and personal disposable income. Menswear expenditure is not so much influenced negatively by inflation - it rises ahead of inflation from 1971 to 1976 and in 1978 and 1979. However, it does drop particularly in 1975 to 1977 and dips again after 1979 as personal disposable income falls; and its rise in 1977 and 1978 corresponds to the rise in disposable income together with a fall in inflation. Expenditure on clothing in general is not so affected. The findings of consumer research appear to be borne out; faced with less domestic spending power, men will cut purchase of their own clothing before that of



EXHIBIT 11

COMPARATIVE GROWTH OF THE MENSWEAR CLOTHING MARKET

INDEX OF:	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
PERSONAL DISPOSABLE INCOME	100	109	116	115	115	115	113	121	128	130	127	
INFLATION	100	107	117	136	169	196	228	247	280	330		
EXPENDITURE ON MENS' CLOTHING	100	111	128	161	181	204	217	257	293	330	347	
EXPENDITURE ON ALL CLOTHING	100	116	130	162	182	193	230	263	311	354	372	

other members of the family.

If the evidence of the Chairman's statement is accepted, then the low priority given to mens clothing expenditure extends also to alternative purchasing decisions. For example, in 1971 R.E. Chadwick, the Chairman of Hepworths reported that sales "moderated .... immediately following Mr Barber's (the Chancellor of the Exchequer) stimulation of consumer durable sales and purchase tax charges". And again in 1975 he reports: "Wages and salaries rose faster than prices, and fears of price increases persuaded customers to buy without delay. In anticipation of large increases in VAT this rush became concentrated on consumer durables prior to the budget, and the months delay between announcement and imposition of the increases fed the flames. Spending was thus diverted from mens clothes, and when the bonanza ended in durables, the public were in no financial condition to return to its former buying habits". His view is that, given competition for the family expenditure, menswear will take second place. This analyses of the problem was also suggested by the financial press. In 1972 the Financial Times reported that Department of Trade and Industry figures for menswear multiples "show a sub-inflation 6% sales value increase on the second half of 1971, and the way growth tailed away sharply in August tends to confirm the theory that diversion of spending on durables after the abolition of credit controls in July was one explanation". (FT May 13 1972).

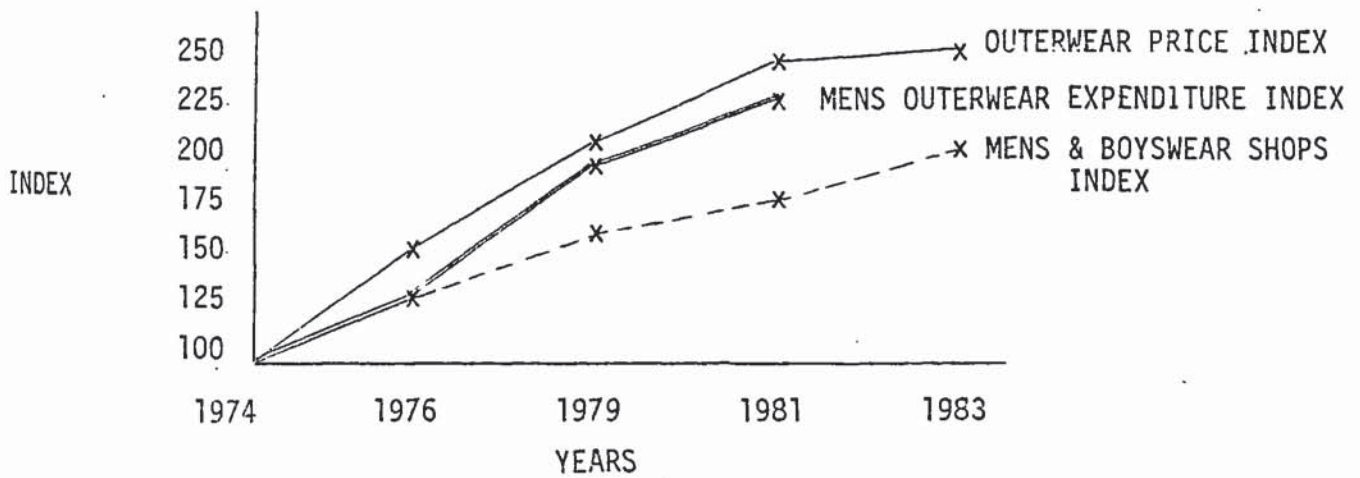
Not only does expenditure on menswear fall below that of other clothing, the growth in value of expenditure disguises a drop in volume purchases. Exhibit 12 compares expenditure on men's outerwear with the price index for men's outerwear. Between 1974 and 1981 prices rose by 133% but expenditure by only 116%.

EXHIBIT 12

PRICE INDICES AND RETAIL PERFORMANCE

YEAR	MENS OUTERWEAR PRICE INDEX	MENS OUTERWEAR EXPENDITURE (£M) INDEX		MENS AND BOYSWEAR SHOPS EXPENDITURE INDEX	
		EXPENDITURE	INDEX	EXPENDITURE	INDEX
1974	100	810	100	690	100
1976	146	1000	123	852	123
1979	208	1600	197.5	1095	159
1981	233	1750	216	1155	167
1983	236	n/a	n/a	1365	198

SOURCES : Retail Business/EIU : Reports on Clothing and Footwear Shops nos. 227 (January 1977), 275 (January 1981), 299 (January 1983) and 311 (January 1984) and Mintel : "Consumer Spending" : 1982.





### 2.1.2 Expenditure in Mens and Boys Wear Shops

Exhibit 13 shows quite clearly the relative performance of the specialist mens and boys wear retailers for the period 1974-1983. Whilst expenditure on mens clothing as a whole was depressed, the sales of mens clothing through specialist retailers was even lower. Exhibit 13 allows a more detailed examination of the trends from 1971 onwards. From 1971 to 1975, as has been seen, there was little difference between the growth rates of mens clothing and all other clothing. However from 1976 onwards the pattern changes. (It should also be noted that the bases of classification of outlets in the sources of data also change in 1976: whilst this is partially relevant and will be commented on below it is not in itself the reason for the changes in pattern.) From 1976 onwards, if the growth in expenditure on all clothing is taken as a base, then it can be seen that:

- Expenditure on total menswear consistently falls below that base (as discussed earlier);
- From 1977 onwards sales of menswear in specialist retailers fall well below total menswear sales and show virtually no growth at all in 1980 and 1981. Sales of menswear were therefore taking place increasingly in outlets other than the specialist menswear retailers. As will be seen later these other outlets were largely variety chains - particularly Marks and Spencer - and to a lesser extent market stalls: and this shift in spending pattern clearly corresponds to the move by consumers towards a greater proportion of expenditure on casual and leisure wear. The overall picture is, however, quite dramatic, with sales expenditure in mens and boys wear shops rising

EXHIBIT 13

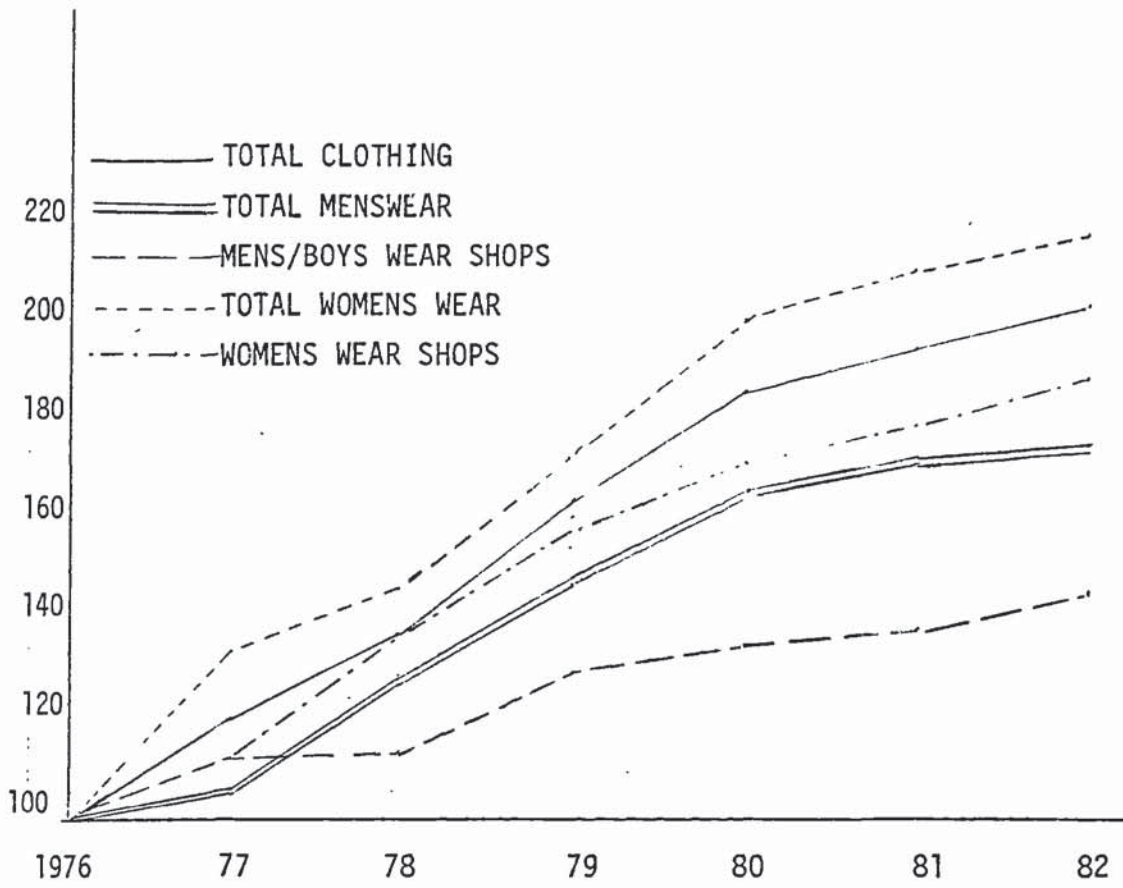
INDEX OF CUMULATIVE PERFORMANCE OF MENS AND BOYS WEAR SHOPS

YEAR	TOTAL CLOTHING SALES	TOTAL MENSWEAR SALES	MENS & BOYS WEAR SHOPS		TOTAL WOMENSWEAR SALES	WOMENSWEAR SHOPS	
	INDEX		£m	INDEX	INDEX	£m	INDEX
1971	100	100	483	100	100	1540	100
1972	116	111	543	112	116	1730	112
1973	130	128	612	127	127	1995	130
1974	162	161	690	143	157	2341	152
1975	182	181	752	156	184	2732	177
	(a)	(b)	(c)		(d)	(e)	
(N.B. Basis of classification of data changed in 1976)							
1976	100	100	852	100	100	1859	100
1977	118	106	954	111	130	2045	110
1978	136	126	952	112	145	2516	135
1979	161	144	1095	129	170	2880	155
1980	183	162	1140	134	198	3125	168
1981	193	170	1155	136	208	3290	177
1982	201*	174*	1205	141	218*	3440	185
1983	n/a	n/a	1365	160	n/a	3830	206
	(f)	(g)	(h)		(i)	(j)	

\*Estimate

SOURCES : Mintel "Consumer Spending" 1982 (a) (b) (d) (f) (g) (i).  
Retail Business IEU Reports on Clothing and Footwear Shops  
No. 227 (January 1977) (c) (e) and Nos. 275 (January 1981),  
299 (January 1985) and 311 (January 1984) (h) (j).

GRAPHICAL REPRESENTATION OF DATA





just 41% from 1976 to 1982 compared with an estimated 74% for all mens clothing.

- It is significant to compare the performance during the same period of mens and womenswear and of the specialist retailers in these sectors. The index of expenditure on womens clothing is consistently above that of mens clothing and, indeed, total clothing. Not only is the women wear market bigger than the menswear market but spending on womenswear has survived depressed times much better than menswear. For example, spending on womenswear was growing by volume in 1976 and 1977 even though the total volume consumer spending was remaining static and menswear spending was falling. Expenditure on womenswear is therefore more resilient than on menswear. In increasingly difficult times it is not surprising that many of the menswear retailers have turned, with varying degrees of success, to womenswear retailing - moves which will be discussed when the strategies of the various companies are described.
  
- It can be seen that in the womenswear sector also, the specialist womenswear retailers do not perform to the level of their sector but their growth of 85% from 1976 to 1982, although below that of 118% for all womenswear, is well above the 41% for mens and boys wear specialists. Again this is indicative of the increasing share of the sector claimed by the variety stores.

### 2.1.3 Sales of Menswear Clothing by Product Type

The 1960's witnessed something of a mens fashion revolution during which the younger man expressed his changing social attitudes in wearing more casual clothes. This shift of attitudes gradually began to affect older men

and there was a distinct move away from made-to-measure suit market into ready-to-wear suits and blazers jackets and slacks. The trend generally was towards lighter fabrics and colours with more emphasis upon shape.

The change in mix of sales from the 1960's to the 1980's is particularly marked in terms of certain products. In value terms the market was dominated by suits in the 1960's which, in the main, were made to measure. By 1982 there had been a dramatic decline in suit sales and, significantly, a marked switch from made-to-measure suits to ready to wear suits. The period also saw a substantial rise in sales of jeans - both denim and cord - of the share of this market taken by jackets, and of the casual knitwear market, particularly tee-shirts and sweat shirts. Exhibit 14 shows the value of the market by product type from 1974 to 1982.

#### Trousers

The trouser market, in 1982 was in the region of £535m, with an estimated volume of 37 million garments. This estimate must be treated with some caution because the measurement of this sector is prone to considerable error owing to considerable overlap between trousers and jeans which were not broken out separately before 1974. This has become more of a problem since 1977 in the wake of the increasing popularity of cord: it is not always clear if trousers of this type are classified as trousers or jeans. If the volume of trousers and jeans are considered together then there emerges a growth in volume from 56 million in 1974 to 67 million in 1982. The reasons for this are twofold: the first a major increase in sales of jeans and cords; and the second a switch in sales from suits to casual trousers and jackets.

EXHIBIT 14

SALES OF MENSWEAR CLOTHING BY PRODUCT

Product	1974		1979		1982	
	Value (£mn)	Volume (mn)	Value (£mn)	Volume (mn)	Value (£mn)	Volume (mn)
Trousers ) Jeans )	295	56	455 295	40 30	535 370	37 30
Suits	320	10	360	6	370	5
Jackets ) Anoraks )	130	11	350	17.5	320 85	11 5
Coats/Raincoats	65	4	115	3	65	2
Shirts	n/a	n/a	570	85	626	79.5
Knitwear	n/a	n/a	330	47	497	65
Socks	n/a	n/a	95	124(prs)	127	140(prs)
Ties	n/a	n/a	50	21	70	22
Total	-	-	2620	3745	3065	3965

SOURCE : Retail Business/EIU : Reports on Menswear Market, Nos. 211 (September 1975), 269 (July 1980), 270 (August 1980), 308 (October 1983) and 309 (November 1983),



As with fashion wear generally, so with trousers, the younger age groups are the most important customer type. Almost half of all purchases are made by the under 35 age group; the 15-25 is the larger and accounts for nearly 30%. Not surprisingly the younger age group spends up to 25% more per item and the average number purchased, at 2.5 articles, is greater than the average 2 trousers per annum.

### Jeans

From 1965 the importance of the jean market as part of the menswear sector of the clothing industry in the United Kingdom increased dramatically. The figures show that from 1974 when the jean market was worth approximately £50 million, by 1980 the market was worth around £370 million, with the number of jeans being sold at about the 30 million mark in 1979 a volume which has remained constant to 1982. However since the peak of 1979 sales of denim jeans have declined in favour of cords. Despite this increase in the popularity of jeans through the 1970s they remained the province of the younger man with the under 25 age group accounting for more than 50% of the jeans sold and purchasing about three pairs of jeans a year compared to two or less by other groups. Price rises in jeans between 1974 and 1979 are significant. The average retail price for jeans in 1974 was £4 but by 1979 it increased by three times to £12, whilst during the same period retail prices for men's outwear went up by only 82%.

### Suits

At an estimated size of £370 million in 1982, the suit market increased in value from 1979 by £10 million. However, the volume, at approximately 5.0 million garments, was 1 million down on 1979. At this level, suit volume represents a decline of 50% since 1974. The main cause

of the volume fall off was the increased popularity of more casual wear. The demand for suits had been growing by about 2.5% per annum up to 1974, in which year volume demand grew by 1.5% (Retail Business: Sept. 1975). Up to 1974 the main change in the market for suits was the switch from made-to-measure suits to ready to wear. With a volume share of 75% up to the mid 1960s made to measure suits dominated the suit market: indeed by 1968 they still had a two-thirds share of it (Sharman 1977). Some menswear tailors still regarded it as "their business": for example in John Collier, the menswear subsidiary of UDS, made-to-measure suits accounted for 75% of their turnover in 1969. By 1974 made to measure had declined to 40% share of the volume of the suit market, by 1979 20% and by 1982 just 10%. (Retail Business: 1975, 1980 and 1983) Because of the price premium, however, this 10% volume share in 1982 represented a 25% share in value.

There are several reasons for this change that took place from made to measure to ready to wear (Sharman: 1977). New technology in cutting initially from Europe and particularly Italy, meant that ready to wear suits were more likely to give a better fit and improved flow line production processes led to reduced costs. Both provided the customers with a more acceptable product. Whilst in the UK most of the mens tailors were slow to invest in the improved techniques, European manufacturers, who had little commitment to made-to-measure manufacturing more quickly converted to the new processes and began importing into the UK. The availability of the new products led to the growth of the menswear boutiques of the mid and late 1960s, retailers which were not vertically integrated into manufacturing and thus had no reason not to promote the new merchandise. In some respects this single change in menswear fashion had repercussions which were felt throughout the whole of the 1970s. It

spurred the growth in more fashionable menswear merchandise, since the boutiques offered wider and more colourful ranges of menswear. It forced the menswear multiples to think of themselves as retailers, required to meet the needs of a more fashion conscious customer, rather than as manufacturers. It entailed, initially, a change in production techniques with all the associated capital investment and since this was followed by the demise of the suit market, in fact it meant investment in what was to become a largely obsolete resource, since factories were closed down progressively throughout the 1970s.

The customer purchasing pattern for suits shows that the most important group is the 25-44 year old age group which accounted for 40% of all purchases, and there is a bias towards higher socio-economic group purchasing, with AB socio economic groups making 20% of all purchases. The 45-55 age group accounted for nearly 30% of purchases of made to measure suits (Retail Business: 1980 and 1983.)

#### Jackets and Anoraks

The jackets and anoraks market in 1982 was estimated at over £400 the approximate volume being 16 million garments. Jackets and anoraks were not separately classified in 1979 but in 1982 the split was, in value terms £320 million for jackets (11 million in volume) and £85 million for anoraks (5 million in volume).

This sector has been one of the main beneficiaries of the trend to casual wear, with a volume growth of 4.5% each year from 1975 to 1979. The jacket market is seen by the trade as forming two sub groups: "tailored" which includes sports jackets and blazers and "casuals" - mainly zippered. Casuals, which was traditionally the smaller of the two has been growing



more rapidly in recent years and is catching up fast. The split in 1979 was approximately 55% to 45% in favour of tailored jackets. Predictably, casual jackets are more popular among the under-25 age group who account for up to 50% of all purchases. The appeal of the tailored jackets by comparison is more evenly spread. The anorak sub-market, which expanded very rapidly between 1975 and 1977, shrunk to under 5 million garments in 1979 from a peak of 5.5 million garments in 1977 and has held its volume since then. The age profile of the anorak market is not too dissimilar to the tailored jackets; the under-45's accounting for nearly three-quarters of all purchases.

#### Coats and Raincoats

This is the smallest sector, with an estimated value of £65 million. In volume terms it shows a declining trend; the number of coats and raincoats sold in 1982 was 2 million, 1 million less than those sold in 1979, which in turn was 1 million less than in 1974. In terms of volume the market is almost equally divided but in value terms there is a 70:30 split in favour of coats. There is a fairly even purchasing distribution pattern among different age groups.

#### Shirts

The shirt market in 1979 was worth about £570 million with a volume estimated to be about 85 million garments. After two years of steep decline in volume sales there was a modest recovery in 1978, which was carried through to 1979, leaving the market only 10% lower in volume terms compared with 1975. Since 1979 this volume growth has ceased and the market value, although increased to £626 million represents a volume of 79.5 million. Nonetheless, the shirt market does represent the single largest sector of the menswear market. Between 25-30% of the shirt

market is accounted for by "leisure casual" shirts. (This excludes "sweater shirts" and "tee shirts" which are included in knitwear as they are made of knitted fabric).

The average annual purchase of shirts per man is 4.25 and, as would be expected, purchasing frequency declines with age. The under-24 age group buys between 5-6 shirts a year compared with 1 and 2 among the elderly. Similarly, the AB socio-economic groups are estimated to buy twice as many as the DEs.

### Knitwear

The value of the men's knitwear market is estimated as £497 million in 1982 with a volume of 65 million garments. This represents an increase since 1979 of 10% in value and 38% in volume. In 1979 60% comprised conventional jumpers and sweaters, 20% cardigans and the remainder (20%) knitted casual shirts (i.e. tee shirts and sweater shirts). Knitwear weathered the post-1975 recession better than most other sectors and was quite buoyant in 1977 and 1978. In 1979 though in volume terms it was static. The major growth since 1979 has been in casual knitwear, particularly tee shirts and sweat shirts, which accounted for 38% of volume by 1982. Sales of sweat shirts, in fact, fluctuated throughout the 1970s. Prior to their growth post 1979, in the period 1976-77 they went rather out of favour, with sales down by more than 50% to under 4 million in 1979 from a peak 8 million garments in 1976.

On average, about 2.25 knitwear articles are purchased every year but the purchasing frequency varies significantly among the different types of knitted garments and for the various age groups. For example, the 15-24 age group, the most important group overall, purchases between 2-2.5

jumpers each year, 40% more than the next group, whereas in the cardigan sector this age group is on a par with most others and substantially lower for sweat shirts. By contrast, the "tee-shirt" which is very much young men's wear, is heavily dominated by the under 24 age group.

### Ties

The tie market has been fairly static in volume terms at around 22 million between 1979 and 1982 although this represents a growth from pre 1979 when the number of ties sold declined by well over 40% from 1974 to 1979. This decline was in line with the decline in the popularity of suits and, to a lesser extent, collar shirts, which reflects the swing to more casual wear. In contrast to most other sectors of the men's wear market, the younger age groups are less dominant. Purchasing frequency is highest among the middle age groups and declines among the elderly.

### Socks

The sock market in 1982 was about £127 million with a volume of 140 million pairs, an increase over the 1979 value of £95 million and 125 million pairs. From a peak of 135 million pairs in 1975, volume sharply declined for the next two years to only 100 million. The recovery in 1978 was quite vigorous, and gradual growth has followed. Once again the younger age groups represent a large segment of the market but the difference is not as large as in other sectors and the decline in purchasing frequency by age is not so sharp.

#### 2.1.4 Product Sales by Retail Type

Exhibit 15 summarises the share of the products held by different retail classifications from 1979 to 1982.



EXHIBIT 15

% SHARE (OF VALUE) OF MENSWEAR PRODUCTS BY RETAIL TYPE

	Trousers	Jeans	Suits	Jackets	Anoraks	Knitwear	Shirts
<u>1974</u>							
Multiple Tailors	10		42	15		n/a	n/a
Menswear Chains Independent Mens Shops	40		30	40		n/a	n/a
Variety Chains/ Fashion Shops	20		10	13		n/a	n/a
Mail Order	10		7	15		n/a	n/a
Department Stores	5		3	5		n/a	n/a
Others (inc. market stalls)	15		8	12		n/a	n/a
<u>1979</u>							
Multiple Tailors	15	6	30	15		25	27
Menswear Chains	8	10	11	5		22	30
Independent Mens Shops	27	38	27	23		7	8
Variety Chains/ Fashion Shops	25	7	10	12		7	8
Mail Order	9	8	5	7		8	7
Department Stores	4	3	4	4		6	7
Others (inc. market stalls)	10	25	13	26		25	13
<u>1982</u>							
Multiple Tailors	10	8	18	10	8	26	27
Menswear Chains	9	8	15	13	9	23	31
Independent Mens Shops	35	40	35	29	17	6	7
Variety Chains/ Fashion Shops	22	7	18	14	17	8	10
Mail Order	10	12	3	4	4	7	5
Department Stores	5	3	6	5	11	5	8
Others (inc. market stalls)	9	22	5	25	34	25	12

SOURCES : Retail Business/EIU : Reports on Menswear Market nos. 211 (September 1975), 269 (July 1980), 270 (Aug, 1980), 308 (Oct. 1983) and 309 (Nov. 1983).

It has to be remembered that prior to 1974 the multiple tailors were in the main, specialists in made to measure garments, the 42% share of the suit market they held in 1974 represented a decline in share from the 1960s, since, within the category of 'Independent Mens Shops' were the boutiques which had built up their sales of ready to wear suits. This decline in the share of the suit market held by the multiple tailors continued and by 1982 they held only 18% of that share, partly because by then they had adopted a deliberate policy of widening their range and moving away from a reliance on suits. However another major impact in the suit market was the entry into it of Marks and Spencers, followed by other variety chains, in the early 1970s. By 1975 Marks and Spencer alone were reported (Sunday Telegraph : April 1975) as selling 300,000 suits a year or 3% of the total market at that time and a share which has increased since then. By 1982 their share of the suit market was equal to that of the multiple tailors, and they had dramatically increased their share of the sales of jackets and anoraks

The expression 'multiple tailors' is now misplaced since the distinction between them and other menswear chains is now historical and does not reflect major differences in sales mix. In 1974 this was not so. At that time the menswear independents and outfitters were predominantly concerned with ready to wear jackets and trousers with the boutiques and traditional small independent tailors, rather than the outfitters, accounting for the 30% share of the suit market.

Since 1974 independent mens shops have been separately classified and this has shown the large share they have of the value of certain product types. The large number (over 7,000) of menswear shops with less than 10 branches accounted for 35% of the trouser market, 40% of the jean

market, 35% of the suit market and 29% of the jacket market in 1982, and the shares in all these cases had increased since 1974 apparently at the expense of the multiple tailors. This is largely because the number of independent menswear shops increased from the mid 1970s onwards. The other sectors of the retail trade are, perhaps, less significant although it is worth noting that mail order appears to have shown signs of some increase in the sales of trousers and jeans, and market stalls, in particular, have taken a substantial share of sales of jeans, anoraks and cheaper knitwear.

#### 2.1.5 Manufacturing and Supply

Prior to changes in the 1960s manufacturing was regarded as being more important than retailing as far as many of the menswear (particularly tailoring) companies were concerned. However, as men's fashion consciousness changed the mix of sales changed and inflation soared, the manufacturing side of many companies became more and more unprofitable.

As already described, the importing of ready made clothing into this country began to play an increasingly important role in the menswear sector of the United Kingdom clothing industry. Manufacturers were continually threatened by increased competition from imported textiles from countries with low fuel cost policies and from the far eastern countries with low labour costs, in comparison with increasing wage rates in this country. Those countries which were on a par with the United Kingdom in terms of labour costs still posed a threat because their production efficiency was far greater, particularly in the late 1960s and early 1970s.

The threat of imported goods multiplied with the increase in popularity of casual clothes, so many of which were manufactured from cotton, readily



available in Europe and the Far East. Due to low labour costs abroad the traditionally strong cotton areas in this country, particularly Lancashire and Yorkshire found they could no longer compete with the increasingly cheap goods arriving from Hong Kong, Singapore, Korea, Spain and Portugal. Although of a recognisably lower quality, the shift to casual clothing meant that quality was no longer a major purchasing consideration. The extent of impact of importing is shown in Exhibit 16, which shows the volume of imports by menswear. The high import penetration for trousers (over 50%) and suits (48%) had been established prior to 1979. The main growth in importing in more recent years has been in knitwear and in particular casual shirts and ties and sweat shirts. 60% of the UK sales of knitted shirts and pullovers are now from imported goods.

One reason for the advance of imported merchandise is the price advantage enjoyed by countries such as Honk Kong, Singapore, South Korea, Portugal, Greece, Romania and Hungary because of the lower wages in these countries. Also higher wage countries like Finland, West Germany and Italy still possessed a distinct advantage over the UK manufacturers in the form of production efficiency, high quality and style of clothing throughout most of the 1970s and were able to capture a substantial share of markets for suits, trousers and jackets.

These levels of import have created major problems for UK manufacturers of menswear. Exhibit 17 shows the volume of merchandise manufactured in the UK in 1977, 1979 and 1982. In all categories apart from jumpers/pullovers, tee and sweat shirts and jeans, UK manufacturers output has dropped as capacity has been reduced in the face of overseas competition. A major problem faced by manufacturers is their capability to create any brand loyalty or much brand awareness. Apart from the

EXHIBIT 16

SHARE OF MENSWEAR PRODUCT SALES BY VOLUME (mn)  
OF IMPORTED GOODS 1979-1982

(Shares of product sector in brackets for 1979 and 1982.)

PRODUCT	1979	1980	1981	1982	MAIN COUNTRIES OF ORIGIN
Trousers/Jeans	37.9 (54)	40.0	38.9	34.9 (52)	Hong Kong(15mn) Italy(11mn)
Suits	2.6 (43)	2.4	2.7	2.4 (48)	Italy (14mn)
Jackets/Blazers	4.8 (44)	3.6	3.0	2.8 (25)	Finland (6mn)
Coats/Raincoats	0.8 (27)	0.6	0.7	0.7 (35)	
Shirts - woven	49.0 (58)	43.0	40.7	48.1 (60)	S. Korea(4mn) Hong Kong(4mn) India(4mn) Hong Kong(4mn)
- knitted	14.6	16.5	18.1	13.2	
	(31)			(60)	
Pullovers/Jumpers	-	32.0	32.2	26.1	
Socks	27.3 (22)	26.0	35.1	50.9 (36)	
Ties/Cravats	1.9 (9)	1.6	8.0	2.6 (12)	

SOURCES : Retail Business/EIU No.270 (August 1980) and No.309 (November 1983).

EXHIBIT 17

MENSWEAR MANUFACTURED IN THE UK  
(in millions of units)

	<u>1977</u>	<u>1979</u>	<u>1982</u>
Trousers	17.0	16.6	13.7
Jeans	13.8	21.1	17.7
Suits	4.0	3.2	1.8
Jackets	4.2	4.3	2.3
Coats	0.8	0.6	0.4
Shirts (Woven)	27.1	28.9	24.4
(Knitted)	27.1	1.5	1.5
Knitwear (Jumpers)	29.7	30.4	32.0
(Tee/Sweatshirts)	2.5	6.8	n/a
Socks	118.0	117.6	103.8

SOURCE : Retail Business/EIU : Reports on Menswear Nos. 269 (July 1980)  
and 308 (October 1983).



branding of jeans, customers appear to identify with the retailer rather than the merchandise.

However, the balance of trade on clothing and textile with EEC countries and with the USA for 1979 showed a surplus (David : 1980). The breakdown of the export and import to the EEC is given on Exhibit 18 and shows that UK exports to all but Italy and Portugal exceeded imports from those countries. The reduced capacity of UK manufacturers has been directed more towards higher value, higher quality exports rather than attempting to compete in the lower value, higher volume markets dominated by the Far Eastern countries.

As recorded by the 1977 census of production, there were 955 knitwear manufacturers and 539 mens' shirts manufacturing enterprises in the UK. In spite of sluggishness of unit sales by UK manufacturers and the growing share of imports, there was a slight increase in the number of manufacturers compared to the previous census in 1973. The structure of the knitwear industry is rather more concentrated than mens' outerwear manufacturers with a high number of large enterprises controlling a larger proportion of output. Mens' shirts and underwear manufacturers are highly fragmented. For both knitwear and mens' shirts manufacturers, nearly 90% of all enterprises collectively account for only one-fifth of its industry's output by volume, the remaining 10% producing 80% of the total output.

#### 2.1.6 The Retailers of Menswear

There is no precise record of the number of menswear retailers in the UK. The Business Monitor (1982) estimates that there were 10,451 mens and boys outfitters in 1980, compared to 14,339 in 1971 and over 15,000 in 1967. However this does not include retailers other than specialist

EXHIBIT 18

UK CLOTHING & TEXTILE TRADE BALANCE WITH EEC AND USA (1979) - £mn.

<u>COUNTRIES</u>	<u>EXPORT</u>	<u>IMPORT</u>
USA	35.5	29.6
Benelux	85.0	32.8
Denmark	29.5	5.9
France	57.9	48.4
West Germany	69.1	54.1
Ireland	132.8	73.4
Italy	18.1	123.1
Norway	38.8	2.9
Portugal	0.97	59.4
Sweden	47.0	11.8
Switzerland	29.0	9.0
	<u>509.0</u>	<u>420.0</u>

SOURCE : Financial Times 23 May 1980.

menswear shops.

Exhibit 19 shows the distribution of retail menswear companies according to their number of outlets. It shows that the industry has relatively few large multiple chains and a great many small, often independent, retailers, many of which trade through just one or two branches. Exhibit 20 shows the split in sales between the chains with ten or more branches and the small retailers. It has remained fairly constant at 56:44 since 1979.

The number of retailers declined in the early 1970s but as the multiples divested themselves of smaller units from the mid 1970s onwards, these shops were acquired by small independent chains or individuals giving rise to a growth in the number of independents as a proportion of all menswear shops. By 1980 although the total number of shops was less, 75% were independent compared to 63% in 1980 (see Exhibit 21).

Despite this shift in the mix of retail outlets, buying power remains centralised, in 1980 the five largest multiples took 32.4% of all sales of the menswear clothing shops and the ten largest groups almost 45%. More specifically it was estimated that 60% of trousers, 55% of suits, 40% of jackets and 30% of jeans were purchased through 30 buying points (Retailing Inquiry : 1980).

Specialist menswear retailers are, however, not the market leaders in the menswear market. Exhibit 22 shows that Marks and Spencer had by far the largest share of the market in 1982 at 13.5%, and that following Burton's share of 4.5%, it was the variety and clothing stores C & A (2.9%), British Home Stores (2.9%) and Littlewoods (2.6%) which had the next highest shares. The shares of the variety chains have increased



EXHIBIT 19

MENSWEAR RETAILERS : DISTRIBUTION BY NUMBER OF OUTLETS

<u>No. of Outlets</u>	<u>No. of Companies</u>	<u>Specific Companies</u>
Less than 10	10,000 +	
11-20	23	
21-40	15	
41-100	7	
101-200	2	Dunn's, Harry Fenton.
201-400	4	Burton (+Top Man), Hepworths, Colliers, Greenwood.
401 or more	1	Fosters.

SOURCE : Retail Directory 1983 : Category M.23, Mens and Boys Wear.

EXHIBIT 20

SHARE OF MENSWEAR SALES BY SIZE OF COMPANY

Sales in £m (and % share).

<u>YEAR</u>	<u>LARGER CHAINS (10+ Shops)</u>	<u>SMALL RETAILERS</u>
1979	610 (56)	485 (44)
1980	635 (56)	505 (44)
1981	645 (56)	510 (44)
1982	675 (56)	630 (44)
1983	775 (57)	590 (43)

SOURCE : Retail Business/EIU : Report on Clothing and Footwear Shops No.34 (January 1984).

EXHIBIT 21

NUMBER OF RETAIL OUTLETS BY CLASSIFICATION OF RETAILER

	<u>1971</u>	<u>1980</u>
Total number of menswear shops	14,339	10,451
Number within multiple chains	5,305 (37%)	2,613 (25%)
Number of independents	9,034 (63%)	7,838 (75%)

SOURCE : Business Monitor.



EXHIBIT 22

RETAILERS SHARE OF THE MENSWEAR MARKET IN 1982

<u>Retailer</u>	<u>% Share</u>	
Marks & Spencer	13.5	(11% for outerwear; 19% for underwear)
Burtens	4.5	(6.5% for outerwear)
C & A	3.8	
British Home Stores	2.9	
Littlewoods	2.6	
Hepworths	2.3	
Fosters	2.0	
John Collier	1.3	
Other menswear multiples	14.5	
Departmental Stores	5.5	
Independent Specialists	28.7	
Others	12.7	

SOURCE : Mintel "Retail Intelligence" on Clothing Retailers, 1983.

throughout the latter half of the 1970s as they have expanded their ranges of outwear but Marks and Spencer are by far the dominant force accounting for 20% of all UK manufactured menswear products and over half the menswear sales of all the variety chains put together. The other menswear retailers with the greatest market shares were Hepworths (2.3%) Fosters (2.0%) and John Collier (1.3%).

The position of the specialist menswear retailers throughout the 1970s is worthy of special mention. They have faced a series of major challenges. The multiple tailors who historically thought of themselves as manufacturers with retail distribution points which stocked virtually nothing since almost all their merchandise was made to measure, were required to become retailers. This demanded both changes in attitude and skills, not least of which were that managers needed to become proficient in stock control, distribution and merchandise selection. They were skills which, hitherto, had not been required. The outfitter, not burdened with the manufacturing commitment of the tailors, nonetheless increasingly found themselves in a difficult position as both the tailors and the variety chains moved into the traditional outfitting market. In product terms the neat divisions of the 1960s were blurred by the 1980s : each type of retailer was selling broadly similar ranges of product.

One effect of these competitive moves was to heighten pressure on margins. The costs of retailing rose for the tailors in particular and margins were not helped by their inability to raise prices in a market operating at a depressed price level. In 1980 gross margins in the menswear retail trade were estimated to be averaging 40% on a stock turn of 4.2 or 145 days (Mintel : 1983), a level which was unattractive and was offered as a reason for the fact that the large grocery based supermarkets

had not pursued market entry vigorously. By 1980 pressures on margins further increased as buying prices for clothes threatened to rise because of increasing material costs worldwide (15-20% on synthetic fibres in 1978 for example) and the desire of Far Eastern manufacturers to trade up in order to overcome potential losses resulting from falling demand (Economist : May 1979).

The retailers of menswear had, historically appealed to somewhat different market segments. By the 1980s they had deliberately tried to engineer market positions particularly by age segments. Exhibit 23 shows the overall demographic breakdown of visitors to clothing shops (mens and womens) by age and socio-economic group. There are some definite biases. Women visit clothes shops more often than men, and there is evidence that women play an important part in the purchase of mens' clothes (Attitude Research : 1980). The most frequent visitors to clothing shops are below 25 years of age and have provided a focus of attention for many of the retailers, although it has to be pointed out that this age group is shrinking in numbers as the age profile in the UK shifts. It is also noticeable that the frequency of visits to clothing shops is greatest for upper socio-economic groups and lowest for lower socio-economic groups. This overall pattern is significant when the consumer profiles of the major retailers are examined (see Exhibit 24). The main differentiating characteristics of these profiles are as follows by retailers:

- Burtons appeal to the younger age groups and single people, are particularly strong in provincial areas of the country and in the 15-24 and 25-34 group. They have also positioned themselves in terms of the middle ground in socio-economic group terms.



EXHIBIT 23

VISITORS TO CLOTHING SHOPS (IN PAST MONTH)

Percentage visiting a clothes shop within previous months of survey :

All adults 71%    Men 61%    Women 79%.

By age :

15-19 79%    20-24 84%    25-34 70%    35-44 74%  
45-54 69%    55-64 72%    65+ 55%.

By socio-economic group :

A/B 87%    C<sub>1</sub> 75%    C<sub>2</sub> 68%    D 65%    E 55%.

SOURCE : Mintel "Retail Intelligence" on Clothing Retailers, 1983.

RETAILERS : CONSUMER PROFILES

Category	British Home Stores		Burtons		C & A		Debenhams		Dunns		Foster Brothers		Hepworths		John Coffer		Littrewoods		Marks & Spencer		Mens Boutiques	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
All Adults	11.6	100	10.0	100	13.6	100	6.1	100	3.5	100	7.8	100	5.1	100	4.1	100	8.7	100	34.5	100	10.6	100
Men	12.8	111	13.0	129	15.3	113	7.1	117	4.7	134	9.3	119	6.8	132	5.1	123	8.5	98	37.5	108	13.9	131
Women	10.4	90	7.3	73	12.1	88	5.1	85	2.4	69	6.5	83	3.6	70	3.3	79	8.8	102	31.8	92	7.3	71
Age																						
15-24	9.2	80	17.6	175	16.7	122	5.9	87	1.3	37	9.5	122	7.2	141	6.0	145	7.4	86	21.3	62	22.3	211
25-34	14.3	124	14.5	144	19.4	142	6.2	102	1.2	34	8.5	109	6.8	133	3.6	88	9.6	111	35.0	101	19.3	183
35-44	16.7	145	11.1	110	18.6	137	7.6	124	2.1	59	9.5	121	6.7	130	5.1	129	13.3	54	43.2	125	9.0	85
45-54	13.9	120	8.3	82	14.4	106	7.4	123	4.5	127	8.7	112	5.0	97	4.7	114	9.3	108	43.9	127	5.4	51
55-64	9.7	84	4.7	47	8.5	62	5.7	94	6.3	178	6.7	86	3.3	64	3.0	73	8.9	103	42.6	123	1.8	17
65 or Over	6.8	58	2.3	23	4.0	29	4.1	68	6.6	185	4.1	52	1.5	29	2.2	53	4.5	52	28.0	81	1.5	14
Social Class																						
AB	13.1	113	11.9	118	14.7	108	10.1	167	5.8	162	5.7	74	7.3	142	3.8	91	8.5	98	51.1	146	11.9	112
C1	14.0	121	12.3	123	16.1	118	8.0	132	5.1	142	8.1	104	7.0	136	4.9	117	9.1	105	39.3	114	12.0	114
C2	12.3	107	10.9	109	15.0	110	5.6	92	2.8	78	8.6	110	4.8	94	4.2	103	9.7	112	33.3	96	11.3	107
D	9.9	85	8.3	83	12.2	89	3.3	54	2.1	60	9.5	122	3.8	74	4.4	106	8.1	93	27.1	79	10.3	97
E	5.2	45	3.2	32	5.8	42	2.2	37	1.9	54	5.2	66	1.4	28	2.6	62	6.1	71	16.7	48	4.3	41
Regions																						
Greater London	14.8	128	7.7	77	16.4	120	4.9	81	4.5	127	3.1	40	4.8	93	4.2	101	7.1	82	41.5	120	13.1	124
South East	14.1	122	9.5	95	14.4	106	10.0	165	3.3	94	10.8	138	6.4	124	4.0	97	7.3	85	39.4	114	11.2	106
South West	7.7	66	8.9	88	10.9	80	8.9	146	4.1	117	10.5	135	5.2	19	3.5	84	7.4	85	34.6	100	9.2	87
Wales	9.3	80	12.7	126	12.5	92	6.0	100	2.7	76	7.6	98	5.7	111	3.8	93	7.5	87	30.2	87	8.4	79
W & E Midlands	8.7	75	11.2	112	12.7	93	4.6	76	2.9	82	13.3	170	5.0	97	4.7	114	9.0	104	30.2	87	4.5	90
North West	9.5	82	11.0	110	14.2	104	5.6	92	3.3	92	6.1	78	4.3	85	4.6	111	6.7	78	33.8	98	10.5	100
Yorkshire	14.8	128	8.4	83	15.1	111	5.9	97	3.4	95	4.0	51	3.9	76	3.3	79	10.6	122	31.0	90	9.6	91
North	10.9	94	11.6	116	13.7	100	1.5	24	4.0	113	5.1	65	5.0	98	3.5	85	11.6	134	29.6	86	10.2	96
Scotland	10.8	93	10.8	108	10.5	77	2.4	40	4.1	115	2.6	33	4.8	93	4.7	112	13.7	159	31.2	90	11.1	105
H/D Income																						
£15,000	15.2	132	16.3	162	19.9	146	11.0	182	5.7	149	5.9	75	8.2	160	5.6	136	11.6	134	54.9	159	20.6	195
£11,000-14,999	16.2	140	17.0	169	20.7	152	9.5	156	4.2	117	9.0	115	9.1	178	4.7	114	11.2	129	51.5	149	17.5	166
£9,000-10,999	16.8	145	15.3	152	19.0	140	8.5	141	4.0	114	10.7	137	8.5	165	5.9	143	10.9	126	48.4	140	14.4	136
£7,000-8,999	13.7	119	12.4	124	18.1	133	6.4	105	3.4	95	9.1	117	7.3	142	4.4	107	10.5	122	39.1	113	12.9	122
£5,000-6,999	12.9	111	9.8	98	14.4	105	5.5	91	3.6	100	9.8	126	4.4	186	4.0	95	9.6	111	33.1	96	9.8	92
£3,000-4,999	10.0	87	7.9	78	10.9	80	4.1	68	4.9	139	7.5	96	2.9	56	3.4	82	7.2	84	29.5	83	8.1	72
£2,499 or less	7.0	61	4.3	43	6.7	49	3.1	52	2.5	70	5.3	68	2.3	45	3.5	87	6.3	72	20.3	59	4.4	42
Single	8.1	70	15.0	149	14.2	104	5.5	91	2.0	58	8.0	103	6.1	118	5.2	126	6.1	70	22.0	104	15.8	173
Engaged (inc. in single)	11.1	96	20.0	199	20.6	151	4.5	74	2.2	61	6.4	82	7.0	137	7.5	182	6.3	73	30.2	87	28.3	213
Married	13.3	118	9.4	93	14.9	109	6.8	112	4.2	119	8.5	109	5.3	140	4.2	101	10.3	119	41.5	120	8.2	87
Sep./Divorced/Widowed	6.4	55	4.3	43	5.2	38	2.7	95	2.5	71	3.6	46	2.2	42	1.9	46	4.1	48	18.9	55	2.4	23

- Hepworths attract the 25-44 age group with a decided bias towards the ABC socio-economic group who are likely to be married.
  
- Fosters is the most "down market" of the menswear specialists with a decided lean towards lower income C2Ds of an older age group. As a retailer its particular strength is in the Midlands.
  
- Dunn's is an example of a menswear specialist with a very particular market focus - older (45 and over) ABC, married men.
  
- The variety chains, most notably Marks and Spencer are frequently described as "middle of the road", their customers being in the main better off, ABC, men and women aged 35-64. The profile for the other variety stores differs mainly in that C & A has a younger age profile and most (in particular Littlewoods) are more down-market.



## 2.2 FOSTER BROTHERS LTD : 1970 - 1983 - A CASE STUDY

To understand Fosters it is important to understand something of their history which shows that certainly up to the early 1970s and arguably until the early 1980s, they were a very different menswear retailer from now, or indeed from other retailers of those times. If 1970 is taken as convenient point at which to make this comparison, then there are perhaps four differences which need to be emphasised. First, Fosters was smaller than Burtons, John Collier or Hepworths in terms of turnover; it had a turnover of around £10 million compared to Burtons £70 million for example and even Hepworths, small compared with Burtons, had a turnover of £17 million. Second, it was a different sort of menswear retailer; it was not and never had been a multiple tailor; it was an outfitter selling shirts, knitwear, jackets and trousers, not suits and not made to measure garments, and with no commitment to made to measure manufacturing. Third, it had built up a property portfolio of some 450 shops which were, in the main, small outlets staffed by two or three, often in smaller towns than the larger tailors or in shopping precincts which did not warrant a Burtons or Hepworths. Fourth its customer profile had always been at the lower end of the market. Traditionally it was the shop older men went to for clothes they wore to work or to which mothers took their children in order to buy school clothes.

### 2.2.1 Early History

William Foster, the founder of the Company, opened his first shop in Pontefract in 1876. He sold a variety of cheap, ready-made clothing for men and boys - workwear, hats, ties, shirts and coats. Eight years later

he moved to set up shop in Coventry Road, Birmingham with Mr W T Webster, who joined him from John Shannon, a Walsall clothes manufacturers. Together they built up Fosters, by the time of the Great War, into a chain of more than eighty shops, with its own clothes factories. From then until 1966, William's widow, his son Harry, and Mr Webster's son, successively guided the Company as Chairman or Managing Director. The emphasis on workwear began at this early stage : the aim was to provide good value clothing at prices that would attract the working man and his family. Company growth was steady and by 1945 there were 140 shops, situated chiefly in the Midlands area. The company finally went public on the 10th January 1951.

During the early 1960s changes occurred which had important consequences for Foster Brothers. First the Company began to alter its product range and image, moving, under the guidance of their Merchandise Director, Tom Jacks, towards a greater emphasis on *menswear jackets and trousers in particular*. Second from 1962 onwards the company began to speed up its acquisition of new shops. Throughout the 1960s and into the 1970s there was an emphasis on growth through new shops : as Barry Davison, the present Chairman and Chief Executive explained

"Retail companies are very much property companies. In those days we were very much a branch acquisition business, more than a retailer, I think. The business was run by people who looked after the property, rather than people who were traders. We were always very entrepreneurial about our property decisions; we made quick decisions which gave us a big advantage over companies that take a long time to make decisions."

During the 1960s growth also occurred through the acquisition of companies. The first major acquisition was that of 'Dormie Menswear', a Scottish based firm. The company was involved in the sale and hire of

men's clothing. Both areas of the business were expanded after the acquisition, particularly the hire side. The product range was aimed at the top end of the market and was a definite move on the part of Foster Brothers to expand their product/market mix.

The next acquisition of note was 'Jessops', in 1967, a traditional bespoke tailor business, producing a range of made to measure suits, with 16 shops and one factory. This was a move away from the ready-made menswear image Foster Brothers were cultivating. One executive explained: "It was an attempt to compete with the multiples in a very small way, simply as a means of providing extra turnover. As a venture, it was never more than a sideline".

This growth in the 1960s meant that the Head Office, then in Central Birmingham, was becoming increasingly cramped. As a result of this, in 1968, the company moved to Solihull, with a Head Office and a large warehouse. This move also signalled the change to central distribution of merchandise, the warehouse providing stock to every branch in England and Wales, by the company's own fleet of vehicles.

The company entered the 1960s as one of the largest mens outfitter in the country with some 290 shops and a capacity for growth in terms of both financial resources and distribution capability. The 1970s were to see the company take advantage of this capacity and demonstrate a rate of growth in turnover and profits in excess of any other menswear retailer.



## 2.2.2 Fosters in the 1970s

### 1970 and 1971 - Bases for Profitable Growth

The senior managers at Foster Brothers all hold the view that the single most significant move made by the company occurred in 1970. That year saw the acquisition of Bradleys, a Chester based menswear outfitter with 160 shops : the number of branches was virtually doubled at a stroke. The perceived benefits were largely to do with size and distribution of branches. The earlier move to the Solihull headquarters meant that the company already had the central warehousing and distribution facilities to cope with the increased numbers of shops; the buying capacity of the company was also increased; and since there had existed a tacit agreement between the two companies to avoid trading in each other's areas, the acquisition provided almost entirely new geographical locations for Fosters.

The acquisition was not problem-free however : in 1970 the Chairman, Mr. Geoffrey High, had predicted it would take at least two years before Bradleys would be enhancing the Group's performance. In 1971 he reported the closure of 20 of their branches and in 1972 he revised his two year forecast to three explaining that many of the smaller, often rural, branches were "responding more slowly than we have anticipated". The initial impact of the Bradley's takeover was reported by the Investors Chronicle (I.C. 2 July 1971) as affecting the 1970/71 company performance by doubling stocks, reducing stock turn to 3.75 a year from 5.75 and requiring a £451,000 write off on reserves. However in 1971, at least, they were impressed by Fosters capability to make the acquisition and convinced they could assimilate it.

1970 and 1971 also saw the acquisition of 53 new Foster Branches,

including the first branches in Scotland and the beginnings of in-store concessions with Woolco as a means of expanding turnover. This was accompanied by a cut-back on some smaller, loss-making outlets and a closure of one of the factories at Tamworth, further reducing the already low commitment to manufacturing.

This period also saw the consolidation of a second major decision. The company had been importing merchandise from the Far East for several years. In 1971 they took the decision to buy direct from the Far East - a decision that was to provide a basis for ensuring sales and profit growth throughout the 1970s. Despite the fact that the group had its own factories, these produced only 13% of turnover so a great deal of buying from outside the company had always taken place. In 1968 Foster Brothers bought 80% of its merchandise from within the United Kingdom. By 1973 this figure had gone down to below 45%, as the company began to buy further afield - for example from Portugal, Hong Kong, Taiwan, Rumania and Yugoslavia. By 1975 the company was reported to be the single biggest importer of clothing from Hong Kong. This came about chiefly through the necessity to remain competitive in the low price end of the market as prices in the UK textile industry began to soar in the early 1970s; and also the need to supply such a large company with sufficient stocks during a time when there was a worldwide shortage of manufacturing capacity for clothing. Faced with rising prices at home and a conviction by Tom Jacks that Fosters must be able to demonstrate a low price to attract their customers, the decision was taken to increase the proportion of imported merchandise.

The effect was felt throughout the 1970s. Fosters were the first of the large menswear companies to import in quantity so they got the benefit of



bulk buying, together with the ability to price below competition whilst achieving margins greater than competition. It was a decision which underpinned much of their success in the years to come.

The late 1960s and early 1970s had a major impact upon the personnel in the company. The rapid branch growth necessitated the influx of many new people into the company. During the 1960s a large intake of retail personnel from Hepworths took place, through the inducement of higher salaries and the potential for promotion. In particular with the branch acquisitions programme there was a need to bring in or train shop managers to run the branches. The company began to take school leavers, with the intention of preparing them for branch management by the age of twenty. This stands in stark contrast to the period prior to 1965 when managerial positions were rarely open to anyone under the age of thirty. At one stage the Group were looking for a new manager every nine days. A number of the managers brought into the company at that time progressed rapidly through the company to area or regional manager, or as with Brian Wood, the Managing Director of Foster Menswear in 1983, to the most senior positions. The company tried to promote within wherever possible.

The Bradley's acquisition did, however, depress company performance in 1971 (see Exhibit 25). Margins were reduced and return on capital employed fell from 25% to 18% on the increased capital base. The financial press was less happy than they had been a year earlier : there were "too many factors ... playing against" the company, said the Investors Chronicle (May 19, 1972), including continued problems of the integration of Bradleys, economic pressure on young families and growing unemployment in the Midlands in which area the company was still mostly



EXHIBIT 25FOSTER BROTHERSSummary of Financial Performance 1970-75

£Million	1969/70	1970/1	1971/2	1972/3	1973/4	1974/5
Turnover: Retail Sales	11.1	17.3	18.6	21.8	27.8	34.4
Trading Profit	1.3	1.8	2.0	2.9	3.3	3.1
Surplus on Sale of Properties	-	-	-	-	-	0.1
Less Interest	0.1	0.3	0.3	0.1	-	-
Profit Before Taxation	1.2	1.5	1.7	2.8	2.3	3.3

Summary of Key Financial Ratios

Growth in Turnover (%)	n/a	+56	+8	+17	+28	+24
Growth in Trading (%)	n/a	+38	+11	+45	+14	-7
Trading Profit as % of Sales	12	10	11	13	12	9
Profit Before Tax as % of c.e.	25	18	22	31	26	23

concentrated. They were comments about threats to the company which may have seemed very real at the time ; but Fosters was to face more severe threats in the next few years and demonstrate it could outperform competition.

#### 1972-1974: Menswear Growth and Diversification

From 1972 to 1974 the emphasis for Foster Menswear was on branch development. From the base of 385 Foster Menswear branches in 1971 the company grew to 448 by 1974 mainly through the acquisition of sites in areas of the country in which the company was poorly represented. These acquisitions were accompanied by the refitting programme begun in 1971 and by the closure of some of the very small branches. In these years it was this growing chain of shops which profited from the high margin, low priced merchandise imported mainly from the Far East.

However, 1972 also saw the first move by the company into areas other than menswear with the purchase of D P Adams, a small retailer of children's wear. The agreement was reached largely due to personal contacts between Mike Adams, the owner of the company, and Barry Davison, who as the Company Secretary at that time who saw the growth of the Mothercare chain as an indicator of an opportunity for a similar Foster Group venture. The Chairman, Geoffrey High, described his plans for the company in 1973:

"This privately owned concern previously operated through five shops and specialises in children's wear for both boys and girls covering the age range from birth to the brink of teenage years. We think it is fortunate that we have been able to purchase the Adams business and with it the acumen and enterprise of its Chairman and Managing Director, Mr Michael P Adams, who has entered into a Service Contract for several years ahead. We intend to expand the business fairly quickly."

Adams Childrenswear was expanded from the initial five shops to thirty within twelve months.

In 1973, with the acquisition of Adams and the growing number of properties, the decision was taken to re-structure the Group. Geoffrey High, described this as follows:

"The considerable length growth of your company during the past few years makes it virtually essential for the Parent Company to act in the role of a Holding Company so that each retail activity within the organisation has clearly defined responsibilities which are reported upon, at regular intervals, to the main Board. This is a natural step and the adoption of this new structure will make for greater management and administrative efficiency".

The main trading concerns operating within this structure were, in 1973, Foster Menswear, with 427 shops; Mr Christopher Boutiques, with 7 shops; Dormie Menswear, with 42 shops and Adams Childrenswear with 30 shops. In addition there were the remaining manufacturing concerns operating outside Jessops and, newly established, a property company - Marshall Lake properties - and the distribution service - Foster Brothers (Group Services). By the beginning of 1973 sales had virtually doubled - to £21.8 million - since 1969/70 and trading profit stood at £2.9 million, giving a return on capital employed of 31%, far in excess of any of the major companies in the industry. Cash in the business, in the form of short term deposits stood at £1.75 million and had risen to this figure from just £6,191 the previous year through the rise in profits, a tightening of controls on stock and rising margins. The decision was taken to use the cash to diversify further.

Stone-Dri was a chain of 118 shops selling cheaper women's and men's



clothing to meet the same sort of market profile as Foster Menswear. It was acquired in 1973 with a view to developing an interest in the womenswear market in a market sector that Fosters were used to dealing with. Again the view was taken that it would take at least two years to sort out the merchandise and stock situation. It was not to prove a profitable venture however, and by 1975 branches were being closed or converted to men's or children's wear. The company did not make another attempt to move into the specialist women's wear market.

By the end of 1974 the Group was trading through 670 shops with a turnover of £34.4 million. However in common with most retailers the company found 1974 a difficult year with rising inflation, the disruption in the early part of the year through a reduced working week, and the later imposition of price controls. The company reported half year trading profits down by £400,000 in the autumn, together with declining margins and a cutback on the expansion plans for the branches (FT 6 November 1974). Profit decline for the full year was held to £225,000 but margins had been reduced substantially to 9% from the previous year's 12% and the company, for the first time in the 1970s, declared a surplus on disposals of property. Despite what was for Fosters a poor year, the return on capital

employed still stood at 23% and this on a property revaluation at the beginning of 1974 which had raised the fixed assets by some £5.3 million to £14.4 million. Whilst there had been a drain on the cash resources of the business, short term borrowings and overdrafts had been substantially reduced and the stock levels reduced despite the sales increase. It was a pattern that was repeated through the history of the business : in times of hardship the company was able to tighten its controls such as to minimise the effects on profitability and cash flow.

Important changes occurred in 1973 and 1974 at the top of the company. For the first three years of the 1970s the company's senior management had been Geoffrey High as Chairman and Joint Managing Director with John Foster, the last of the Foster family as the other Joint Managing Director. In 1973, Barry Davison, who was Company Secretary, and an accountant by background, was appointed Joint Managing Director with John Foster : Mr High became Chairman. In 1973 John Foster decided to take early retirement, leaving Barry Davison as sole Managing Director.

#### 1975-1979

##### A Change in Merchandise Policy

The merchandise policy which was evolving of low cost merchandise imported from the Far East allowing highly competitive prices seemed to benefit the company. Fosters were reported in 1975 to be out-performing competition (FT October 29 1975) and doing relatively better in the more difficult trading conditions of 1976 in which year about half the sales were from imported goods (FT May 19 1976).

Up to 1975 Foster Menswear had retained its traditional target market,

concentrating namely on satisfying the older man's market, the 35-50 age range. 1975, however, saw the beginnings of a shift away from this traditional stance. It was a change which was to involve adjustment in merchandise over a five year period but its origins may be traced to 1975 with the accession of Barry Davison as Managing Director and the retirement of Tom Jacks as Merchandise Director. In addition, the Merchandise Department was changing. Not only did Tom Jacks retire, but younger buyers entered the business who were more aware and sympathetic to mens fashion clothes. In addition the company was already selling jeans which, given the highly competitive prices, were becoming more and more popular; and other casual items progressed naturally from this. There was no immediate or major switch in merchandise : rather a gradual move to younger more fashionable clothing. It was in the Annual Report of February 1977 that the Chairman announced the move to the shareholders :

"We are widening our range of merchandise so as to appeal more markedly to the younger generation whose spending power is probably more virile than that of families who are encountering ever increasing pressure on their disposable incomes".

By the following year he was able to say:

"A number of factors contributed to greater buoyancy in our turnover figures but probably the most important single factor was the decision to place greater marketing emphasis towards younger and more fashionable clothes."

By 1978 and 1979, the change in merchandise policy had become known as "Fashionpoint" and was more formally acknowledged and planned. The buyers had put together a range under the name which was featured in window displays and on a special display unit in the shops, initially in 20 shops but eventually in 250 shops. Sourcing for the range remained mainly



overseas and pricing policy remained keen. In effect the company had moved over four years from an almost exclusively older man's shop to providing merchandise for a wider age grouping, although still primarily within what was seen as the traditional market target - the C2DE socio-economic group. These merchandise moves were taken within the growing commitment to overseas buying. In 1976 factories producing their own clothes in Bolton and Salford were closed down and a third was scheduled for closure and reprieved literally within a day of redundancy notices being issued when the government announced import quotas on garments from Taiwan and the factory was converted to the production of children's blazers at short notice.

Throughout the period there was also a progressive conversion to and opening of larger retail outlets, search for sites in the towns and cities in which the company was unrepresented and the closure of some of the smaller less profitable shops. From the 458 Foster Menswear shops in 1975 the number rose to about 500 by 1977 and then remained static as a total number of shops but continued to grow in terms of square footage.

#### Diversification and New Ventures

Despite a disappointment with the Stone-Dri acquisition, the commitment to the desirability of entering the womenswear market remained. In 1975 a number of shops were converted to a womenswear "Fosters equivalent" aimed at "selling keenly priced ladies fashions to the 18-35 age group". Initially four shops were opened with the expectation that this number would be increased by both site purchases and transfers from other businesses within the Group. By late 1976 the importance of this trial for the future of womenswear within the Group was heightened by the demise

of Stone-Dri. Geoffrey High announced in the 1977 annual report:

"We purchased Stone-Dri in 1973 when retail conditions were far more buoyant than has been the case throughout the past twelve months. In consequence of severely escalating costs in virtually every direction, a number of the Stone-Dri shops earning profits at the time of acquisition are no longer commercially viable. We have therefore decided to carry out a radical programme of re-organisation. Approximately thirty units will operate under the 'Crowds' banner, keenly priced ladies fashion to the 18-35 years age group."

Initially some of the Stone-Dri branches were left as they were - the more profitable ones - whilst the remainder became either Foster Menswear or Adams Childrenswear stores. The Crowds initiative fared no better than the Stone-Dri acquisition. Within twelve months of the announcement of the rundown of Stone-Dri Crowds was also discontinued. Geoffrey High explained it as follows at that time:

"It is a fiercely competitive and sophisticated field which lost no time in showing us our weaknesses and our lack of flair".

The decision to pull out of the venture was taken in Autumn 1977 and the Crowds shops closed early in 1978.

By 1977 the company's strategy in the menswear sector at least seemed to be proving successful. Group turnover was in excess of £50 million, trading profits over £5 million, total borrowings limited to an overdraft of £500,000 against a cash position in excess of £1 million. Return on capital employed was running at 28%, and virtually all this was the result of the menswear business. With cash to spend and a commitment at the most senior levels to the need for diversification, further attempts were to be expected. Barry Davison had seen the growth of cut price drug and cosmetic stores in the USA and the beginnings of a similar operation -



"Superdrug" - in the UK. He had also agreed Mr High that the Group should be seeking for ventures outside menswear retailing. In August 1977, the Group acquired "Discount for Beauty", a cut price retailer of toiletries and cosmetics with eighteen shops mainly in Yorkshire and the North East. Within twelve months the number of branches had risen to 35. Despite initial growth, this business did not remain entirely free from problems. In the Annual Report two years later, 1980, it was stated:

"Turnover in drugstore businesses has been depressed during the year and Discount for Beauty did not emerge unscathed. The three Directors who were incumbent when we acquired this company have since resigned by mutual agreement. During this year we have reviewed the trading and management control policies of the business and new management systems have been installed".

During 1978 Foster Brothers developed the cosmetics business further when they acquired over 95% of the ordinary shares in Staff Facilities (Holdings) Limited. Once again they were retailing cosmetics, toiletries and perfumery but unlike Discount for Beauty, not through the traditional retail outlet - the shop. Instead, representatives sold these items, at discount prices, to people in their place of work - the factory or office.

The venture appeared to be successful and was immediately expanded with six new depots opened in the space of twelve months. This had an adverse short term effect upon results but this proved to be of a temporary nature. In 1979 the venture was taken a stage further when a pilot operation along the lines of Staff Facilities Limited was tested in the United States. In addition, in 1979, an experiment was carried out into the sale of discounted cosmetic lines direct to the public through the medium of magazine advertising. By the end of 1979 it was, however, becoming clear that neither Discount for Beauty or Staff Facilities were



providing the sort of returns that Fosters were looking for. Both companies entered 1980 making losses.

During 1978 the company also acquired Millets of Bristol Limited which consisted of a chain of fifty shops specialising in camping equipment, casualwear, leisurewear and menswear to a limited extent. The aim here was to apply the successful management and control procedures in operation at Fosters to improve the profitability of Millets. Part of the Millets operation was Henderson Sports: Hendersons had both their own shops, as part of the Millets chain, and also traded from departments within Millets branches. In 1979 the possibility of this latter type of trading was examined in other sectors within the Fosters Group with a view to utilising as much space within the stores as possible, without raising substantially overheads in the stores. The search for growth outside the traditional menswear business also took place from the base of existing Group activities. In 1978 a decision was taken to further expand the Adams Childrenswear business. The 1979 annual report stated:

"A five year growth plan and profit projection for the Group clearly demonstrates that we will have run out of space in less than two years time. We have, therefore, taken a decision to build an additional warehouse and administrative block primarily to house this important subsidiary."

In 1979 a new head office and warehouse complex in Nuneaton was built to house the Adams operation.

There were also plans developed for the operation of a mail order service in the childrens field. With this planned extension in mind a market research exercise was carried out in 1980, in order to identify possible areas for development of the business and a design consultant was engaged

to create a new design concept for Adams shops. By the beginning of 1981 there were 82 Adams Childrenswear stores throughout the United Kingdom.

Within Dormie Menswear an experimental Dress Hire concession in the Swan and Edgar store in Piccadilly was carried out and discussions took place with a view to launching conversions in other stores.

The year 1979 also saw an extension of the retailing of fashion goods within the Group, with the opening of a limited number of shops retailing jeans and denim goods, under the name 'Blue Movers'. The Annual Report of February 1980 described the venture:

"This year has also seen the opening of nine specialist shops selling jeans and casual clothes aimed especially to appeal to people of both sexes in their teens and early twenties. These shops operate as a division of Foster Menswear and if the present encouraging trend continues there are great hopes for the rapid expansion of this side of the business."

The opening of specialist retail outlets was seen as a natural progression given the growth of specialist jean shops such as Jean Machine and Jean Jeanie in the second half of the 1970s. The initial shops were sited in four units which had been Stone-Dri shops but which had not been re-allocated to any of the other business, and were operating as clearance shops for slower selling merchandise. These, and the shops that followed were placed under the control of the Foster Menswear retail management, with a specialist buyer in the merchandise team responsible for the Blue Movers range.

For each of these diversified business operations other than Blue Movers, Barry Davison adopted a similar approach to its management. He assumed

a position on the board, usually as Chairman, and appointed Foster Menswear managers to senior positions. Typically this took the form of appointing a buyer as Merchandise Director and an Area Sales Manager as Sales Director or General Manager, although attempts were made at both Discount for Beauty and Millets to retain senior executives in post before the takeover.

### 1975-1979 : Company Financial Performance

From a turnover base in 1975 of £41.9 million and trading profits of £4 million, turnover and trading profit reported in the 1979/80 Annual Report had risen to £89.8 million and £10.5 million respectively. Return on capital employed rose throughout the late 1970s to a peak of 39% in 1978/79, in which year margins stood at 14% of sales. Throughout the whole of this time the growth of the business was achieved with minimal borrowings - indeed with a net inflow of interest on short term deposits. The number of shops, on the other hand, remained fairly static at around 700 for the Group and settled at around 500 for Foster Menswear.

By any financial measures of success, Foster Brothers had shown five years of successful growth (see Exhibit 26).

### 2.2.3 1980-1983 : Decline and Change

#### Group Organisation

In July 1979 Geoffrey High retired as Chairman of the Board and was replaced by Barry Davison; he and Mike Adams became joint Managing Directors. Barry Davison was now Group Chairman and Joint Managing Director as well as Chairman of most of the subsidiary companies. Exhibit



EXHIBIT 26

FOSTER BROTHERS

Summary of Financial Performance 1975-80

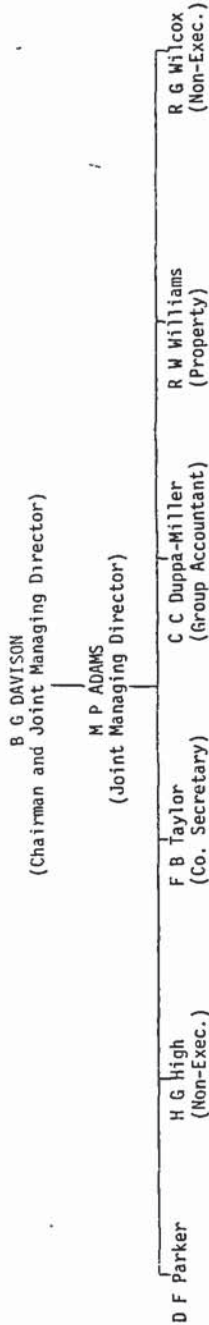
£Million	1975/6	1976/7	1977/8	1978/9	1979/80
Turnover: Retail Sales	41.9	44.1	50.2	67.8	89.8
Trading Profit	4.0	4.0	5.1	9.5	10.5
Surplus on Sale of Properties	0.1	0.1	0.2	0.3	0.2
Less Interest	-	-	-	-	-
Profit Before Taxation	4.1	4.1	5.3	9.8	10.7

Summary of Key Financial Ratios

Growth in Turnover (%)	+22	+5	+14	+35	+32
Growth in Trading (%)	+29	-	+27	+86	+11
Trading Profit as % of Sales	10	9	10	14	12
Profit Before Tax as % of c.e.	25	24	28	39	36

EXHIBIT 27

FOSTER BROTHERS GROUP STRUCTURE IN 1980



FOSTER MENSWEAR	B G Davison (Chairman and Managing Director), B Wood (Asst. Managing Director and Sales Director), N Phillips (Merchandising Director), F B Taylor (Company Secretary), R B Haynes (Marketing Director), M J Taylor (Finance Director), J W Wilson (Personnel Director), M P Adams.
ADAMS CHILDRENSWEAR	M P Adams (Chairman), B G Davison, D F Parker, C C Duppa-Miller, (2 Others).
DISCOUNT FOR BEAUTY	M P Adams, B G Davison, C C Duppa-Miller, (1 Other).
MILLETS OF BRISTOL	B G Davison, M P Adams, T Beddow, (5 Others).
JESSOPS LTD.	B G Davison, C C Duppa-Miller, B Wood, P Williams.
STAMMERS LTD.	B G Davison, C C Duppa-Miller, P Williams.
BROWNHILLS CLOTHING CO. LTD.	B G Davison, D Parker, P Williams (1 Other).
STAFF FACILITIES LTD.	B G Davison, M P Adams, (3 Others).
DORMIE MENSWEAR LTD. (SCOTLAND)	B G Davison (1 Other).
DORMIE MENSWEAR LTD. (ENGLAND)	B G Davison, E W Williams, F B Taylor, (1 Other).
MARSHALL LAKE PROPERTIES LTD.	B G Davison, M P Adams, E W Williams, F B Taylor.
MARSHALL LAKE FINANCE LTD.	B G Davison, F B Taylor, C C Duppa-Miller, M J Taylor.
F B GROUP SERVICES	B G Davison, D F Parker, N Phillips, (1 Other).

27 is a diagrammatic representation of the company structure as it was in 1980. The presence of Group Directors as directors of the subsidiaries meant that decisions taken at Company Board level would almost automatically be ratified by the Group Board since the same individuals were involved at both levels. Similarly Group Directors' views, and particularly those of Barry Davison were a direct and powerful influence on the decisions of the subsidiaries.

On taking over as Chairman, however, Davison did make organisational changes: Brian Wood, the Foster Menswear Sales Director was appointed Assistant Managing Director of the Menswear company. Brian Wood had worked for Hepworths on leaving school and joined Fosters in the 1960s, progressing through the retail side of the business. For a time he had been General Manager of Jessops before taking over as Sales Director of Menswear. Also in 1979 Richard Haynes, who was head of the company's advertising agency in Birmingham, was recruited as Marketing Director with Group-wide responsibilities. Later, in 1981, John Fallon, a financial manager from Burtons was also recruited as Financial Director.

### Downturn

Still largely dependent on menswear Fosters entered the 1980s as the major multiple of the traditional outfitter type : 39% of its sales were in jackets, trousers and suits; 18% in knitwear; sweatshirts and teeshirts; 15% in shirts; 16% in jeans; and 4% in boyswear. There was a deliberate policy of not selling, or at least not emphasising, branded goods preferring to promote the merchandise bought specially for Fosters at the higher margins achieved initially from importing. Their retail sites were mainly in prime shopping areas with about one fifth in major cities or large



towns, about 130 in medium sized towns (such as Maidenhead or Long Eaton), another 100 in small towns (e.g. Henley, Cirencester), about 70 in city suburbs and another 110 in country towns and sea-side resorts. The selling area of the shops varied from as little as 500 square feet to as much as 40000 square feet with the proportion of larger branches growing but still much less than the smaller branches of around 1000 square feet. Many of the older branches had little maintenance over the past years and some were in a poor state of repair. Although traditionally involved more in casual clothes than their competitors and never really strongly involved in the suit market, the competition in the form of Burtons, Hepworths and the variety chains such as Marks and Spencers and C & A were now much more directly competing with similar merchandise.

Concern over the Group's situation was mirrored in the financial results. The 1980 half-year figures to August showed sales up but pre-tax profits down from £4.54 million for the 1979 first half to £3.12 million. The Financial Times (14 October 1980) reported Barry Davison as blaming unemployment and short term working on the decline and saying that "as soon as the public returns to normal spending levels upward growth in profits will resume". They did however point out that Fosters sales growth had now fallen behind that of competition, notably Burtons.

The decline continued throughout 1980: the year ended with Group turnover up just 5% and trading profits down by 26%. Pre tax profits were boosted to £9 million by sales of properties of £1.2 million, far greater than ever before. The annual report for 1980/1 provides the company's explanations for the downturn.

On menswear:

"On menswear ..... Government policies have affected more adversely our traditional working class customer than any other section of the public. It has always seemed to be the case in a recession that mens clothes are one of the inessential items in the family budget ....."

On Blue Movers, with 17 outlets in 1980:

"The jean market has been highly competitive .... with substantial price reductions on branded jeans necessary to stay competitive and this has had its effect on profitability."

On Millets:

"... price cutting which has taken place has made it necessary to reduce margins to maintain market share."

And Staff Facilities selling cosmetics to people in their places of work:

"has been badly affected by factory closures and redundancies."

Adams Childrenswear was also suffering not only from a decline in trading results but also from the disruption of its move to Nuneaton. The few signs of improvement were for Dormie and, with some reduction in its losses, Discount for Beauty.

The decline continued. In 1982 turnover dropped to £91.2 million and trading profit to £3.7 million: in 1981 the figures were £82.5 and £3.5 million. By 1981 the financial press were regretting the sales and profit decline but commenting on the impressive financial management of the Group which had mitigated the affects of the situation through the low borrowings, cost reductions and cash management (FT 22 May 1981, and 8 October 1981). The press reports on Fosters action were accurate enough.

Commencing in 1981 prices were cut in an attempt to generate volume; the Foster Menswear shops carried a sale or price promotions for much of 1981.

In conjunction with this there was a scrutiny of every possible way of reducing the costs. Consultants were brought in to review the shop operations and they recommended that the staff levels could be changed to save costs by reducing staff at slack periods and staffing up at busier times. In addition they recommended a system of shop based control which allowed the shop managers a greater ability to regulate his own direct costs. Some £1 million in savings were estimated to have been saved by this exercise which involved 400 redundancies. 1980 also saw the phasing out of Blue Movers which had not proved to be profitable and had, in any event, suffered from the decline in popularity of specialist jean shops.

In 1982 Discount for Beauty and Staff Facilities were sold. Neither had made profits for the Group. £258,000 was recovered by their sale. The reasons for the failure of Fosters to make profits out of a subsidiary which was profitable on takeover were seen by the Fosters senior management as several, and relevant to the fact that throughout their history of acquisitions the Group had never really succeeded with their smaller subsidiaries.

In 1982 the David Saunders design consultancy was appointed and proceeded with the implementation of a new style Foster Menswear image. This embraced shop name and design, merchandise, layout and staff. The shops name was changed from Foster Brothers to simply 'Fosters'. Shops were to be brighter in colour with a profusion of mirrors and chrome and the



interiors more visible from the outside. Merchandise was to emphasise style and casual wear and be aimed much more at a younger market, although there was not the very tight age segmentation adopted by Burtons: the target age group was from 16 to 48 but with the more fashionable man in mind. Branded goods such as Levis were to be sold and promoted. Layout was to build on the design of the shops with a greater freedom of movement through the use of island display units. The staff were to dress in the casual clothes displayed in the shops and were to be less intrusive as the customers browsed. The windows were to be reduced in size and carried much less merchandise.

Though the concentration of activity was on Menswear in this period, elsewhere in the Group there were other developments, though again with the underlying difficulty of turning the activity into profitable gain. Adams was by 1983 making losses of around £1 million and a similar revision of strategy as for the Menswear side was imminent. Millets of Bradford which was making £400,000 p.a. on takeover, made £40,000 in 1982, though the commitment to that market remained and was signalled by the acquisition of Millets of Sutton in 1982 for £2.8 million, adding 17 shops to the Group. Dormie remained a profitable operation though with diminishing sales: the decision was taken in 1982 to revitalise the rather old fashioned image of the shops and a test of four branches was begun under "Esquires" as a trading name with an up dated, more stylish range of merchandise.

In 1982 the group also acquired a 75% interest in "National Shirt" and the Biny Clothing company of America, giving them a USA subsidiary with a coast to coast coverage of 280 shops and a turnover of around £100 million. By the end of 1982 this acquisition too was experiencing

difficulties with a downturn in expected sales in the last quarter of the year as the American economy slumped, this was despite a conversion of over 60 of the shops to a chain called "His Place" catering for the 18-25 age group which by the beginning of 1983 was contributing 40% of the chain's sales. By late 1983 Barry Davson had asked David Saunders to re-design the 'HisPlace' shops again and by May of 1984 the early trials of this new image were showing highly encouraging signs of turnover growth.

### Organisation and Management Change

The period 1981 to 1983 was one of difficulty, and change for Fosters that imposed a good deal of strain on the Fosters management team. It was a strain acknowledged by Barry Davison in the 1983 annual report:

"When trading is difficult and success is hard to come by, it is always a problem for the people working in the business to maintain their enthusiasm and dedication. We are lucky to have an incredibly loyal and hard working group of employees who have withstood the traumas of poor results and reduced staffing levels and have responded with even greater efforts".

Certainly in the years 1980 and 1981 as sales slipped, there was little sign of recovery and the board embarked on a programme of cost and staff reduction. In 1983 the Group also introduced a structural re-organisation introducing a 'management board' below the level of the main board which consisted of the directors responsible for the operating and service companies in the Group (see Exhibit 28).

### Performance Turnaround

The first 'new image' shop was opened early in 1982 in Peterborough and with immediate success. This success was greeted with not only relief but

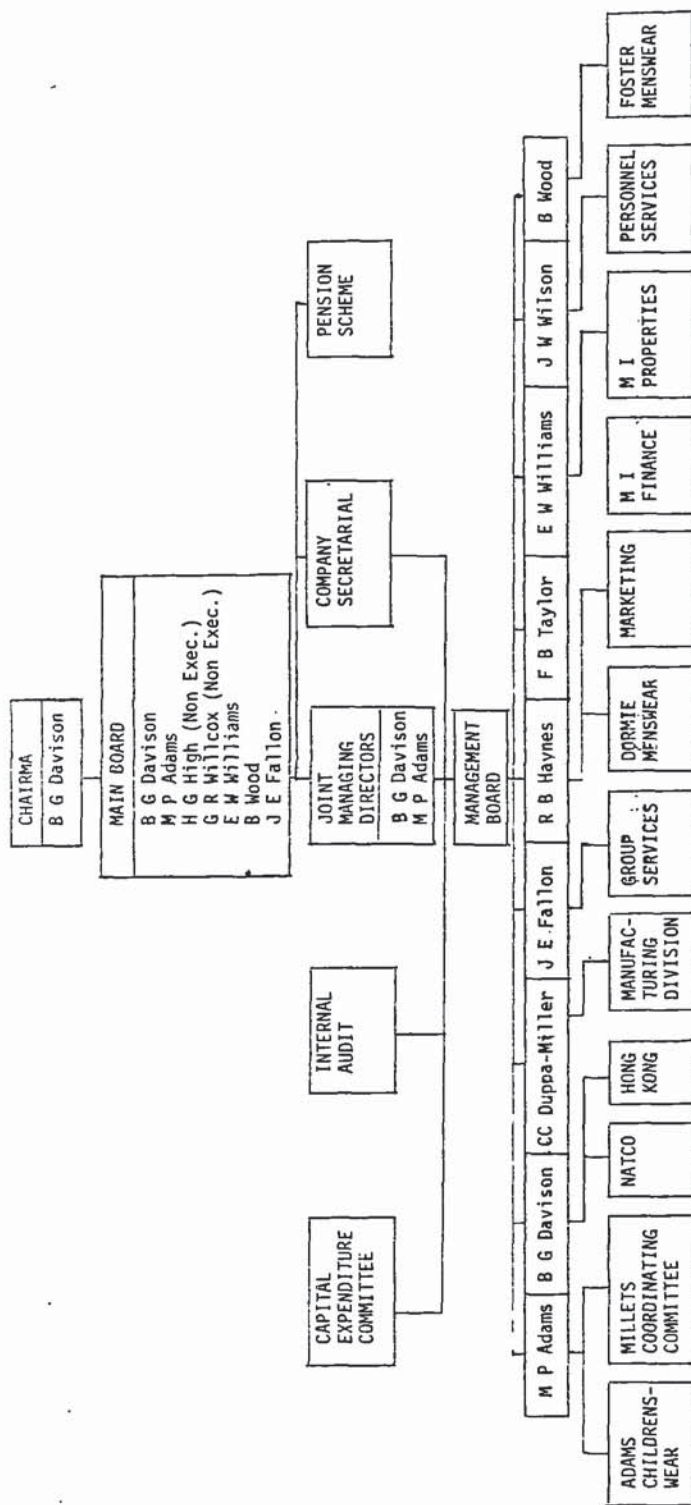


EXHIBIT 28

FOSTER BROTHERS CLOTHING plc

GROUP STRUCTURE - 1983



an immediate decision to proceed with the conversion of other shops in which similar results occurred. Whilst sales and profits in the traditional Fosters branches still declined, the accelerating programme of shop refittings convinced the Fosters management that they could remedy the situation. By the end of 1982 32 shops had been converted, accounting for 15% of turnover. By mid-1983 a re-fitting plan including 300 shops for redesign over a three year period was agreed with the likelihood that the other 200 shops would be sold, converted to "clearance" shops or relocated. The target sales increase after the refit was set at 40% and this target had been met on shops refitted up to mid 1983 although return could be as high as 150% (Menswear : 23 June 1983). Costs of refitting branches varied from £10,000 for a small one to £300,000 for the central Birmingham branch. By May 1984 the Group were able to report profits over £8.3 million (see Exhibit 29) as a result of a general upturn in demand and, in particular, a continuing growth in performance of the "new image" shops of which there were 120 by early 1984.

In May 1984 Barry Davison issued a press release on the previous year's performance which stated:

"The substantial increase in both sales and profits reflects not only the buoyant conditions that have existed in retail trading during the year but mainly the increasing benefits which are now starting to accrue to the Group from the store modernisation programme which was commenced some two years ago.

Sales in all our retail companies show a satisfactory improvement against last year with an outstanding performance achieved by the major subsidiary, Foster Menswear, from its refurbished branches being the main reason for the doubling in trading profits. At present, some 125 branches are operating in the new image and the programme of conversion is being accelerated so that in excess of 250 modernised shops should be open by the end of the current year.

The other retail companies have achieved good progress. Adams Childrenswear has made a substantial recovery and Dormie Menswear produced increased profits. The two Millets companies

EXHIBIT 29

FOSTER BROTHERS

Summary of Financial Performance

£Million	1980/1	1981/2	1982/3
Turnover: Retail Sales	94.2	91.2	82.5
Trading Profit	7.8	3.7	3.5
Surplus on Sale of Properties	1.2	1.1	1.5
Less Interest	-	-	-
Profit Before Taxation	9.0	4.8	5.0

Summary of Key Financial Ratios

Growth in Turnover (%)	+5	-3	-10
Growth in Trading (%)	-26	-53	-5
Trading Profit as % of Sales	8	4	4
Profit Before Tax as % of c.e.	26	13	12

achieved worthwhile improvements in results and the amalgamation of the two companies is progressing.

In the U.S.A. a small profit was made and progress is continuing. A redesigned store format catering for the young fashion market has been launched and results are encouraging indicating that a substantial contribution to Group Profitability in the years ahead is fully achievable."

EXHIBIT 30

FOSTER BROTHERS : NUMBERS OF RETAIL OUTLETS

BRANCHES \ YEAR	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
FOSTER MENSWEAR	385	403	427	448	458	477	478	494	497	506	501	519	
CONCESSIONS	5	5	5	5	5	5	-	-	-	-	-	-	
BOUTIQUES	6	6	7	7	7	7	-	-	-	-	-	-	
DEPARTMENTAL STORE	1	1	1	1	1	1	-	-	-	-	-	-	
DORMIE	37	38	42	42	42	42	n/a	n/a	n/a	35			
JESSOPS	15	17	18	18	18	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FURNISHING STORES	1	1	1	1	1	1	-	-	-	-	-	-	-
ADAMS	-	-	5	30	30	37	40	54	63	73	82	n/a	n/a
STONE-DRI	-	-	-	118	118	118	-	-	-	-	-	-	-
CROWDS						4	30	-	-	-	-	-	-
DISCOUNT FOR BEAUTY	-	-	-	-	-	-	-	18	35	35	35	-	-
MILLETS	-	-	-	-	-	-	-	-	50	50	50	50	66
BLUE MOVERS	-	-	-	-	-	-	-	-	-	9	17	-	-
UK TOTAL	450	471	506	670	690	720	n/a	700	700	711	n/a	n/a	650



### 2.3 STRATEGY AS OBSERVABLE OUTPUT

The strategic development of firms is most usually examined in terms of output: that is, analysis concentrating on strategy as it can be observed or on performance as the outcome of strategic decisions. It is illuminating so to do and this section addresses itself briefly to such an exercise. It does not however form the main part of the analysis since we come to the conclusion that what can be learned about how and why strategies come into being by this means is relatively limited.

In the first part of this section we look at patterns of strategies within the three companies studied in the industry. This is done by "mapping" the strategies in much the same way as Mintzberg (1978) did in his historical studies of Volkswagenwerk, Saturday Night magazine and the USA's strategy in Vietnam from 1950 to 1968. Whilst for the purposes of this brief section, there is less explicit explanation of the strategies contained in with/the section itself, the description and argument builds on the cases in section 2.2 and appendices 1 and 2.

The purpose of this mapping of strategies is twofold: first to examine patterns of strategy that can be seen to exist within the strategic maps of the firms; and second to assess what can be learned about the process of strategy formulation through an examination of the readily observable manifestations of strategic decisions, which are equivalent to strategies and which might be perceived by an observer external to the companies themselves.

Exhibit 31 is a visualisation of the patterns of strategy of the three companies discussed in the thesis. It is an attempt to encapsulate the

strategies described in the cases in the preceding section in the context of the main environmental changes occurring at the time which had a particular bearing on the industry. Such a device can, of course, be little more than a shorthand version of thirteen years of development and change in four companies: however, the cases can be referred to in order to enlarge on particular periods and decisions and Exhibit 32 which follows describes briefly the annotation in Exhibit 31. Both exhibits have been coded so that discernible strategic decisions or moves can be identified more easily. For example, Hepworths launch of the "Next" womenswear chain is H5 or the period of discounting and cost cutting by Fosters in 1980/81, F7. In some instances it will be seen that decisions which are described in the cases as one set of decisions are coded separately, as with B1, Burtons attempt to switch to ready to wear, and B2, their diversification programme of the early 1970s: this is simply because they manifested themselves through different parts of the company. It also becomes clear that some decisions or changes are more distinct than others which tend to merge into one another. This has been reflected by the boundaries drawn round the strategic time periods.

### 2.3.1 Patterns of Strategy

The simple mapping of strategies as in Exhibit 31 is in itself illuminating. It provides the basis for inferring lessons about the formation of strategy building on previous research and theory.

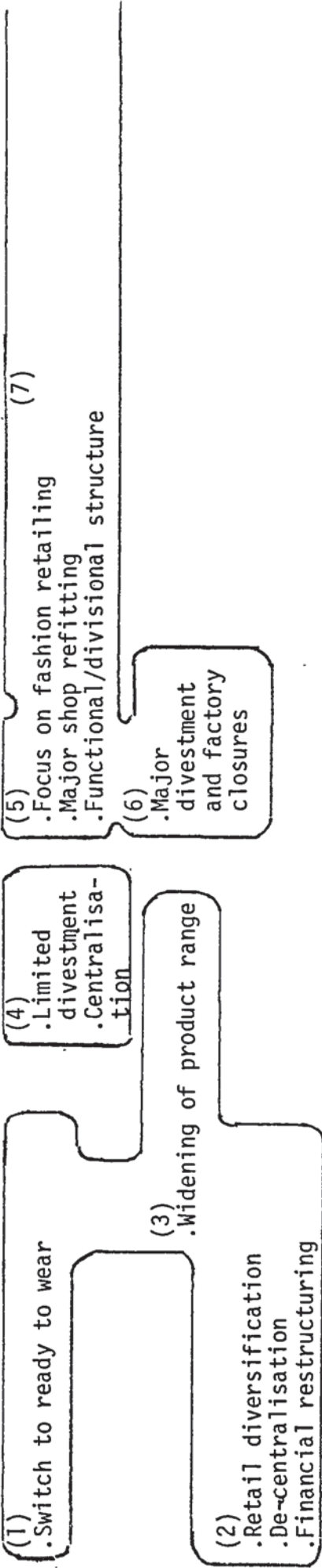
The notion of strategy as a response to environmental change is supported insofar as, over the thirteen year period, companies did apparently change to deal with environmental changes which affected them. The early switch from made-to-measure to ready-to-wear had an impact. Burtons and Hepworths sought to convert manufacturing capacity to ready-to-wear

EXHIBIT 31

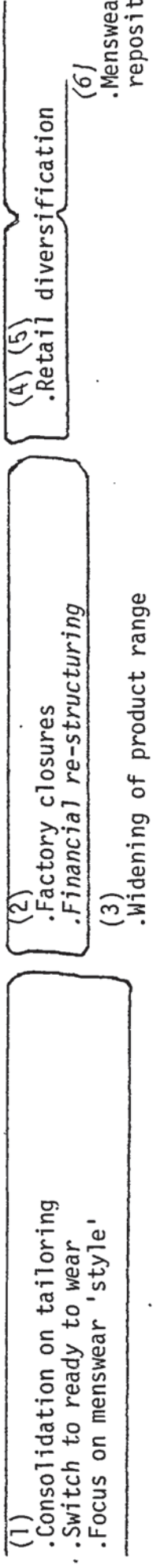
OBSERVABLE PATTERNS OF STRATEGY  
FOR BURTONS, HEPWORTHS AND FOSTERS - 1970-1983

1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983

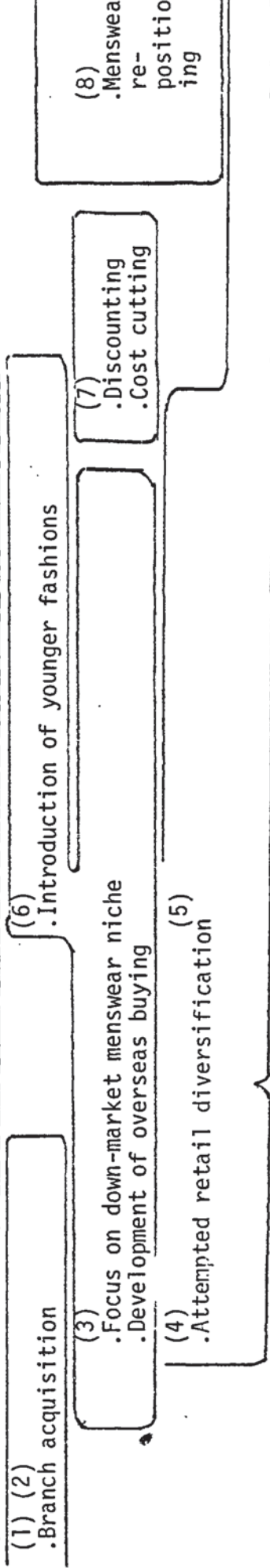
BURTONS



HEPWORTHS



FOSTERS





## EXHIBIT 32

### A DESCRIPTION OF THE ANNOTATION IN EXHIBIT 31

#### BURTONS

##### B1 Switch to Ready to Wear

It was recognized by Rice and his management team that, in the face of high quality importing of ready to wear suits, the Burton manufacturing capacity could and should be converted to ready to wear with a view to supplying their own shops and marketing suits on the wider open market. Linked to this, the shops would be switching their emphasis to ready to wear.

##### B2 Retail Diversification

Rice's policy was to use the financial and property assets of Burtons to diversify into compatible high street retailing, operating each business as a division within group structure characterized by formal planning procedures and de-centralisation.

##### B3 Widening of Product Range

As it became clear that the boutique trade and the entry of the variety stores into suit sales was taking sales from the multiples, Burtons began to introduce outfitting into their shops.

##### B4 Reversion to Menswear Focus

The continued decline of Group performance gave rise to a reversal to a focus on menswear manufacturing and retailing. A number of the acquired businesses were disposed of and Power took over the menswear operation, emphasizing cost control and centralisation of management decision making.

##### B5 Focus on Fashion Retailing

Halpern took over the running of both the mens' and womens' retailing businesses and embarked on a major investment programme for the shops and for menswear, the move to fashion retailing within age segmented target markets. The strategy was accompanied by a restructuring emphasizing central involvement in policy making through a functional/divisional structure.

##### B6 Divestment and Closures

B5 was accompanied by a programme of accelerated divestment of diversified businesses and factory closures

##### B7 The Development of Fashion Retailing

The strategy begun in 1976 was continually refined with an emphasis on merchandise experimentation and shop refitting.

## HEPWORTHS

### H1 Menswear Consolidation

Utilising the reputation established for fashion through the Hardy Amies connection, the company invested heavily in a switch to ready to wear and greater manufacturing efficiency.

### H2 Rationalisation

H1 had provided a maintenance of profit levels up to 1973, when profits began to fall and Shuttleworth retired as managing director. The new managing director embarked on a programme of factory closures, followed by financial restructuring, in particular, the setting up of Club 24, the credit scheme to relieve the debt burden.

### H3 Widening of Product Range

Mens outfitting was introduced rapidly to generate additional sales.

### H4 The Beginnings of Retail Diversification

In a search for retail opportunities outside the menswear field Hepworths first acquired the footwear retailer Turners - later disposed of - and then Kendalls.

### H5 Next

With the arrival of George Davis, the Kendall chain was transformed into the womens fashion retailer Next. By 1983 this retail concept was being transferred to the menswear operation.

### H6 Menswear Re-positioning

The widened product range of the mid 1970s led to a gradual introduction of casual menswear. However, it was not until 1982/83 that the company sought to deliberately position itself as a retailer of casual menswear, accompanied by extensive shop refitting. By 1983 this was being re-considered in the light of the success of the Next operation and the transferability of its concept to menswear.



## FOSTER BROTHERS

### F1 Expansion and Branch Acquisition

Under the direction of Geoffrey High, the company pursued a policy of growth through branch acquisition from the mid 1960s. This was linked to an expansion in its distribution systems and its move to a purpose built headquarters and warehouse. This phase of expansion reached its peak in 1970 with the acquisition of Bradleys.

### F2 Continuation of Branch Acquisition

The early part of the 1970s continued the policy of growth through branch acquisition though there were no more acquisitions of whole businesses.

### F3 Development of Down Market Niche

Fosters had been importing from the Far East for some years. Throughout the 1970s they developed direct importing on a large scale, permitting the retailing of low priced, high margin merchandise to the lower end of the market.

### F4 Early diversification

The decision was taken in the early 1970s that the company should seek to grow by acquiring retailers in other fields than menswear. The early manifestation of this was the acquisition of Adams.

### F5 Experimentation and Diversification

From mid 1970 onwards, the company attempted a number of retail diversification ventures, either by acquisition, or, internal development. Some remain and others have been closed or sold off.

### F6 "Fashionpoint"

From 1975 onwards, the company introduced younger mens fashion merchandise into its shops, it was an exercise that became known as "Fashionpoint".

### F7 Cost Focussed Retrenchment

After the growth throughout the 1970s the company faced decline in the early 1980s. Its response was to cut back on its cost base and discount its prices further.

### F8 Menswear Repositioning

Fosters had retained a fairly consistent down market outfitting image for most of the 1970s. In 1982 they introduced their "New Image" shops with the emphasis on fashion merchandise and an entirely different retail shop image.



production and switch their retail emphasis to ready-to-wear sales. Fosters, already in outfitting, sought to develop their sales of jackets and trousers and exploit the opportunities for importing and their expertise in control of stock and distribution built up over the years in outfitting. Similarly, as consumer tastes changed more towards fashion merchandise, so it is possible to detect the widening of product ranges by each of the four companies. Overall, the efforts of the companies to diversify into businesses other than menswear retailing can be interpreted as a response to the real decline in expenditure on mens' clothes throughout the period.

Thus the notion of strategy as a response to environmental change, promoted by writers on the subject from Andrews (1971) onwards can be supported. Indeed it is possible to take the notion further from the evidence of these companies' actions. More recent work had shown how companies, more or less, successfully deal with empirically justified key environmental forces (Porter, 1980). Porter identifies five main environmental forces which commonly affect the performance of a business: these forces are a) the threat of entry into the industry, the power of b) suppliers and c) buyers, d) the threat of substitutes and e) the extent of competition within the industry. He suggests it is the task of strategists to assess the relative power of these forces and the way in which competition cope with them, and design strategy so as to position the firm to its best advantage in that context. Again the strategy of the companies in the industry can be conceived in such terms as these. Arguably the forces of paramount importance changed through the 1970s: at the beginning the substitution of ready-to-wear for made-to-measure suits was particularly important and made the more so for the vertically integrated tailors by the entry of foreign suppliers into the market. These forces had differential impacts depending on the extent to which their

worst effects could be mitigated - more so by Hepworths than Burtons for example - or taken advantage of, as did Fosters by moving actively into importing. Later in the decade the entry of Marks and Spencers into the menswear market had a major impact particularly on those seeking to reposition themselves in the middle ground of the market as were Burtons and to some/Hepworths in the mid 1970s. By the end of the decade a falling market value in real terms combined with the growing power of the variety chains and the repositioning of all the companies into a relatively homogeneous market in product mix terms, meant that the level of competition had increased. Success for the menswear multiples became dependent on their ability to achieve differentiation upon which the later success of Burtons through age and life style segmentation was based. So too, then, do the ideas that Porter puts forward help us to understand the developments in the market throughout the period.

It is, of course, also clear from the mapping of strategies that a simple notion of strategy as a product of environmental change is inadequate. If it were so, then we would expect to see the companies responding at the same time and in similar ways to their common environment. This does not happen: Burtons attempted to widen their product range earlier than competitors for example; and Hepworths did not attempt to diversify until the early 1980s. Also the strategies which were followed were different from one another: strategies adopted to handle the changes to ready-to-wear, the influx of foreign merchandise and the gradual move away from suits to more casual wear, differed. For example, Burtons moved early in an attempt to keep up with market changes, less successfully than Hepworths who sought to consolidate their position as manufacturers of suits. It is possible to find evidence from the observation of those companies to support several notions as to why these



differences in strategy exist; as to why strategy is not simply a product of environmental change.

As early as 1938, Barnard (1938) argued that it was necessary to reconcile the sub-systems or "economies" of the firm with the environment. He points out that these "economies" - which correspond to physical and people resources and activities are different between firms, so that one company's response to a given environment will not be the same as another's. It is a notion similar to that of Learned, Christensen, Andrews and Guth (1965) who identified four components of strategy in an approach that typifies what has become known as a Business Policy approach to strategy. Their components were: "1) market opportunity, 2) corporate competences and resources, 3) personal values and aspirations and 4) acknowledged obligations to segments of society other than stockholders" (p. 21). They stressed that strategy making was complex because of the need to, and difficulty in, reconciling these different components. This trade-off between components is observable in the industry. An excellent example is the ways in which the tailoring companies behaved in the early 1970s. Faced with shifting market demands and changed buying patterns (a market threat if not opportunity), strategies can be accounted for by how these market changes were interpreted and acted upon in terms of their three other components. Arguably it can be deduced that Rice saw Burtons' key resources as a property portfolio which facilitated financial restructuring such as to develop the multi-faceted retail conglomerate to which he aspired. In his quest he had to come to terms with different views as to key resources - more traditional Burtons management saw their manufacturing capability and capacity as central - and with the values of the Burton family who, as powerful stakeholders, emphasised the importance of responsibilities and obligations to the workforce and the



local community.

Shuttleworth at Hepworths was faced with the same environmental changes but the company behaved differently because the components of strategy were different. Shuttleworth's emphasis had always been on retailing rather than manufacturing and there had been an earlier investment in a switch to ready-to-wear: moreover, the Hardy Amies connection, seen as a unique competence and advantage in the market, had allowed the company to position themselves in the less vulnerable upper end of the market so the threat was seen as less critical than at Burtons. The influence of the Hepworth family was less than that of the Burton family and it was therefore somewhat easier for Shuttleworth to follow his own preferences for a strategy as little removed as possible from the course they had followed for years.

The strategies of Burtons and Hepworths do then make sense in terms of the sorts of components of a Business Policy model and the implicit trade-offs in it.

Ansoff's (1968) notion of synergy can also be detected and can help explain differences in strategy, since what is synergistic for one company is not necessarily synergistic for another. Foster's decision to acquire Bradleys in 1971 or Milletts of Bristol in 1978 can be seen as moves to utilise more profitably existing distribution networks and stock control and allocation systems. Burton's programme of retail diversification on the back of its property portfolio and associated financial strength can be viewed as synergistic. The decision to widen product ranges in the tailoring companies throughout the 1970s to embrace outfitting through existing shops is again within the meaning of synergy. The point is that the

resource profile that creates a synergistic fit for one company in a given set of circumstances may not apply for another company.

Implicit within what has been said is two other sets of influences which could account for differences of strategy. The one is the history or heritage of the company, and the other the leaders associated with it and how they interpret their strategic position. Any company approaches an interpretation of its strategic position in the context of its present and historical configuration of resources and values. For example, Hepworths reached 1970 as a single business up market tailor with an emphasis on fashion retailing, as defined in the 1960s. Their interpretation of the situation would be different from Fosters, an outfitter with little manufacturing commitment and an existing commitment to overseas buying. Understanding strategy in its historical context can therefore help to elucidate strategic choice.

Many writers have pointed to the key role of leaders in the interpretation of strategic position and the formulation of strategy. Barnard (1938) sees the responsibility of sorting out the conflicts between environmental forces and the "economies" of the firm as the leader's. It is an interpretation of strategy which is common to the early writings on the subject; strategy is seen as the province of top management (Andrews, 1971; Learned, Christensen, Andrews and Guth, 1965). Later writers have argued that it is the role of top management to act as interpreter or arbiter in the conflicts which are likely to arise between environmental forces for change, the perception that managers have of such changes and the inclination of organisations towards the preservation of the status quo. Most succinctly this position is taken by Mintzberg (1978, p. 7): "... strategic change can be viewed as the organisation's response to



environmental change, constrained by the momentum of the bureaucracy and accelerated or dampened by the leadership."

There is evidence in this industry that change of leadership in the different companies was accompanied by strategic change. The changes at Burtons with the arrival of Rice and later when Halpern took control of the retailing activities; the introduction of outfitting and factory closures when Rowley took over from Shuttleworth at Hepworths, and again the emphasis on "Next" with the arrival of George Davis at Hepworths; and at Fosters it is clear that Davison's growing influence was associated with the move towards more fashionable merchandise and the attempts to diversify.

Another observation which can be made from the mapping of strategies tends to support the idea of an incremental (Quinn, 1980) or adaptive (Mintzberg, 1973) development of strategy. There are, it is true, some clear breaks in strategy: as Mintzberg (1978) suggests, these are usually associated with the arrival of new and dominant leaders: and his term "global" change seems a useful one in such circumstances. However in the main, strategies do not change in this way. They merge into each other, or grow out of another strategy; for example, before Hepworths and Fosters attempted to reposition their menswear businesses in the early 1980s, each had already embarked on a change in merchandise some years earlier. In the case of Hepworths this change, in itself, was to be followed shortly by yet further repositioning spawned by the parallel success of the "Next" womenswear chain. The idea then that an incremental approach to strategy formulation is, in effect, the way in which an organisation learns strategically can be inferred from the patterns which emerge. There are other examples. The Fosters attempts to diversify were not a string of one-off decisions but can be seen as a flow



categorisation would ignore the diversification attempted elsewhere in the company and the fact that within the menswear company itself there was continual experimentation of different merchandise mixes. It does appear that in this industry over this period for these companies continuity of strategy is not typical. Mintzberg also uses the term "flux", by which he means periods during which there are no evident patterns of strategy. Again this does not seem to be common. Even at times when management did not appear to be adjusting overall strategy in the face of declining performance very successfully, they were, nonetheless undertaking some sort of strategic action. For example, in the face of their downturn in performance in the early 1980s, it took Fosters some two years to reposition in global strategic terms and there was evident confusion in terms of what to do; but this did not mean that there was no discernible strategy at all, for the company opted to control better what it was already doing by cutting costs to follow a discounting policy at retail level. Mintzberg's typology is then partially visible within the industry for the period, though it is unsatisfactory, particularly inasmuch as it differentiates little between/<sup>strategic changes</sup>categorised as "incremental" but which are dissimilar. For example, neither the period in Burtons' history in which the company moved to centralised control for Menswear under Power, nor the recent years under Halpern in which they have developed their fashion retailing, could be categorised as "global" or piecemeal changes; yet they are discernably different in scope, in intent, in time horizon and in terms of the impetus for the decisions.

### 2.3.2 Strategy and Performance

Again taking strategy as that which is observable, it is possible to learn about the relationships with financial performance. There are now a substantial number of studies relating strategic measures such as extent of

diversification and performance (Rumelt, 1974; Channon, 1975, 1978; Grinyer et al, 1980), corporate characteristics and performance (Schoeffler et al, 1974; Gale, 1978; Newbould and Luffman, 1979) or characteristics of strategic groups and performance (Hunt, 1972; Hatten and Schendel, 1977; Porter, 1980). The many influences determining the observable relationship between strategy and performance are, perhaps, best developed in the work of Porter (1980) and are well summarised by McGee and Thomas (1984). From an analysis of previous studies of strategic groups they argue that there are three broad sets of characteristics which affect the extent to which firms possess or are liable to have eroded the barriers to entry which protect them against the incursions of competition or are likely to determine the costs of such a firm breaking through the barriers erected by other firms. These sets of characteristics are summarised by McGee and Thomas as shown in Exhibit 33 and are demonstrably relevant to the fortunes of the companies engaged in competitive rivalry in menswear retailing. The success of the tailors over the years prior to 1970 can be explained in terms of the extent to which they were able to raise barriers of size, geographical coverage, vertical integration and, in the case of Hepworths, a distinct market positioning to prevent the incursions of new entrants and preserve their own customer base. The demise of the tailors can be seen in terms of the erosion of such barriers, not from within this country where the investment cost of entry would have been too high, but from overseas where manufacturers had developed production and engineering skills rendering the production barriers of the tailors fragile. The same characteristics seem to help explain why the same tailoring companies took so long to respond to the incursions from overseas: the cost of mobility in terms of change in, or change from, a manufacturing base was so high in terms of both financial and social commitment for companies wedded to family-based control structures. The rise in fortunes



of Burtons and later Hepworths can also be explained in the same terms. Burtons succeeded in overcoming the resistance to mobility costs by the use of a key supply characteristic - the funds derived from their property portfolio - and so were able to break away from a reliance on redundant manufacturing barriers to entry and forge new ones in the form of a differentiated marketing policy built on heavy - and consequently costly to imitate - retail refurbishment and site acquisition.

For Fosters the characteristics of strategic group analysis yield an understanding which shows how similar forces at work within an industry can have distinctly different effects dependent on the positioning of the firm. Fosters built their success in the 1960s on a geographical coverage greater than the directly competing outfitters and a low cost of operation through bulk purchasing. To them the growth of overseas importing was not a threat but a means of raising still further their competitive advantages and eventually entering at retail level the competitive domain of the tailors as they tried to enlarge their product range. There were few barriers to such moves since they had no internal constraints of sunk cost to prevent them. Their growth in the 1970s can be explained by the very same characteristics which explain the demise of the tailors. So too do the characteristics accounting for the revival of Burtons appear to explain the demise in the 1980s of Fosters: there were few barriers to entry that Fosters built, or could build, to protect them from other companies able to draw on scale economies for overseas buying; Burtons were able to enter the casual menswear market sector with little resistance once they had overcome their own internal barriers to mobility.

It would be possible to carry such an analysis much further: theses are built on such work. It would help provide insights on strategy which are



essentially historical and external to the decision making processes because they are forced to deduce remotely what the decisions were about. Such an analysis cannot cope with explaining, for example:

- What the managers taking decisions perceived as the situations facing them.
- In consequence what the sorts of bases for decisions were.
- The processes by which decisions were reached.

Such insights can only be gained from working within the firms themselves, and if such insights are not available then it cannot really be said that the reasons for the competitive demise of or successful resurrection of the firms is understood.

### EXHIBIT 33

#### SOURCES OF MOBILITY BARRIERS

Market Related Strategies	Industry Supply Characteristics	Characteristics of Firms
Product Line	Economies of scale:	Ownership
User-technologies	production	Organization Structure
Market-segmentation	marketing	Control Systems
Distribution channels	administration	Management Skills
Brand names	Manufacturing processes	Boundaries of
Geographic coverage	R&D Capability	- firms
Selling Systems	Marketing & Distribution Systems	- diversification
		- vertical integration
		Firm Size
		Relationships with influence groups

From: J.McGee and H.Thomas: "Strategic Groups: a Useful Linkage between Industry Structure and Strategic Management?"  
 Presented to the Workshop in Strategic Management at  
 ABIASM, Brussels, June 1984.

#### 2.4 THE "ACTORS"

The data which forms the main body of the thesis take the form of historical accounts of the strategic development of Foster Brothers. Much of this is presented through the words of managers and is concerned with interaction between managers. It is therefore useful to know some background information to those involved. This brief section gives this background and also indicates the occasions on which interviews with managers took place.

BARRY DAVISON : Chairman and Joint Managing Director of the Group; and in 1980 Managing Director of Menswear. Interviews took place in 1980, 1 81, 1983 and 1984.

After leaving school at 16 he became articled to a firm of accountants and worked with a number of retail clients. With them he qualified as a chartered accountant. After National Service in 1960 he joined Foster Brothers as Assistant Company Secretary. His initial involvement was with accounting and property and he was also intimately concerned with the development in the 1960s of computerised stock control and distribution. He became Joint Managing Director of Menswear in 1973 and sole Managing Director a year later. In 1976 he was appointed Deputy Chairman and Managing Director of the Group and took over the chair on the retirement of Geoffrey High in 1979. In 1980 he retained the chief executive post for the Group and Menswear too.

GEOFFREY HIGH : Chairman of the Group until 1979 when he retired. He was not interviewed but is mentioned frequently.

MIKE ADAMS : Joint Managing Director of the Group, Chairman and Managing Director of Adams Childrenswear and a member of the Menswear Board. He was interviewed in 1980 and 1983.

After public school he worked in textile manufacturing and, during this time, took a Diploma course in Business Management at Nottingham University. After two years in the Army and a short spell back with his previous employer, he joined a manufacturer and wholesaler of childrenswear in 1954 as a trainee manager. In 1960 he then joined the Adams family business which was the retailing of baby linen. Under his direction they grew to five shops by 1973 when Fosters offered to buy the business and offer him a service contract. He remained as Chairman and Managing Director of Adams and later joined the Group and Menswear boards too, as well as the boards of all the trading subsidiaries.

BRIAN WOOD : In 1980 Deputy Managing Director and Sales Director of Menswear; by 1983, Managing Director of Menswear. He was interviewed in 1980 and 1983.

After leaving school at 13 he joined Hepworths as a "boy" (a junior assistant in a branch), becoming a shop manager at the age of 21. After working with a number of other menswear retailers he joined Fosters as assistant manager in the Birmingham Bull Ring branch. His career with Fosters has included area management and general management of Jessops with their seventeen shops and factory for three years. In 1974 he came to head office to help install the centralised distributive system. In 1975 he became Retail Operations Manager, becoming Sales Director in 1976, and also Assistant Managing Director in 1979. In 1983 he was made Menswear Managing Director and appointed to the Group board.



FRANK TAYLOR : Group Company Secretary. Interviewed in 1980 and 1983.

After leaving school at 18 he took articles with a small firm of chartered accountants. After five years in 1966, he joined Bradleys for which company he was carrying out an audit at the time. He then became more interested in company secretarial work and he never qualified as a chartered accountant. At Bradley's he was Company Secretary and, after the Foster's takeover in 1971, he became Assistant Company Secretary at Fosters. When Barry Davison vacated the position as Company Secretary, he took over. He specialises in the legal and pensions work and is a director of the property company.

NORMAN PHILLIPS : Merchandise Director of Menswear in 1980 who resigned in 1983. Interviewed in 1980.

He joined Fosters from school at the age of 16 and worked his way up through the buying side. Initially in the 1950s this was when buying performed a "wholesaling" function for the retailers who had buying discretion. As centralisation of buying and stock distribution progressed in the 1960s he headed up various merchandise departments. In 1972 he took over as Assistant Merchandise Director and in 1972 as Merchandise Director. In 1982 he was appointed to the Main Board but resigned shortly afterwards in 1983.

RICHARD HAYNES : Marketing Director. Interviewed in 1980, 1983 and 1984.

He was the only university graduate in senior management, having read economics and law at Cambridge. After leaving university in 1964 he joined Massey Ferguson as a marketing trainee and also spent a year as personal assistant to the managing director. After three years he and two colleagues set up their own marketing consultancy and spent three years doing this. He then spent three years as marketing director of a building products firm before setting up Harrison Cowley, an advertising agency in Birmingham which was part of the Rex Stewart Group. After six years he had become managing director of the Birmingham agency and Group development manager. The agency handled the Foster Brothers account. In 1979 he was approached by Davison to join Fosters, which he did on 1st January 1980. In 1980 he was responsible for a small department handling market research, communications and advertising and marketing planning. During 1982 and 1983 he was responsible for co-ordinating the development of the "new image" branches for the company.

JOHN FALLON : Financial Director of the Group. Interviewed in 1983 and 1984.

After school he joined a local firm of accountants in Sheffield with whom he qualified as a chartered accountant. In 1971 he then joined a small subsidiary of Wigfalls, the electrical retailer, as company accountant. On that company's absorption into Wigfalls, he progressed through several jobs on the finance side of the business until he became Financial Director of Wigfalls. In 1979 he left to become Financial Controller of Burtons Retail (i.e. the division responsible for the Burtons menswear shops) reporting to the division's Financial Director. In 1981 he was "head-hunted" to join Foster Brothers.

MELVIN TAYLOR : Financial Director of Menswear. Interviewed in 1980 and 1983.

He joined Peat, Marwick, Mitchell from school and did five year's articles, qualifying as a chartered accountant. After a further year he joined Foster Brothers in 1970 as an accountant. He was appointed Financial Director of Menswear in January 1980, though his main role was the provision of management accounts and information. By 1983 he was becoming more involved in the day-to-day management and administration of the branch *management network*.

JOHN WILSON : Personnel Director of Menswear. Interviewed in 1980 and 1983.

He left school at 16 and began training as a draughtsman but after a brief period joined Bradleys. His career with Bradleys was in retail management and, after the takeover, he became an area manager with the company. He then became assistant training manager at head office in 1972. In 1978 he was appointed personnel manager for Menswear and was made Personnel Director in 1980.

TONY GRAY : Special Projects Managers for Menswear. Interviewed in 1983.

Related to the owners of Bradleys, he worked in retailing and buying with Bradleys until the takeover and in 1970 became a buyer with Fosters. In 1971 he became managing director/general manager of Mr. Christopher, a boutique operation within the group. Mr. Christopher was absorbed into Dormie and he joined the Dormie board with responsibility for buying and



the hire business for the Fosters Group. In 1978 he became Assistant Managing Director of Dormie. With the commencement of Blue Movers he was appointed Managing Director of that operation. In 1982 with the launch of the "new image" shops he became Special Projects Manager for Menswear, initially responsible for merchandise co-ordination for the new branches but later for the co-ordination of the branch development programme.

PETER WILLIAMS : Assistant Merchandise Director of Menswear. Interviewed in 1980 and 1983.

Having left school at 18 he was commissioned during his National Service in the Army. In 1952 he then joined Fosters as a trainee because his father was an Area Manager with the company. He also had uncles and cousins in clothing retail businesses. His experience with Fosters included warehousing and administration before buying, which he recalls beginning in about 1960. In 1980 he was Assistant Merchandise Director, reporting to Norman Phillips and a director of the three factories, in which capacity he co-ordinated the requirements between buying and manufacturing. When interviewed in 1983 he was acting head of the Merchandise Department.

DAVID BOTTRILL : Regional Sales Director of Menswear. Interviewed in 1980.

He left school at 15 and volunteered for the Royal Marines in 1945. In 1948 he joined Hepworths and progressed through branch management to Area Manager. In 1963 he joined Fosters, starting as a salesman in a shop but became an Area Manager in 1965 and Divisional Manager in 1967. In 1976 he was appointed General Sales Manager with responsibility for half

the country. In 1980 this position was designated Regional Sales Director: as such two Divisional Managers reported to him and each of these was responsible for six Area Managers. As Regional Sales Director he did not sit on the Menswear board but might attend board meetings. He became ill in 1983 and took a protracted period of leave from the company.

PETER HARPER : Merchandise Manager of Menswear. Interviewed in 1980 and 1983.

After attending art school, where he trained as a silversmith, he began work with a jewellers but soon left to join Alexandre's (part of U.D.S.) and, later, two other menswear retailers in retail management. He joined Fosters in the late 1960s in retail management but switched to buying in 1972 as a jean buyer. He was appointed Merchandise Manager for outerwear (jackets and coats) in 1979.

MIKE THOMAS : Merchandise Manager of Menswear. Interviewed in 1980 and 1983.

He left school at 18 after his 'A' levels, but failed to get into university. He then entered local government but did not like this, so left to join a building society where he worked for three years, after which he joined Littlewoods. In 1966 he joined Fosters as an Assistant Buyer and in 1979 became a Merchandise Manager responsible for hosiery and outfitting with two buyers reporting to him.

KEN PRIEST : Divisional Sales Manager. Interviewed in 1980 and 1983.

On leaving school at 15 he began as a cabinet maker and, during National Service in the RAF, trained as a fitter. On leaving the RAF he returned to neither trade: first he tried insurance but was refused a job and then applied to join Fosters. He became a shop manager at 24 and, in his early 30's an Area Manager. He took over as a Divisional Manager in 1975. By 1980 he controlled 130 shops and, by 1983 was one of two Divisional Managers controlling half the company's shops.

BRIAN LLOYD : Area Sales Manager (Birmingham). Interviewed in 1980 and 1983.

He left school at 15 and started as a "boy" with Burtons. After three years he left to join one of the U.D.S. menswear retail chains and became a shop manager at the age of 19. He joined Fosters in 1968 as a trainee shop manager in the Bull Ring branch, a year later becoming a manager. He was appointed an Area Manager in 1973.

DAVID FELTON : Area Sales Manager (North Birmingham). Interviewed in 1980 and 1983.

He left school at 15 and joined Burtons with whom he spent ten years. In the mid-1960s, after becoming an assistant shop manager, he left to join Fosters, starting with them as a shop assistant. Later he became a shop manager and in 1977 an Area Sales Manager.



MISS D. DURHAM : Head of Accounts Department. Interviewed in 1980.

After leaving school at 16 she worked for three years on manufacturing during the war. At 19 she joined a firm of accountants on the auditing side. In 1954 she joined Fosters and in 1960 took over as head of the Accounts Department in which position she remained. Her job included the management of over forty personnel, mainly dealing with payments and processing of branch sales information.

JOHN HARRIS : Sales Promotion and Advertising Manager. Interviewed in 1980 and 1983.

His father was a shop manager with Fosters and they lived above the shop: he joined the company from school at the age of 16 in 1955. After eighteen months he joined the display team. After National Service he progressed through the display management side of the business, eventually becoming display manager and, in 1980, Sales Promotion Manager.

ROY DEAKIN : Display Manager. Interviewed in 1980.

He left school at 14 and after three years joined the Army for eight years as a medical orderly. When he left he joined Hepworths and quickly became involved in display. He was with Hepworths for eight years until 1964 when he joined the Fosters display team. In 1979 he was appointed Display Manager, reporting to the Sales Promotion Manager, John Harris.

STUART GRIFFIN : Divisional Display Manager. Interviewed in 1980.

He left school at 15 and worked for Austins at Longbridge as an apprentice until he was made redundant at the age of 18. His mother persuaded him to "go into tailoring" and he began with the Birmingham Co-operative Society. He then spent seven years in retailing with Hepworths before moving on to the display side. He joined Fosters in 1964 as a window dresser. In 1970 he was made Area Display Manager and, in 1976, Divisional Display Manager, a position he held in 1980 for the northern division.

JOHN LAWRENCE : Stock Distribution Manager. Interviewed in 1980 and 1983.

After school he began work as a photographer but left to take a course in computer programming. After six months with G.E.C. as a computer operator, he joined Fosters in 1970. In 1972 he joined the stock distribution department and after work as a system auditor and in introducing computer systems into Stone-Dri, he became Stock Distribution Manager in 1977, reporting through the retail operations side of the business.

GEORGE FILMER : Training Manager. Interviewed in 1980.

He began with Hepworths in 1933 as a "boy" at the age of 14. After the war he returned to the company as a shop manager and managed branches until 1957 when he joined Fosters. In the 1960s he became involved with the training of shop staff and became a full-time training officer in 1968 and then Training Manager. He retired from the company in 1982.

DAVID SAUNDERS : Design consultant to Foster Brothers. Interviewed in 1983.

David Saunders is Chief Executive of the David Saunders Design Company which handles a wide range of design contracts. The particular interest in interviewing him was to establish his perceptions of the changes in Foster Brothers from 1981, when he was appointed, to 1983. However he had also been retained by Hepworths in the late 1960s and early 1970s and the interview also included a discussion of this experience.

Interviews were also carried out with directors from Hepworths and past and present managers and directors of Burtons. In summary those interviewed are as follows:

For Hepworths:

NORMAN SHUTTLEWORTH : Retired Group Managing Director. Interviewed in 1983.

After experience with Jacksons the Tailors and a smaller tailoring business, he joined Hepworths in 1948 as Managing Director and is regarded by managers in Hepworths and other companies as the man who "turned round" the company in the 1960s. He retired as Group Managing Director in 1974.



JEFF ROWLAY : Group Managing Director. Interviewed in 1983.

He qualified as a chartered accountant in 1948 and then worked for three years in worsted spinning. He then joined a firm of diesel engineers for three years. In 1955 he became Company Secretary for Hepworths, joining the board of the trading company in 1957. In 1960s he became Group Financial Director and in the early 1970s Assistant Managing Director. On the retirement of Shuttleworth he was appointed Group Managing Director.

GEORGE DAVIES : Managing Director of Hepworths Retail. Interviewed in 1984.

After his retail experience with Littlewoods, with whom he began as a retail trainee, he joined a mail order company and later started his own mail order operation. He then ran the "party-plan" clothing operation "Pippa Dee" which was part of the Roskill Group, with whom he became a Group director. On the takeover of the Roskill Group he was put in touch with Rowlay of Hepworths by County Bank who handled the sale of Turners to Hepworths. Davies joined Hepworths in 1981 and planned and launched the "Next" womenswear operation. In 1983 he was given responsibility for all retail operations of Hepworths.

RICHARD REES : Finance Director of Hepworths Retail. Interviewed in 1984.

He joined Hepworths in 1973 as an accountant and in the mid to late 1970s was involved in corporate planning for the Group. In 1979 he was a financial controller in retailing and in 1981 was appointed Financial Director of the menswear business.

For Burtons:

RALPH HALPERN : Chairman and Chief Executive of the Burton Group.  
Interviewed. in 1984.

He is credited with being the co-originator of the "Top Shop" operation which initially was part of Peter Robinson, the fashion/departmental store company within Burtons. When Spencer took over as Chief Executive of the Group in 1976, Halpern was given the responsibility as Managing Director for both womens and menswear retailing. In 1981 he took over as Chairman and Chief Executive of the Group.

MIKE WOOD : Finance Director of the Group. Interviewed in 1984.

A Harvard Business School graduate, he was brought into the Group by Rice. Initially he worked in the French operation but he returned as Finance Director of Evans. In 1976 he joined Ralph Halpern in Top Shop as Finance Director and when Halpern took over both womenswear and menswear he took his board with him. Again when Halpern took over as Chief Executive, he moved his past directors, including Wood, onto the Group board.

PETER GORB : Commercial Director of the Group 1969-1972. Interviewed in 1984.

Gorb had been employed in textile manufacturing companies and as Deputy Managing Director of the Northgate Group who were suppliers to Marks and Spencers and 20% owned by ICI. He had known Rice from their

attendance at the Harvard Business School and joined him as Commercial Director in 1969 with responsibility for sorting out the trading policy of the Group. He resigned in 1972.

VALERIE LEAHY : Retail Personnel Executive 1972-74. Interviewed in 1984.

This interviewee was working in the retail side of the business in the personnel function at the time when Rice's expansionist policies were not succeeding.

In addition JOHN FALLON's interview included a discussion of his experiences with Burtons.



## PART 3

### AN ANALYSIS OF THE PROCESS OF STRATEGIC MANAGEMENT

- 3.1 INTRODUCTION
- 3.2 FOSTER BROTHERS - A SUBCULTURE IN TRANSITION
- 3.3 HISTORICAL BACKGROUND AND INITIAL PROPOSITIONS
- 3.4 FOSTERS THROUGH THE 1970s
- 3.5 MANAGING STRATEGIC CHANGE IN THE 1980s
- 3.6 1980 TO 1983 : STRATEGIC RE-POSITIONING
- 3.7 FOSTERS' STRATEGIC HISTORY AS INTERPRETED BY THE MANAGERS
- 3.8 SUMMARY TO PART 3

### 3.1 INTRODUCTION

So far, the strategy of Foster Brothers has been examined as observable output - as an outside observer might be able to deduce from seeing the way in which changes have manifested themselves within the industry. Whilst the examination provides some insights into process, they are limited. This section of the thesis aims to advance to a more insightful understanding of the process by moving within the firm and seeking to understand the processes of strategic change through the experience and interaction of the managers themselves. It is this section of the thesis that provides the core of theory generation. The earlier section on methodology has already discussed in detail the basis of this study of process. It is sufficient to restate at this stage that the approach here is essentially interactionist in the sense that the emphasis is to explain the mechanisms of strategic change as the managers themselves understand them, learn from them and account for them.

It must be remembered that most of the interviews in the company were carried out at two significantly different times: first in 1980 when the company had just experienced record profits after a decade of growth; and second in 1983 when the company had experienced three years of decline and was attempting to regain the growth it had previously enjoyed. It is argued here that it is impossible to understand the situation in 1980 or the significance of the changes from 1980 to 1983 without understanding the historical context of the company as the managers understood it.

The structure of this section reflects those time periods: first the scene is set by describing what Fosters was like and how it had evolved as an organisation and "subculture" up to 1980. The second part of this section

traces the years from the 1960's to 1980's as the managers saw them in 1980: that is, as they saw them from the position of record profits in 1979 and years of sustained growth. It will be shown how the changes in strategy throughout that time not only were incremental and adoptive in nature but were seen as desirably so - very much the "logical incrementalism" described by Quinn (1980). This part of the analysis of managers' thinking also provides a view of the underlying structure of constructs which can be discerned as comprising the dominant recipes in the company during that time. It will be shown how patterns of influence of these constructs on strategy can be identified over the years.

Although this section uses as a base secondary data which was available for the case studies presented earlier, it is primarily concerned with description and analysis of company history as the managers see it. It is acknowledged that this may not be what "actually" occurred but is, rather, what is selectively perceived to have happened. It is however, central to the argument within this thesis that such perception is relevant in understanding why companies face the strategic positions they do and how they set about coping with them. The second part of the section deals more specifically with the situation in 1980. This concentrates on the perception managers had of their strategic position at that time, of how the strategic development of the business was being handled and what future strategy should be. It will be shown here how such views build on the successful historical development of the business and the perceived reasons for success. In particular this part of the analysis will assess the mechanisms at work in the company which were developing or constraining strategic change at that time.

The third part of this section traces the changes which took place between



1980 and 1983 and shows how managers made sense of what was a radical departure from previous strategy. In effect, this is concerned with how the members of the organisation "re-learned" the strategic understanding of its position. Again it is argued that this has to be examined in the light of the historical development of the business as internalised by the managers. It will be shown how the re-learning process is closely associated with mechanisms of breaking down key constructs of the recipe through essentially political processes: it will also be shown how "organisational re-learning" and individual re-learning are associated.

This account of the development through the eyes of the managers proceeds, but with interpretative, theoretical re-statements of the process at intervals. This theoretical interpretation takes the form of a series of propositions which relate directly to the data. These propositions will then be used in the final section of the thesis to present a synthesised theoretical exposition of the process of strategic management.

### 3.2 FOSTER BROTHERS - A SUBCULTURE IN TRANSITION

In 1970 Burtons was a close company under family control; Hepworths retained significant influence from the family on the board; Fosters too had many characteristics that would be associated with a family business. In some ways the decade that was to follow can be thought of as the demise of the company as a family business. Until the mid 1970's John Foster was an executive board member. In the late 1970's the company was still manifesting signs of its family traditions, and the associated paternalism. It was discernable in 1980: in an extreme form, the Personnel Director explained that "retailing is not like, for instance, engineering where you have well defined roads to go down and professional qualifications. In retailing its so grey you have to depend on personalities,

on understanding, and love".

It was an attitude that to an extent had pervaded the It was an attitude that to an extent had pervaded the attitude to management throughout the company. Much emphasis was placed on loyalty and caring for the well being of staff. As one Area Manager explained:

"We don't over stretch anybody. We don't put anybody's job on the line by over promoting people. And you know that if you fail at that particular thing you are not going to get fired. You may move sideways. Nobody is forced into any position if they do not want to take it."

The loyalty was also personalised around the senior management and in particular the Chairman. Geoffrey High, the Chairman for most of the 1970s, was described by those who worked for him as "a gentleman" and many of the managers had stories to tell about how he had personal advice to offer about their career development or courses to attend, or how they felt he listened to their views and comments. The sort of comments made can be illustrated by the following:

"The leadership we have had over the past 20 years, initially by Mr High and now our present Chairman, the leadership is there. Our Chairmen have worked in different ways; our previous Chairman was different to our present one. But they both have qualities which inspire loyalty. And the loyalty which applied to Mr High was absolutely tremendous. The feeling was unique. You could have said 15 or 20 years ago Mr High wants something and they would have fallen over themselves to do it, not because of fear, but because they wanted to, and being part of a dynamic team. And it is exactly the same today".

The same sort of personalisation of loyalty remained as far as the current Chairman, Barry Davison, was concerned. For example, when one retail manager talked about the rewards for a good trading performance, it was not the company but the Chairman himself that was seen to be

magnanimous:

"At Christmas he might say, buy yourself a bottle of brandy and put it on your expenses. He sends you hampers at Christmas. A couple of years ago he took all the ASM's to Athens with their wives. The luxury was unbelievable".

Despite the fact that the relationships between managers remained apparently formal - board members called the Chairman "sir" in the office and left the dining room in order of seniority - managers felt that the management system was fairly open. Middle managers had in the past felt that there existed a direct, if informal line of communication with senior management.

By 1980 there was the feeling by many in the company that this deliberately created and preserved family image was breaking down largely because the company was becoming too large for it to continue. One of the senior merchandise team traced it back to the growth of the late 1960's and early 1970's:

"I wouldn't like to describe it as an us and them situation, but when this company decided it was going to be a large multiple, in the Bradley take over days, it tried to move from the family concern to an aggressive multiple. This was when the wedge started being driven in. They introduced very dictatorial policies. The management training side became a management factory: it had to train two managers a week for two years. It was training a type of manager that, whether he had the type of skills as his predecessor didn't really matter".

Others described the situation in terms of their feeling more "like numbers" than they used to, or to a "distance" growing between senior and more junior management over the decade. Regret it as many did, it was generally felt that it was inevitable:

"We all realise it isn't as small as it used to be. It used to be



a family business: it is slowly losing that: whether that is good or bad I don't know. You get this family business and it can sometimes be a bit false anyway".

Whilst the nature of the business was changing, many of the historical characteristics remained. The management of the company was highly centralised in strategic terms; virtually all decisions of strategic consequence were taken or routed through the Chairman. He saw himself and was seen by others as having a legitimate interest in and involvement with all facets of the business. Managers were expected to manage the operations of their functions with independence and drive, but they could expect Barry Davison to get involved at any time.

The management team itself in the 1970's was characterised by being almost exclusively "home grown", senior managers having normally joined the company after leaving school at fourteen or fifteen and working themselves up through the retail or buying side. Typical of this sort of progression was Brian Wood who in 1980 was Sales Director and Assistant Managing Director of Foster Menswear. He left school at thirteen, started as a "boy" with Hepworths, and became a shop manager with them at the age of twenty one. He then worked for two other menswear retailers before joining Fosters and working his way up the retail sales management side of the business, took over the management of one of the factories and eventually became Sales Director.

The links between the centralised nature of management decision making and the speed of decision making are evident. Peter Williams told a story that illustrates the situation well. Fosters had acquired Jessops, a small tailor, in the 1960s: it had its own factory making made to measure suits.

"By the mid 1970's with the steady decline of made to measure

trade, our factory was becoming unviable .....

The decision was made to close that factory and we had got to the point of issuing redundancy notices and it was publicised on Yorkshire Television as a news item. On the day after that appeared on television, there was a sudden imposition of import quotas from Taiwan where we obtained all our boys school blazers. This was 1976 and the quantity we were shifting that year was in excess of the total quota. We can't just lose all that turnover. I was called up to Mr Davison's office that morning because I had some incline that this might happen and was already thinking of alternative sources in the UK. Four of us sat down with Mr. Davison ... The decision had to be made if we could transform the Jessops factory into a ready made blazer factory. We took that decision in the space of three quarters of an hour. Yes we would rescind the redundancy notices and put the investment in."

It was a style of management described by Dave Botterill in 1980:

"It's Monday morning management - what's the policy this week - we need to be this, that and the other to dovetail with the present trading conditions. In other words I think we have a slick operation. In other companies by the time they have taken a decision it's too late".

On operational issues managers were expected to act as decision makers:

Frank Taylor:

"I don't go running to Mr Davison before I change an insurance agreement"

but he then added:

"but I do check it out carefully. Someone like Norman Phillips certainly does not answer to Mr Davison as to how he does his deals, or what he buys within parameters".

That did not mean that Barry Davison might not get himself involved in operational decisions if he chose to do so. What was certain is that Davison would be involved in any decisions of strategic consequence: he, and other managers, who saw him as the decision maker in such issues. The situation is illustrated by Davison himself as follows:

"Our Marketing Director has only been with us a short period of time. He comes in and says I've done this with shoes. It's a load of balls. I said we have got to utilise our space and shoes is an area we have got to look at. OK he has done the detail, but that's nothing to do with it. OK, I use other people's ideas, everyone does. They started that decision, OK they all started it, but they all start all sorts of other decisions which I never take. In any business there are loads of people giving ideas, it's a matter of whether the person who is running the business can pick the best or the right ideas. I make the most God Almighty number of errors in decision making, but you get enough good ones that produce the goodies".

This process of feeding of ideas which are sifted by the chief executive did not extend to direct involvement by junior management. They saw their role not as influences of policy but as implementers of policy: David Felton:

"It isn't policy to go against policy. I do my best to make it work. Because the leadership we get in our company is right and if you work for a company which pays your salary, you should be loyal to that company. My job is not to make policy decisions but to implement them".

He elaborated that he might talk to certain senior managers about his ideas, but not to others:

"I may informally if I am having a drink with Brian Wood: but I would not speak to Mr Davison perhaps because he would ask me to justify my reasons. I would talk to Ken Priest or Brian Wood but not to Mr Botterill or Mr Davison: some men are off the record men and some are not. To influence people you have to choose the right horse to back".

Despite this, Felton insisted that management in the company is "very open" and he added: "Everyone gets told everything: there are no hidden secrets".

The central role of Davison was generally regarded as a great benefit to



the company. He was seen as a main reason for the company's advances in the past decade. Brian Wood stated:

"Why the sudden growth? I will tell you in a nutshell - it's Barry Davison. I think he has made a major contribution to the progress of the company because he has pushed and pioneered schemes - not all right - but what he has done has been positive and made us move forward. He tightened up the costings as company secretary and generally put some boot behind people".

Or Norman Phillips:

"The Chairman epitomises success and sets the pace for everyone: he can put his finger on any button in the organisation."

It was a centrality which Davison himself acknowledged and also saw dangers in:

"The reason I have a joint MD is that the non-executive Directors would not let me be a Managing Director on my own because they said I was already too powerful. Really it is a partnership in name only because there is no doubt who is the senior partner: though I am genuinely trying to say to Mike Adams that there are subsidiary companies he can be responsible for and I won't interfere. I think there is a very big difference between Chairman and Managing Director. I don't think they ought to be combined but there isn't anybody else here that could deal with the Managing Director's job yet. I don't think Mike has anything like sufficient knowledge of the business or grasp of what goes on. As Chairman I consider my responsibilities are to deal with the outside world, in the way of the City and to try internally to plan where we ought to be going for the future and checking that the companies in the Group are doing what they said they would. The Managing Director's job as I see it is a day to day managerial job seeing that the day to day problems that exist are dealt with. I would find it very difficult to disassociate Chairman and Group Managing Director. I don't really see that it is possible to be a Managing Director of the major retailing company which is Foster Menswear and do the Group Chief Executive Job combined".

Later in the same interview he continued:

"I believe that it is possible to be Chairman and Managing Director. I'm not sure that it needs to be a two-fold thing. I tend to look upon myself rightly or wrongly as Fosters and believe that I generate inside and outside the business the

identity of the Company. I do believe that it is possible to have a personality cult within a fairly large Company. There are very large organisations in this country - larger than ours - where they do revolve around one person. I think without doubt to the outside world the impression I give as to what goes on in the business affects what they feel about Fosters. As far as the City are concerned they are bound to think to a certain degree when they think about the company, of me. It's not something I consciously try to put over. I would consciously seek to avoid it to some degree because it would indicate some weakness in the business if they felt that there is quite as much of a personality cult as there is in the company. It might be worried that in the event of something happening to me it could affect their long-term investment projects. Therefore, it would not be a good thing if they realised quite how many of the decisions wait until I generate them. I do believe that in the long term I have got to try and change it. What I want to try and do is be the Chairman and the Group Managing Director. My basic problem is the Managing Directorship of Foster Menswear. Rightly or wrongly I don't think we have yet anybody who can take over that function. Maybe I am being unfair to the staff I have got, but I don't think it is the case".

Whilst all within the company applauded the energy and drive of Davison, there were those who had reservations: Brian Wood was concerned that decisions would become disjointed:

"We do have a Chairman who has his finger in every pie. That does restrict one slightly. If I were running Menswear, I would do it differently. I would get together more with people. At the moment it's disjointed because the Chairman can't be everywhere. He will see one person at one time. It is very difficult to tie it together!"

He also had reservations about the management style of the Chairman:

"We walked into the Cardiff branch the other Saturday - and this is the Chairman totally, it's something I wouldn't do but he does - there is a shop full of staff and he says "Who the bloody hell did this, I'm not having that, that's coming down. I said you can't do that here and I left him for half an hour. In the car I explained that they had been up till 3 in the morning to get the shop right. I explained that they came to me and asked if the Chairman wasn't happy with it. He said 'I'm sorry I didn't mean to,' but I said that you do. Alright, you don't like it, then have a go at me in the car afterwards, it's my fault."

Mike Adams was also concerned:



"The danger is the structure. I disagree with the structure. I don't think you can have a company of £100 million turnover with a Chairman like Barry also Managing Director and Managing Director of the major subsidiary, and also Chairman and virtually Managing Director of other subsidiaries. It is just not as an ongoing situation correct. It cannot survive. The man cannot stomach the workload. He comes under pressure, becomes irrational, paranoid, whatever. Secondly, there is no financial director on the Main Board. So in effect Barry is Financial Director of the Group. He is also Chairman of the Property Company. So in practical terms if you want anything done you either do it yourself and get your head shot off by Barry or you don't ask him. As of now Brian Wood would not do anything of a major nature which is what he should do as Managing Director because of Barry".

It was a centrality and dominance that almost put off Richard Haynes from joining the company: he thought hard before accepting Davison's offer and leaving his position as Managing Director of Foster's advertising agency:

"When Barry asked why I couldn't make up my mind, I told him that it was him. I told him that I didn't know if I could work for him; it would never be working with him; it would always be for him".

There were few such reservations stated by junior management who, clearly, admired the driving force. However Miss Durham who had been with the company since 1954 and had worked for Barry Davison when he was Company Secretary did see problems:

"I worked for Mr Davison for some time and he knows his own mind and has a good financial brain. I have got a lot of faith in him. But I think whoever you are dealing with if you don't agree with something you should say so, even if it's only to stimulate conversation. I am not sure that some of the people that surround him do that. He is a bit of a bull at a gate, but I don't think people stand up to him. I think one of the non-executive directors might stand up to him - Roger Wilcox - but I wouldn't say any of the others would really. But he would have done in his day stand up to anybody and I think he respects people standing up to him".



Of the managers interviewed at Fosters who had been with the company before 1980, only the accountants had any real experience of other industries or any professional qualifications or experience of higher education. There had been an history of deliberate "culturisation" of managers who joined the company: the managers who joined in the 1960s most of whom had been shop managers or area managers with Hepworths, were given positions as salesmen or assistant shop managers with Fosters so that they could "learn how Fosters did things". Indeed there was evidence of the resentment of resistance to "outsiders" throughout the 1970s. On the recruitment of senior management from outside the firm, Brian Wood said:

"(The Chairman) once said to me that we had had a number of people in that had gone the way of all flesh and that it was my retail mafia that had got them. And I said 'Are you saying I am a godfather I suppose?'"

John Wilson, the Personnel Director, had "brought in a modern O and M man recently who I had to get rid of because he upset everyone around the building with his modern methods".

Again, Frank Taylor, when talking about outside legal help commented:

"I don't know that we get the help that we should. We get very good advice from them (a local firm) but if we used a major London firm, I know I would get top advice and they would deal with it, whereas one tends to find you have to do a lot yourself here and think it through yourself."

Fosters was a closed management system, recruiting from within and priding itself on the longevity of its managers and their record of promoting from within. It was a record which most managers saw as admirable. In particular the retail managers saw it as a means of

motivation since most senior executives could point to their past as shop managers. John Wilson, who had risen from the shops to become Personnel Director gave an example:

"Last week I gave a talk at Malvern School and I had all the stuff in the back of the car. I was assisted in taking this to the car by some junior retail staff on a training course at head office. One boy from Wallsend said "What a super Rover, can I sit in it?" he got in, sat in there and drooled over it and said "You've earned it haven't you" He did not begrudge it. He was part of that success. I said to him, if you work at your job well you can have the same".

The company had a reputation within for not accepting "outsiders" at senior level. Mike Adams:

"If it if you look on the Menswear side it does not have a record of importing people. To bring in someone at the top on the Menswear side could be very dis-spiriting. Well the Mafia would kill him, as the Mafia has killed various importations - Brian Wood, Norman Phillips, the Mafia".

It was not surprising, then, that there were few differences in opinion about the way the company managed its affairs. In fact there were only two managers with criticisms of any substance. One was Mike Adams himself who, apart from being the most critical of Barry Davison's approach, also saw it as a structural problem: some of his views have already been stated. Perhaps significantly, at the end of the discussion with Adams he offered the view that the reason for his different views was that he was the only person with a different background, having run his own business.

In 1980 there was one other, and more recent "outsider": Richard Haynes had only just joined the company. His views were also less in line with the mainstream Fosters approach, but more tentative:



"There are two things that can happen in retailing, one is natural drift; in other words you just drift along updating your merchandise as the years go by. The other is to be much more positive about it and actually make sure you are making positive steps to reposition your business on a gradual basis otherwise you have to do what Burtons did which was radically reposition. Amazingly Fosters have been as successful as they have without any of the sophisticated tools. I am not a through and through retailer. I do not pontificate about how to serve customers or how to lay shops out; I leave that to the experts. But I do think I can help in trying to get us to see how other people see us. If you are not being perceived as you want to be perceived, then you are wasting your time. If you think people see you as something and they still see you as that cut-price shabby menswear chain that sells working mens' jackets and trousers - if that is how you are seen then you have got to do something about it".

*In fact one of Haynes's first acts on appointment was to commission market research which had shown that the view customers had of Fosters was very different from that which managers believed. In the 1980 discussions he talked little about this research. However, it was clear that his view of Fosters position was a good deal less uncritical than his colleagues.*

### 3.3 HISTORICAL BACKGROUND AND INITIAL PROPOSITIONS

#### 3.3.1 Some Initial Propositions

The first part of the account of Fosters strategic development concentrates on the period from the late 1960's to the end of the 1970's and so embraces the early branch acquisition phase, the growing commitment to overseas importing, the move to a more fashionable range of merchandise and some of the diversification moves. These decisions are used to raise some of the core arguments that will be developed throughout the thesis.



Since a good deal of what follows will be written from the point of view of the managers concerned it is worthwhile making here some introductory theoretical statements which form the basis of the interpretation of the processes.

There will be further support for the view that the sequence of decisions do represent an incremental process of strategy development, in that they can be seen as relatively small steps building on the basis of what already existed as the strategy of the business. As such it follows that the historical background to any strategic decision is important to understand. Within this incremental process it is argued that general notion of strategic recipes is an important device by which to understand why particular decisions are taken: in this respect the idea of recipes as collective wisdom about how to cope strategically in the context of the industry is shown to be evident and a useful starting point, though it is developed substantially as the argument proceeds. The decision processes are also viewed at the outcome of the political manoeuvring of coalition groups within the firm and, here, the idea of decision making as a political process is related to the notion of recipes, and shown to be central to an understanding of incremental processes of strategy development.

It is also important to stress that this is a study of strategic management in a particular context. Foster Brothers is not representative of all companies or even of all retail companies. It is argued however, that it is fairly typical of a particular trend of organisation faced with problems of adjustment in strategic terms. There have been various writers who have offered typologies of organisations which attempt to explain corporate behaviour. Two which help explain the nature of Fosters are those by Miles and Snow (1978) and Anderson and Paine (1975). Miles and Snow

argue that managers seek to create an organisational culture suited to their perceptions of the competitive world and the nature of their competitive stance. Anderson and Paine argue much the same but, specifically, offer a typology based on "perceived environmental uncertainty" and "perceived need for internal change". The results of both studies are similar. In terms of the nomenclature offered in the studies, Fosters could be thought of as a "Defender", according to Miles and Snow, or a "Cell 1" organisation according to Anderson and Paine. Combining the two descriptions of these categorisations, describes such an organisation as follows:

- i) The strategic mission is to "seal off a portion of the total market to create a stable set of products and customers" (Miles and Snow, p 48): this is done by sticking to what they perceive themselves as doing well and ignoring developments in the market outside that domain. The level of environmental uncertainty is perceived to be low and there is little active search for environment related information.
  
- ii) This strategic stance helps to explain the organisational nature of the firm. There is an emphasis on efficiency and control, with centralised management and those areas of the business seen to provide greatest competitive benefit being tightly controlled through mechanistic operating procedures. The need for organisational change and innovation is perceived to be low.

Mintzberg (1979) would label the management system as "centralised organic" and explain it as follows:

"When its environment is dynamic but nevertheless simple, the organisation requires the flexibility of organic structure but its



power can remain centralised. Direct supervision becomes its prime coordinating mechanism. This is the structure characteristic of the entrepreneurial firm, where the chief executive maintains tight personal control" (p. 286).

It is evident, however, that in the late 1960's and particularly, the 1970's, Fosters underwent changes which began to move it along the simple - complex continuum. (Duncan, 1972). Increased size in terms of numbers of outlets, attempts to diversify, sophisticated systems of distribution and long merchandising planning lead times contributed to this. This growing complexity began to show itself in terms of some of the tensions that have already been described and will be further discussed.

This is an examination of strategic management processes in the context of a company which, had over many years, developed a particular mode of organisation characterised by centralised control, to defend a profitable niche in its market: a position which became increasingly threatened. This study concentrates on exploring how the company came to terms with the changes necessitated by such threats. Whilst it is not claimed that the conclusions from the study are representative of all organisations or even of all "defender" type companies, it is argued that the understanding of the patterns of strategic development and structuring of strategic decision making processes illuminates our perception of the problems of strategic management at a more general level.

### 3.3.2 The Recipe of the 1960's

The data available in this study for the early strategic development of the period prior to that studies is more limited than for the later years. Nonetheless there is sufficient to allow an understanding of the "historical lessons" as seen by managers and, in so doing, there are important points raised which serve to introduce and illustrate some of the themes which



will be developed fully as the analysis proceeds.

Throughout the 1960s Fosters developed a strategy which provided them at that time and for much of the 1970s with a distinct competitive advantage. That strategy, its components and some of the underlying rationales are well summarised by Barry Davison:

"As a multiple company we grew rapidly in the number of branches at a time when it was not too difficult to do it. The development of shopping centres in the UK was going on rapidly and we gained a lot of representation when there was a polarisation of change in shopping habits from developed centres. We took advantage of that situation when a number of others did not. A number were not finding trading situations easy and did not therefore take advantage. We had a formula which enabled us to operate in centres in which other people could not operate because we were offering very competitively priced menswear with a fairly wide scope of it. Any centre, unless it was a high class centre, had a lot of people we could appeal to. A lot of these centres were not big enough to take our major competitors which meant in the smaller centres we got a bigger share of the menswear market that we would traditionally be able to do. That is a unique appeal that we have got that many of the major multiples have not got, because we don't do as well percentage wise when we have got a lot of competition as when we have not. We anticipated the move to imported merchandise earlier than our major competitors. We have got a very tight control on cost. Tighter than a lot of our competitors. We were in the casual menswear business before we realised we were; that happened without a conscious decision being made".

The main elements of the strategy as it developed were therefore threefold:

- Increased markets penetration throughout the UK by branch acquisition.
- Tight control on current assets by efficient stock control and distribution systems.
- The importing of merchandise - at that time through an agent - from

the Far East, and the consequent ability to achieve price and margin advantage over competition.

Davison's account of the strategy of the period also provides some understanding of the rationales underlying the strategy. The changes taking place in the retail shopping environment in the UK in the 1960s with the development of shopping centres gave Fosters the opportunity to grow faster than either the multiple tailors or other outfitters. Most of the centres could not justify premises for the tailors because the amount of business in suits alone did not justify the opening of a branch. And the cost base of Fosters provided them with an edge over the other outfitters. What Davison does not say but is offered as a reason for the growth of that period by other Fosters managers is that the company at the time saw takeover as a threat and asset growth as a means of avoiding that.

The acquisition of Bradleys in 1970 can be seen as an outcome of the way in which Fosters grew in the 1960s. Certainly it fits with the property acquisition drive of Geoffrey High since Bradleys virtually doubled the number of shops. There is, however, little evidence that it was the outcome of a deliberate decision to increase the retail representation of Fosters as seen by the public but rather to increase the number of shops and geographical coverage for cost and distribution purposes. In the 1960s Fosters and Bradleys had what Brian Wood called a "gentleman's agreement ... that we would not go in the same town". However in 1968 Fosters moved to new headquarters, providing the warehouse space necessary for the centralised stock control systems which Barry Davison had promoted and had been working on. 1968 also saw the beginnings of computerised systems of stock control. Both were part of the pursuit of low cost retailing that characterised the company's approach and both provided spare



capacity and, indeed, attractive benefits of a greater size of operation. Bradleys provided the opportunity to capitalize on these benefits. Managers see the acquisition of Bradleys as an outcome of the distribution and stock control policies rather than the results of an analysis of high street retailing benefits. Indeed the original idea was to keep Bradleys quite separate: as Mike Adams explained:

"They bought it with the intention of it being separate, hence the separate board. It didn't work so it came into the main group of Fosters. It benefitted the group ultimately but not as foreseen".

Throughout the 1970's, the acquisition of Bradleys certainly came to be seen as benefitting the company in terms of its ability to increase buying power and fit in with the benefits of distribution systems.

In this study what are important are the internal mechanisms associated with the pursuit of that strategy and their consequences on subsequent strategic development. The first point to make is that the logic as described by Davison and the means of carrying through the strategy illustrates what Spender (1980) calls a recipe, in so far as it can be seen as a set of perceptions about the business environment and the ways of operating competitively in that environment. There are however a number of further points that can be made which raise some of the main themes running through the rest of the analysis.

First there is a need to be more specific as to how the word "recipe" is used. Schutz (1967) used the word to mean the pattern of beliefs about every day life that we come to accept as sensible or normal; there is the notion of these beliefs being influenced by social context, but the recipe is seen as essentially individual. Spender's notion of "recipe" is different.



He uses the word to denote a shared pattern of beliefs: his emphasis is more on the social commonality of the recipe in an organisational setting which, in effect, filters what goes on around us so that we can make sense of our organisational world and take action on the basis of relatively commonly held beliefs. The appropriateness and utility of this can be seen. The manager is faced with an environment of some degree of complexity and change; it is potentially highly variable in these terms and at any one time he and those with whom he must co-ordinate activity, may be faced with making sense of a whole range of information inputs. The recipe - the shared set of beliefs - provides an interpretative device without which the manager would, presumably have to re-configure and re-negotiate their organisational world every time some new information input occurred.

From an analytical point of view, the measure of the usefulness of the concept of the recipe is the extent to which it allows us to understand better the interpretative mechanisms and consequent actions of the managers. Spender's thesis is valuable in that it sets out a framework in such a way that, for the industries he studies, it illuminates the strategic thinking of the managers. It does not however attempt to place their thinking in a processual context; there is little attempt to show empirically how the recipe actually works. Much of this study centres on just this task and, in so doing, suggests important refinements to the notion of the recipe. Some of these are now briefly set out so that the reader may follow more clearly the evidence as it unfolds. So as to retain a chronological description of events, the historical position of the company as described above by Davison will be used to illustrate some of the points but it should be borne in mind that a great deal more powerful and more recent evidence will follow to support, elaborate and add to the

propositions now made.

The first point to make is how the difference between the words "strategy" and strategic "recipe" is conceived here. Strategy is taken to mean the observable output of the organisation's activity in terms of its competitive positioning over time. The strategic recipe is taken to mean the sets of belief and perceptions in which the strategy is rooted. For example, Fosters in the late 1960s could be seen to be following a strategy of aggressive branch acquisition, to achieve market development. The recipe in which the strategy was rooted appeared to contain within it beliefs about the environment interpreted in the context of views about the competences of the company itself; in particular that the combination of relatively small, cost efficient shops selling down market low priced merchandise was particularly suited to taking advantage of the opportunities afforded by the precinct development of the 1960s.

However, even within this relatively sparse data, it becomes clear that the recipe contains beliefs - or constructs - of different sorts. There appear constructs to do with the environment and the firm's competitive standing in the environment; and there are constructs to do with how the company operates or should operate. These sets of constructs are of course intimately associated. The perception of why the company is in a particular competitive position will be influenced by what is conceived to be the company's particular capabilities in operational terms which endow it with competitive advantage. And conversely the company's operational capabilities and how they are perceived will develop in terms of how they serve in taking advantage of a particular opportunity. So when Davison accounted for the success of that period as follows:



"We moved ahead with electronic data processing quite early on compared with other retailers; and I think one of the reasons for our success is that we have tightly controlled our current assets situation"

he is linking perceptions about operational capacity with their ability to compete in a particular way in the market. It will become clearer as to how these two sets of constructs intertwine as the study progresses. It is sufficient at the moment to make the following observations:

- i) These two different sets of constructs within the recipe will be shown to be different in the form and in relevance to the development of strategy. In this thesis they will be termed and defined as follows:
  - a) Strategic frames are the set of beliefs about the nature of the organisation's external environment and the organisation's competitive position within it: and
  - b) Strategic formulae are the set of beliefs about the modes of operation of the organisation, typically in terms of trading procedures, organisation and control, which managers perceive as bestowing beneficial strategic competences and capabilities on the organisation. Strategic formulae are, then, perceived "best practice" in a strategic sense.

Together the strategic frames and strategic formulae make up the strategic recipe. The exact components of these frames and formulae, and hence, of the recipe for Fosters will be examined in detail. It is however important to emphasise at this stage that these frames and formulae which will be referred to throughout the



thesis, whilst being derived from the explanations and perceptions of managers, are in a strict sense, hypothetical; that is they are constructs implicit within the language of the manager as discerned by the researcher. They are used as interpretative devices by which to explain and account for the management processes which occur. The terms "frames" and "formulae" are not employed as direct conceptual replications of terms used by other writers. It is acknowledged that others (Rumelt, 1979; Huff, 1982) have used the term "strategic frame" but in a more general, industry-wide context, more similar to what is termed in this thesis as the "recipe".

- ii) Spender's thesis concentrates on the differences between recipes as they exist between different industries, and the commonality of the recipes within any one industry. This thesis is concerned with one industry and so does not consider the differences of recipes between industries. It does however examine the extent to which recipes are common within one industry and more particularly, within particular firms. The conclusion is reached that whilst there may be identifiable similarities of recipe within the industry, it is important to understand differences between firms and differences that exist within the firm. Specifically it will be shown that there can exist differences between individuals within the firm which contribute to tensions between strategic frames and formulae of particular consequence to strategy formulation.
  
- iii) It will also be shown that the process of strategy formulation can usefully be considered by examining the interplay between strategic frames and formulae; and that these need to be examined in a

political context. For example, Davison again on the company at that time:

"I think to understand retailing - retail companies are very much property companies. In those days they were very much a branch acquisition business more than a retailer I think. I'm the third Managing Director in line that has been a Chartered Accountant. I think it was logical for property people to be very senior because the individual company big decision is acquiring a branch. You are doing it very regularly, much more so than in a manufacturing operation. When you are in a growth pattern like we were in it was a very regular procedure. At one stage we opened fifty shops a year. We were always very entrepreneurial about our property decisions; we made quick decisions which gave us a big advantage over companies that take a long time to make decisions. Very much at that time of business the sales people were at a very low profile. And although there was a Buying Director, he was the most junior person in the management team".

The power within the business at that time lay in the hands of those who operated what were perceived as the key business activities of shop acquisition and the control of costs. Pfeffer and Salancik (1974, p 137) note that "power occurred to those sub-units which could best deal with critical organisational uncertainty". Hickson (1971), Crozier (1964) and Thompson (1967) argue the same. In this study a similar phenomenon is found to be linked to sub-unit association with strategic formulae and to play an important part in strategic change management.

- iv) Throughout the analysis of the strategic changes of the period under study the characteristics of those changes will also be made clear. For the period so far described there is relatively little information and we know little about the origins of the strategy except that it was essentially opportunistic and driven by Geoffrey



High who, according to Davison "was on an ego trip: his ego trip was that he wanted more branches". High would return to head office "having committed us to three or four more without really very much analysis of their trading potential". This opportunistic acquisition of properties continued as a dominant strategy into the 1970s. Indeed the Bradley's acquisition can be seen in this context: it virtually doubled the number of shops.

- v) It will also be shown how the presence at one time of particular frames and formulae can have a lasting effect on the company. Specifically it will be argued that strategic formulae are especially persistent and resilient. To take the example of the dominance of frames and formulae of the 1960s, the residue of the emphasis on the combination of opportunistic property acquisition and low cost operation were certainly still evident in the firm in the 1980s. Mike Adams gave as an example in 1980 the acquisition in that year of a large branch in Cardiff:

"A £2 million investment and (Menswear) is paying a rent to the property Division of £80,000. No way can you say in commercial terms that this is a return. If you take it as a property investment and say that property is inflating at 10% or 15% or whatever you can justify it through".

To take another example, Tony Gray commented on the way in which the approach to the shops, built on the cost control of the 1960's, carried over throughout the 1970's.

"We didn't treat our properties any better in the 1970s: don't spend money on them because that's off the bottom line".

- vi) A central finding in the analysis that follows is that strategic



change is bound up in the dominant influence of strategic formulae; in fact that choice of strategy or amendment to existing strategy is normally a function of dominant strategic formulae. It is not possible to give evidence for this on the sparse data so far presented but the phenomenon can, at least be illustrated by reference to the 1960's. The pursuit of a strategy of growth through shops acquisition can be conceived of as a rational, analysed decision building on environmental opportunity: it can equally be thought of as the recurring application of what senior managers evolved as a way of operating and saw itself as good at doing.

#### 3.4 FOSTERS THROUGH THE 1970s - The consolidation of strategic frames and formulae

It will be argued that the 1970s saw the development of, and consolidation of a distinctive recipe for Fosters, the constructs of which can be seen to influence strongly the strategic decisions of the decade. Perhaps more important in this study, it will be shown how the evolving recipe of the 1970s played a major part in the managers perception of and response to the downturn of the early 1980s. The analysis which follows uses the descriptions by managers of developments throughout the 1970s to show how they conceived of their own history and how they made sense of some of the decisions and developments of that time.

##### 3.4.1 The Evolving Recipe of the 1970s

Although the power bases of the company in the 1960s had been associated with those who were involved in the property dealings or the growing centralisation of control of costs, by the end of the 1960s there were

changes becoming apparent, mainly as far as the merchandising function was concerned.

Earlier in the 1960s buying of merchandise was the responsibility of shop managers. Brian Wood explained the shortcomings of the policy:

"The Managers were allowed to buy their own merchandise. When I joined this company, reps came round and we were allowed to buy merchandise. The profit margins were bloody awful. The reps used to say 'if you can't get rid of it offer it to Fosters and the silly buggers will take it".

The desire to improve the efficiency and profitability of the operation led to the move to centralised control, and therefore purchase, of stock. This, together with the increasing proportion of merchandise bought abroad, increased the influence and importance of the merchandising function. These moves coincided with a change in merchandising director. Barry Davison explained:

"He (Mr. Jacks) was a very different personality. He had a very big influence on the type of merchandise that should be sold, basically because my predecessor (Mr High) was very much a property man and was not really interested in the buying side. Although he (Mr High) controlled the company on what the performance of branches was, he really did not want to get down to what we should be doing with our merchandise and image mix."

The new merchandise director was Tom Jacks and it was under his direction that the importing of Far Eastern merchandise grew. His approach to buying dovetailed in with the move to centralised control; it consisted of buying in large quantities outfitting for the working man. Peter Williams explained how, at the time, the policy was seen as competitively necessary, as well as providing special benefits to a group of Fosters size, particularly after the acquisition of Bradleys.

"Up to 10 or 12 years ago, we were a comparatively small company sourcing all our requirements in the UK. Independent of the factories, tied to the major multiples, the supply sources were fairly small. So manufacturing sources allied to our turnover were more or less compatible. You get the situation where overseas markets develop - principally Hong Kong and South Korea. In order to survive in a highly competitive market we had to tap those sources of supply otherwise we would have



been outpriced and our market would have disappeared to the people who were sourcing overseas. When you move into overseas markets you are dealing with an entirely different approach to clothing manufacture. They are very much bigger units, geared to supplying world markets. In South Korea the production resources are vast. You have got to be of a certain size before you can even attempt to purchase from them. If you go with your quantities below their minimums they just wont entertain making for you at all. So in order to compete you have got to have buying power".

It was buying power which, by 1971, Fosters had achieved by acquisition and centralised merchandise control. In that year the decision was taken to switch to direct importing rather than acting through an agent. The decision was taken following an approach by the Sales Director of their importing agent, who, according to Barry Davison:

"Came to us and said 'I can offer you a cheaper service than you are currently getting. I can arrange agents for you in the Far East and do the import documentation for you.' He joined us on a commission basis."

It was a decision which further widened the margins but carried with it the requirement to concentrate on high volume, long production run items. It consolidated Tom Jacks approach to buying which became known in the company as the "pile it high and sell it cheap" approach.

In marketing terms it also consolidated the company's position with regard to competition. Fosters had deliberately aimed their merchandise at the lower end of the market: this became the more important as the buying quantities required volume offtake of merchandise.

It appears to be the case that the company responded very early to the beginnings of the importing of menswear when other large retailers did not. It is now possible to see reasons why this might be the case, not least of which was the low commitment of the company to its own



manufacturing capacity and the growing emphasis on cost control. It is also evident that the significant switch to direct importing was associated with an outside stimulus. These do not, however, explain the dynamics of the changes at the time and there will be no attempt here to re-construct these from such sparse evidence. What is possible, however, is to understand how the decisions contributed to the development of managers' views of their success at that time and so how these views influenced later decisions. This understanding can be seen in terms of the managers' strategic recipes.

By the early 1970s the strategic recipe upon which much of Fosters success had taken shape can be discerned at least in rudimentary form. It is set out in Exhibit 34. The managers see the success of that time being based on a number of re-inforcing strategic constructs. The achievement of market dominance in men's outfitting - *clearly delineated as an identifiable and separate market* - had been the result of aggressive branch acquisition in the 1960s. For whatever reason that occurred, the perceived benefits for the early '1970s were that it provided the basis upon which the special skills of Fosters could provide a dominant competitive position. Size meant that there were economies of scale for both buying and for control systems to minimize costs. As the availability of overseas merchandise increased, then the benefits of dominating a large market perceived to be homogeneous and stable in merchandise requirements, became more pronounced, since few other retailers could offer the order levels of Fosters. This was welded together within a style of management that was seen to be dynamic in terms of decision making but caring in terms of personnel. It was seen as a company that looked after its employees and who, in turn, respected and admired senior management. This two-way loyalty was crucial to the maintenance of "team spirit" and

EXHIBIT 34

FOSTERS STRATEGIC RECIPE OF THE EARLY 1970s

STRATEGIC FRAMES

The nature of the competitive environment and Foster's position in it was perceived as:

- In a competitive environment populated by small retailers, Fosters had achieved market dominance due to aggressive branch development in shopping precincts.
- Fosters was the one national mens outfitter.
- This was a unique position since the only other national menswear retailers were the tailors who were not seen as competitors.
- Fosters traditional working men's market provided a guaranteed and large market sector for basic outfitting.
- The rise in importing of cheap overseas merchandise was a threat to smaller retailers but an opportunity to Fosters because of their national dominance and bias to basic merchandise.

STRATEGIC FORMULAE

Fosters competitive success was seen to be because:

- Basic merchandise sufficient to meet relatively unsophisticated market demands could be sold cheaply and profitably.
- This was achieved by:
  - a) "running a tight operation": that is controlling current assets and expenditure by centralised computerised control of stocks, distribution and spending;
  - b) increasing buying commitments from the Far East, and due to guaranteed volume offtake, the achievement of low buying prices and therefore high margins;
- The development of negotiating skills in overseas buying by the buyers.
- Fast, effective growth oriented entrepreneurial decision making by top management.
- A caring top management, committed to providing opportunities for and "looking after" loyal employees.
- Effective well trained aggressive retail salesmen capable of moving large quantities of the merchandise bought



high morale, particularly in the retail side of the business.

The recipe, then, represented a conception of how, in strategic terms the company should operate; it is in effect the strategic "logic" as perceived by the managers. It is not possible or sensible to attempt to trace how the recipe of that time developed or how it influenced specific decisions; the evidence is too sparse and remote for this. However, recipe development will be examined in detail as this part of the thesis progresses and again in Part 4 of the thesis. It is sufficient at this stage to propose and illustrate the existence of such a recipe and to suggest that it evolved as a pattern of emerging constructs which were seen as an internally consistent whole. These constructs are further bound together if, as with Fosters, the outcome of the resultant way of operating is evident success for stakeholders, be they managers, shareholders or suppliers. Successful implementation consolidated the company's strategy and the recipe in which it was based.

#### Power and Strategic Formulae

In political terms the status and influence of the merchandising department and the merchandise director, Tom Jacks, in particular rose as the importance, first of centralised buying control and then of overseas buying, rose. His power was vested in his provision of buying skills and resources in terms of merchandise upon which others were dependent (Emerson, 1962). It was a position which Mike Adams illustrated graphically:

"The emphasis was very much on the buying side of the company dominating the selling side of the company. Tom was a very strong personality. He felt he had to dominate the selling side although he was merchandise director because the volume he was purchasing in the Far East had to be sold and therefore he had to have a strong influence on retail. There was a period of several years when the retail side was very much the poor relation. It was a very successful period in financial terms.



They had sales promotions; and if you went downstairs to the display room it would be Tom Jacks who would be saying what went where and why (in the windows). It wouldn't be the retailers saying this is how we're going to do it. Discipline in his buying department was extremely good. Discipline in terms of attention to detail that is. And he had a super guy in Tom Beddow who was a 2IC (second in command) who looked after the shop whilst Tom was away in the Far East. He would send letters over to Hong Kong to tell Tom about any political manoeuvrings that were going on".

The formulae associated with the company's success became more and more associated with the merchandise department, which in turn gained influence within the company. This is very much in line with the observations made by other researchers (Hickson, 1971; Thompson, 1967; Hambrick, 1981) that power is derived from association with uncertainty reduction. A strategy was evolving which insulated them from market threats since the price and margin advantages reduced the likelihood of competitive incursions and buffered them against downturns in demand. Changes in fashion were less important to Fosters than to some other companies because they had elected to concentrate on "commodity" merchandise. And buying sources were kept to a minimum and provided with opportunities for large production runs so that they were keen to obtain Fosters business. At the hub of this was the merchandise department. Growing in significance through the 1960s, as the company switched to centralised distribution of merchandise and reduced the shops' freedom to select merchandise, it now became the mechanism through which company profits were to be guaranteed.

In as much as the strategic formulae represent the means by which the managers see the company as able to cope successfully with the market uncertainty they face, the strategic formulae are the means of uncertainty reduction. This supports the assertion that power is linked to association with uncertainty reduction: specifically it will be demonstrated in the

analysis which follows that power in the organisation is derived from association with dominant strategic formulae. It will also be shown that power is not associated with strategic frames; strategic frames are perceptions of the relationship of the business to its environment and, as such, are intellectual constructs which make sense of a company's strategic positioning. Strategic formulae are action-orientated "solutions" as to how to achieve or maintain a strategic position; it is at this level that power is vested. As the analysis proceeds the association of power with strategic formulae and the role of individuals or groups proclaiming or advocating strategic frame changes will be seen to be important in the strategic decision making process.

The approach to the business encapsulated in the recipe of the early 1970s continued as the core of Fosters success for the rest of the decade, with Foster Menswear achieving its profitable growth essentially through central control on costs and high margin, low priced sales of down-market merchandise. However, the recipe also had a persistent affect on other aspects of the company's strategy throughout the 1970s and into the 1980s.

#### 3.4.2 "Fashionpoint" - Merchandise change through political influence and incremental adjustments

This section explains how Foster Menswear adjusted their merchandise mix from the mid-1970s onwards within the framework of the recipe which had been established earlier. The account describes how the operation of the recipe takes place within a political context giving rise to the relatively low level of change and experimentation that typifies incremental change.

#### Political Alliance and Merchandise Policy

In 1973 Barry Davison was appointed Joint Managing Director with John



Foster. Barry Davison explained as follows:

"The split was decided that I would look after the administration and finance of the company and he the merchandise and selling side. But very gradually I started to try and get myself involved in what he was doing, which he didn't particularly like and I was called an interfering accountant upon a number of occasions".

At board level the policy on merchandising was dominated by Tom Jacks:

"Mr. High had a lot of time for Tom and therefore any merchandise decision he wanted, Mr. High went along with".

There were, however, some differences of opinion between Jacks, Foster and Davison. John Foster was arguing that the reliance on cheap importing for the bottom end of the market was unwise. He advocated a move further up market, to provide outfitting merchandise for higher income groups. Davison, on the other hand, was more concerned that the emergence of the supermarket home and wear departments could be a threat to the market position occupied by Fosters.

"I felt we had set off on a road with Mr. High and Tom Jacks which put us on a collision course with the growing dominance of the large supermarket groups whose move into cheap clothing was just starting. I felt at that time that the low overhead structure that they had would enable them to devastate our price structure and that would take a substantial part of our turnover away".

The basis of his concern was, then, that the supermarket threat undermined the Foster's recipe and, in particular, the buying formula that was seen to give them the cost and margin benefits they enjoyed. Foster's would have to compete in supply terms, head on with the supermarkets who were developing their clothing sales for the lower end of the market. Given their ability to offset overheads against a wider merchandise range and higher retail productivity, Davison was concerned that Foster's would



not be able to compete. Davison's personal view was that Foster's needed to differentiate themselves from the supermarkets by selling a greater proportion of fashion merchandise, but not to a more up-market target group as John Foster advocated.

"What I was saying was let's buy cheap fashion crap. That is where the difference was with Tom Jacks. Tom said we can't sell fashion in our shops".

Norman Phillips, then a merchandise manager under Tom Jacks, explained Jack's stance:

"His ideas were very firm. He had the approach that if the price is right and you stack it high enough, you will sell it in the working lads' market. You would have to say he closed his eyes to areas beyond that".

There ensued a period of policy adjustment characterised more by political manoeuvring than analysis. Davison explained:

"I had a period with Jacks when we attempted to reduce the cost of operation of the business. My first attempt to do something with it was to say if we are going to go up against Tesco we have to reduce the cost of operations, so we tried to cheapen our operation down - not with the co-operation of John Foster who was against it and who in the end was right".

His concern was with market forces - the perceived threat of the supermarkets: but his response was linked to the cost structure of the operation through the alliance with Jacks. This can be accounted for in two different ways.

i) Davison himself said:

"We were being so successful doing what we were that I was

having a job in persuading myself that I needed to take the step we needed to take."

In terms of models of strategic decision making, there was no trigger at an organisation level to translate the personal "incubation" of concern into action at an organisational level which would disrupt the current mode of operation. Davison's personal conception of the strategic frame of the business was changing; but the success of the business, driven by cost and supply based formulae, militated against action based on such individual deviance. Davison had to take action within the confines of the formulae "proven" to be successful, and which were "known" to work. It is an influence on strategic choice which will be seen to recur.

- ii) There was also a political dimension to the action. Jacks and High represented the major power base in the company at that time and, as Davison said:

"I wasn't really getting senior management support in the area".

John Foster disagreed with his views too and, in any case, Davison and Foster were rivals for political status as joint Managing Directors. In the context of this rivalry, it made political sense for Davison to align himself with Jacks. Moreover such an alliance further isolated Foster whose views on merchandise and target market were not shared and who, if Davison's views are accepted, was resented by many in the company:

"John was a typical third generation family man; had got a lot of capabilities but didn't really want to work. He liked arriving at 10 o'clock in the morning and going at 5 o'clock. Handed out jobs for people to do and was a good delegator but didn't follow them through to see if they had been done properly. In many ways he had a lot of good ideas, but the fact that he had a reputation of being an idler meant that for those who had worked their way up through the business they tended to disassociate themselves from his good ideas. I mean you get these internal politics in all sorts of companies. I think he tried to do a lot of good things on reflection".

Dalton (1959) shows that formal organisational structures do not necessarily reflect status and power in organisations. Exhibit 35 contrasts the formal structure at this time with the power alignments before and after Davison's alliance with Jacks. Initially Jacks possessed the major characteristics vesting power; he was the provider of resources upon which others were dependent (Emerson, 1962; Pfeffer and Salancik, 1978). He had the confidence of and access to the Chairman (Pettigrew, 1972, 1973, 1975) was seen as in control of operations that reduced uncertainty for the company (Hickson et al, 1971; Crozier, 1964; Thompson, 1967; Salancik, Pfeffer and Kelly, 1978) and in terms of the key aspect of merchandise policy, was the technical "gatekeeper" (Pettigrew, 1972, 1973, 1975). By aligning himself with Jacks, Davison was not only further isolating Foster, but further enhancing his own position.

#### Lobbying and Merchandise Infiltration

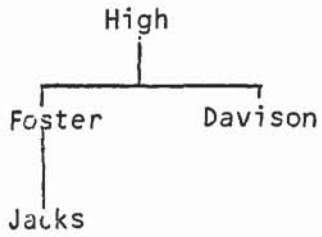
In tandem with the debates and alliances at board level, there was activity within the sub-systems of the company. The more junior managers in both retail and buying were aware that sales were being lost because the company was not providing the more fashionable clothes that their traditional customers were now looking for. The activity that took place is recounted by many of the managers involved at the time. It took various forms.



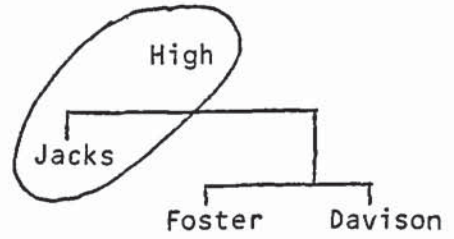
FORMAL STRUCTURE AND POWER CONFIGURATIONS IN FOSTER MENSWEAR  
IN 1973/4

a) Prior to "alliance"

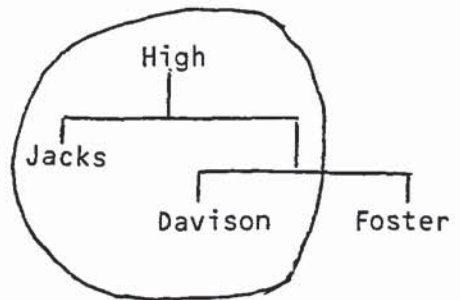
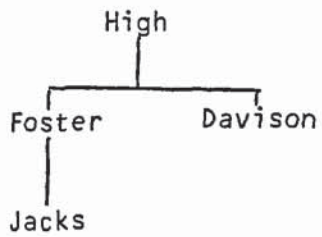
Formal structure



Power configuration



b) During alliance



Ken Priest was a Divisional Sales Manager at the time:

"I had been on the shop floor and witnessed the amount of business we were losing through not having fashionable merchandise. .... I had my Area Managers lobbying me and I was lobbying my boss."

Since a small amount of merchandise which was more fashionable was made available to some branches, there might also be the chance of an Area Manager obtaining some of that. Brian Lloyd, Midlands Area Manager at the time:

"The feedback was through the Divisional Sales Manager. There was little more that you could do; of the stock that was available at you, you might be able to obtain a little more than your share".

Brian Wood recalled that this process of lobbying and infiltration of merchandise had been going on since the late 1960s:

"I was manager of Exeter branch and pioneered merchandise I bought myself. The move into fashion merchandise started with people like me who were buying merchandise that was fashionable at the time; and when I say fashionable I don't mean high fashion but ordinary everyday fashionable merchandise for the working class guy. I bought this merchandise and they said why are you so successful at Exeter and other people aren't. I said its a combination of what you supply me and what I buy myself. Other areas were doing this. And the times I sat at meetings and had it thrown out and thrown out until one day Barry said we have to look at this and we started at various things and slowly worked up to what we call Fashion Point.

The younger buyers were also promoting gradual change at the same time.

Mike Thomas was a buyer in the merchandising department in the mid 1970s, and had been in that department since 1966:

"I looked at the range and wasn't entirely happy with the philosophy of buy cheap and never mind anything else. It seemed

to me inevitable that people would get more sophisticated and demand higher quality so we ought to have more eye to design and colour whilst still retaining a nucleus of more traditional merchandise. This was coming from my end of the corridor and coincided with what the who market knew - that there was a younger market. We were trying to influence decisions upwards by saying 'look at this, isn't this the way we should be going': one does this softly, softly when working upwards: it might come down as tablets of stone".

The pattern appears to have been one of lobbying about and "infiltration" of different merchandise over many years by managers who identified more closely with a sector of the market the sales from which they were missing. These managers were, as it were, sensing agents within the company, in the main from the retail side of the business. Such lobbying is akin to the processes of activity within sub-systems by which Quinn (1980) characterises incremental strategic decision making. However, this process also has to be considered in the context of the political processes and locus of power within the company and the inertia of the strategic formulae.

1974 saw a downturn in profits for the company: Brian Wood again:

"Because our merchandise was better value than anyone else, we ran on that for a while and then we came to a standstill and we didn't get any further. The problem was we were buying cheap rather than value so we got to be known as a cheap-jack operation. We could get cheap goods but not always what you wanted. ... We were losing sales to Levi's and more fashionable merchandise. 'Come on you have got to give us this merchandise'. Mr Jacks at that time said we buy big and we sell it big. Stick to the things we know: that is where our business lies it took a long time to get over that".

It was not just a closed mind that argued against change: as Brian Wood explained, there were practical dangers in adjusting the proven formula in buying terms:

"When you have such lead times abroad ... if you make a



mistake, God you make one hell of a mistake".

There were also blockages to change: George Filmer, the Training Manager saw the resistance linked to older managers and directors wedded to the outfitting tradition of the firm:

"The resistance was there from the older supervisors and ASMs who were not modern in their outlook right to the board, who hadn't, other than Mr Davison, got a young person on there".

The picture emerges of more junior management, mainly from the relatively low power base of the retail side of the company, sensing the need for change but their appeals being blocked by senior, more powerful management wedded to the established formulae for success. The process can be re-stated more precisely in terms of the previous discussion on strategic frames and formulae. Within the company, the frames and formulae which comprised Fosters strategic recipe had evolved to that summarised in Exhibit 34. As previously proposed, the recipe was not static but developing: the process under discussion here was a further stage in that development and the form of that development is significant. Managers sets of belief or perception about the competitive position of the firm - that is what has here been termed their strategic frames - were changing but at different rates and in different ways throughout the organisation. Davison's perceptions were changing but were partially different from the perceptions of the sales managers or younger buyers. Both parties had arrived at the view that the company needed to amend its range to introduce more fashionable merchandise but for different reasons: Davison because of the threats he perceived from the supermarkets; and the sales managers because of their lost sales. The resistance to changes came about primarily because many in the company were wedded to the strategic formulae. There were all manner of reasons

for resistance rooted in the formulae. Lead times on high volume purchasing were long; more fashionable items might jeopardise volume purchases and hence margins; it would also be more difficult to control a widening merchandise range. However, most significantly, a threat or challenge to strategic frames was an implied threat to strategic formulae and this in turn was perceived as a threat to the power base of those who derived power from association with such formulae. For example, in these early days of advocacy for more fashionable merchandise, the most vehement objections came from Jacks who saw such advocacy as a direct threat to the core buying formulae of the business and hence the basis of his power. Such resistance is similar to that noted by Mumford and Pettigrew (1975) in circumstances when managers see themselves potentially at risk of a reduction in power.

What is quite clear is that shifts in the environment and competitive standing of Fosters were perceived; in other words that changes in strategic frames were being canvassed but that these did not, in themselves, trigger organisational activity. Changes were not to come about through argued views about the competitive environment precisely because such views actually challenged the tenets of the strategic formulae and, by extension, the power associated with them.

#### Resolution - Incrementally

The accounts of how the issue was resolved vary in detail but agree on a general level that it was a step by step approach called by some "experimental". For the student of strategic decision making it would be called incremental. When John Foster retired and Barry Davison assumed the role of sole Managing Director of Foster Menswear, he began more actively to promote the idea of buying more fashionable merchandise.

Piecing together Davison's account with those of others, the development appears to have been as follows.

Davison was not as easily put off as others had been: he appears to have prevailed to some extent over the reluctant Jacks:

"I had been asking Tom to try and do it before, in experimental ways with young people's merchandise and it hadn't been successful, but I was still sure that it would be successful. I was absolutely convinced that we had to be in that area".

Initially these "experiments" were of limited success:

"We bought some fashion lines and they didn't sell; and the reason we couldn't sell them is that we didn't buy good ones".

The first signs of success came with experiments with three piece suits, a move advocated by younger buyers such as Peter Harper, which found more support with Tom Jacks than a wholesale widening of the range.

Davison claims that the further widening of the range resulted from his seeing a published market research report on menswear retailing which showed a higher proportion of younger men shopping at Fosters than he believed to be the case. It appears to have been a discovery which consolidated his alignment with the perceptions of the retail management and decided here that "we ought to widen the range of merchandise to utilise the pedestrian traffic flow we were getting through the business in a better way".

Norman Phillips however, was quite clear of the main reason for the wider expansion of the range:



"That decision came about by the retirement at about that time of the Merchandise Director (Jacks)."

Mike Adams suggested an altogether more overt political dimension to that event:

"John Foster retired and Tom Jacks came against BGD. BGD was seeing the changes. Others had caught up on our big margins and to some extent on the distribution system. The general public were demanding better quality and BGD wished to have an influence on the merchandise side. And with Tom there it was nigh impossible. Then Tom was ill and BGD siezed his opportunity and Tom decided to retire."

Virtually all the managers who discuss the widening of the range now attribute it to Davison, whilst claiming part of the move for themselves. Davison's earlier association with the "pile it high and sell it cheap" approach had been replaced by his image as champion of innovation. Typical of the accounts of the transition of that time was this by Peter Harper; then a buyer:

"We were in a period of transition between Mr High and BGD being groomed for Chairman. BGD had ideas where he wanted the company to go. In those days it was very cloth cap image: not the image we would like to think we have now. Little experiments were conducted and the finger was always pointed to me: get us into modern menswear if you can. We had had one or two goes and it had always been a bit of a failure. I knew younger men wanted three piece suits. I said suits are important but I want to buy three piece suits. There wasn't a lot of resistance. .... But the decision came from Mr Davison".

To what extent the range extension resulted from argument and discussion between Davison and Jacks and other older members of the board or from the retirement of Jacks after a "political coup" by Davison, or simply as a result of a series of small scale experiments which built a momentum for change, is not clear. What is more clear is the manner of the range of extension which eventually became known as "Fashionpoint".

The beginnings were the experiments with three piece suits: Melvin Taylor recalled:

"We bought two or three ranges in the first year (1975) which were moderately successful but not as successful as we wished to be. The following year we went in a bit further. We controlled it very carefully".

By the second year (1976) the range was being widened slightly from three piece suits: more general fashionable merchandise was being tried in twenty experimental shops: and gradually between 1976 and 1980 the range and number of shops was increased. By 1978 the project had acquired the title 'Fashionpoint'".

The following accounts give some idea of the nature and organisation of the venture as it progressed. Peter Harper claimed responsibility for the merchandise planning for the initial twenty shops:

"We tried to appeal to the younger factory worker ... We went into this but we didn't lose sight of our foothold with the older market. It wasn't a case of doing a Burtons 'Top Man' sort of thing".

Mike Thomas, another buyer at the time had much the same view:

"We decided to hold what we had but attract new customers. The existing, conventional staid range remained".

A wider range of suits was introduced after the retirement of Tom Jacks.

Barry Davison explained:

"Tom Jacks was against selling ordinary suits but not against selling fashion suits. The chap that wanted to bring conventional suits in was Norman Phillips".

Norman Phillips confirmed that:

"When he (Jacks) retired I was largely influential in extending our penetration into the younger area and in particular suits which we had never sold. In the first year we probably sold 140,000 suits. I would like to think I proposed it. Certainly relative to our marked price level I did twelve months or more work on the availability. There was coolness in certain directions for historical reasons. Its going to utilise space, are we utilising space we've already got and what about the stocks we've already got: its more investment and unknown territory".

There is evidence then, that doubts and some resistance remained. It appears that these were largely overcome by moving slowly and making relatively low levels of buying commitment. There was to be little risk taking. Ken Priest explained how the branches were selected on the basis of proven suitability to range extension, and ranges introduced so as not to offend existing customers.

"Branches were selected if they had a demand which was somewhat more fashionable. Regional sales directors *called for* information from the computer about how branches sold these lines. Displays were dressed a little bit more fashionably: an area of the branch was set aside for this merchandise and it was pointed out with overhead signs".

Gradually some branches received greater proportions of "Fashionpoint" merchandise and more conventional merchandise was phased out. By 1979 there were 250 branches carrying "Fashionpoint" to a greater or lesser extent.

### 3.4.3 A Theoretical re-statement of Fashionpoint

This re-construction of the Fashionpoint exercise provides a useful point at which to consider strategic change in terms of the dynamics of the phenomena of recipes, frames and formulae previously observed.



Characteristics of the Fashionpoint decision process are, therefore, now re-examined and generalised propositions made. These propositions will, then, be re-examined in terms of other decision processes within Fosters.

The first observation is that the notion of strategic frames and formulae as influences on strategic decisions does appear to be supported. Managers do have perceptions of their organisation's standing in a competitive environment - strategic frames; - and do have an understanding of what they conceive of as "best practice" for their organisation in terms of modes of operation - the strategic formulae. Within these observations, it is now possible to extend the propositions.

i) Fashionpoint is a good example of an incremental adjustment in strategy. The resolution of an impetus for change from the sub-systems within the organisation took some three years to come about through a process of bargaining and experimentation. However, more specifically it is apparent that the phenomenon which has come to be known as incrementalism is likely to be a manifestation of partial responses to strategic frame changes within the constraints of strategic formulae. Incremental strategic change is seen by management as logical and sensible precisely because it can take place within the framework of, or by marginal adjustment to, the strategic formulae of the organisation - that is within perceived best ways of operating.

ii) There were taking place changes in the perceptions of the competitive environment and Fosters position within it in the mid 1970s. These changes in perception were taking place at differential rates throughout the organisation; notably Davison's

perceptions of the situation were different from some other members of the board whose perceptions were again different from those of more junior and usually younger retail managers and some of the buyers. In other words, given environmental change, strategic frames change differentially within the organisation. This is to be expected since each sub-system of managers is likely to be addressing itself to different aspects of the competitive environment. The result is a disruption of the consensus around the strategic frames.

- iii) Strategic frame disruption does not necessarily galvanise co-operative action at an organisational level to resolve perceived change. Rather such disruption is likely to be perceived as a threat to those manager with an interest in preserving the way in which the organisation operates. Disruption of strategic frames is likely to be a threat to managers or groups of managers whose power is derived from strategic formulae associated with past success.
  
- iv) It appears that the likelihood of differential changes of perception at a strategic frame level is more in evidence than differences of perception at a formulae level. By this time the dominant identifiable strategic formulae were to do with the benefits of overseas buying in terms of margins and low prices and the need for the further development of centralised merchandise control. There is no evidence that anyone in the organisation was questioning these. Strategic formulae are likely to be more persistent and resilient than strategic frames. It should not be assumed that, because frame changes take place, managers will

question suitability of strategic formulae, though with hindsight it might appear rational so to do. The reasons for this phenomenon are developed as the thesis progresses.

- v) For changed strategic frames to take effect in organisational action at least two conditions seem to be necessary. The first is a compatible power configuration within the organisation. In this case this took two forms. First was the accession of Barry Davison as sole Managing Director thus enhancing his own authority; but perhaps more significant in terms of the trigger for Fashionpoint was the retirement of Tom Jacks and, thus, the renewal of the main resistance linked to strategic formulae within which a personal power base was rooted. It appears that strategic change requires a facilitating power configuration, and that is one which does not perceive such change as incompatible with strategic formulae to which they adhere and from which they derive power.
- vi) A further phenomenon observable within the Fashionpoint decision process is the iteration over time between conceptualisation of the strategic situation and action, whether political in terms of bargaining, or in terms of activity within the shops. It is common within incremental processes of decision making to see partial solutions of problems through tests and experiments or solutions advocated, turned down, only to re-appear later. It is a situation which corresponds to Mintzberg et al's (1976) description of problem resolution and choice. They describe a great deal of iteration between the definition of a problem and search procedure. In the terms described here, the proposition is that changes in strategic frames are partial in so far as they are not completely defined by



individuals or groups and change differentially between groups; and that partially diagnosed frame problems are likely to be defined or resolved through the mechanism of incremental action. It is often explained by managers as a "suck it and see" approach to problem resolution.

- vii) When changes did take place they did so very much in line with the existing formulae. There were no fundamental changes to buying policy and procedure or centralised control. Indeed Fashionpoint was implemented in such a way that it might be operated within the strategic formulae as they existed. Fashionpoint can be seen as a change in strategy which was defined in terms of strategic formulae and implemented gradually so as not to interfere with the benefits of the formulae. Although the aim was to become more fashionable, this was to be done in such a way that bulk buying could be retained from overseas, so each new range had to be tested to ensure volume sales. Fashion was defined as imitating what other retailers demonstrated they could sell in volume: buyers explained that "we would take a garment to Hong Kong and ask them to make it for us; perhaps changing it a bit to meet the needs of our customers". There was to be no loss of control on stocks: distribution was retained at the centre and shops had to "qualify" for Fashionpoint on the evidence of past sales of the limited range of fashion merchandise available. The shops themselves were hardly changed; Fashionpoint was introduced in most shops as a display area only, kept separate from the traditional outfitting merchandise and perhaps highlighted in a section of the window. Staff did not see themselves needing to behave differently in the shops. It is an example of a strategic

decision which again corresponds to Mintzberg et al's (1976) description of "search" routines, in which managers draw on past experience for solutions. The evidence is that a strategic solution is likely to be configured primarily in terms of dominant strategic formulae.

- viii) As the Fashionpoint changes evolved, they did so within the parameters of the formulae and were moderately successful. The effect of this success was to offer evidence that that the changes which were taking place were sufficient and sensible. Over the years of evolution of Fashionpoint, therefore, the extension of the introduction of fashionable merchandise continued to be within the constraints of the strategic formulae. It is likely that strategic change will occur within the bounds of strategic formulae providing there is perceived evidence of improved performance.

As the accounts of the strategic development of the company proceed, these propositions will be further demonstrated and elaborated.

#### 3.4.4 Diversification

In parallel with the gradual change to more fashionable merchandise, Fosters were attempting to diversify. The outline of their various attempts is given in the earlier cases and it is not proposed to go through them all in detail: data on the decision processes for the early ventures of Adams, Stone Dri and Crowds is relatively limited. There is a brief review of these but the concentration in this section is on the Blue Movers venture which was current at the time of the 1980 interviews. This is followed by an analysis of the decision processes and implementation associated with Blue Movers.

It will be argued that the various attempts to diversify were rooted in a perception of the benefits or need to move away from a sole reliance on Menswear, and as such that the decision to diversify was prompted at a strategic fram level. However, it will also be shown that the way in which that general decision was pursued and the nature and shape of the diversification was defined and bounded by the dominant strategic formulae.

### Early Acquisitions

Reasons for the early acquisition of Adams and Stone Dri and the decision processes leading to the acquisition are not easy to elicit. Frank Taylor confirms the impression that the view in the early 1970s was that the company should move away from a total reliance on Menswear but that this was because:

"You have a peak of profit at around Christmas time and a dearth of profit the rest of the year; so you have a very cyclical thing. .... So we went into childrenswear; but that has exactly the same peak of profit".

Davison gives different reasons for the Adams acquisition:

"Mothercare was growing; it was an opportunity. We wanted to get bigger; let's get bigger in two different directions. I knew Mike Adams and they seemed to be doing a pretty good job. And there is a lot of boyswear in children's wear and we knew something about that".

It does seem that the acquisition stemmed largely from the personal acquaintance of Davison and Adams which provided a concrete opportunity for an alternative to menswear which Davison says had been agreed between him and High.



The Stone Dri acquisition was different. There was not the same level of agreement here, particularly between High and Davison. Davison again:

"I opposed Stone Dri. I don't know that I opposed it for the philosophy of buying it: I opposed it because I thought it was too expensive and was not as good as we thought it was. When we bought Stone Dri he (High) was looking at businesses from a property point of view more than I ever did".

Davison went on to argue that, at that time, the benefits to the company were discussed, not in terms of market opportunities but in terms of the way the existing ways of operating could be applied to Stone Dri:

"Our philosophy in those days was that we had a very good buying arrangement in the Far East where we could buy very cheaply compared with other people and that will give us better margins. We had very good systems to operate and if we impose those on other businesses we will have a bigger profit return than they are getting. That was the philosophy that we worked on rather than strategically talking about what merchandise profiles we were in. And giving us a hundred more outlets overnight. The merchandise people were for it because they were going through a period of such confidence, they were saying that we are so much better than these wankers who are running this business we can give you another 3 or 4% margin on what they are doing":

If Davison's version is to be accepted, then it does seem to be the case that the Stone Dri acquisition can be considered as an expression of the dominant strategic formulae that existed at the time. High was committed to growth through branch acquisition, the merchandise team in particular to the benefits of overseas buying; and most of the management saw this and the possible transferability of the Fosters systems as major reasons for the acquisition. There is of course nothing here that runs counter to the wisdom of management literature. Synergistic benefits of acquisition have long been argued (Ansoff, 1968). What is perhaps more significant here is Davison's claim that there was little or no discussion

"strategically ... about what merchandise profiles we were in". In other words there was little discussion about the market logic of the Stone Dri acquisition.

The demise of Stone Dri saw the experiment with Crowds which used some of the Stone Dri shops. In each case the pattern of organising the operations was essentially similar. Fosters put in their control systems and transferred managers from the menswear operation to run the acquisition. An Area Sales Manager was put in as General Manager and buyers, sales and display personnel moved across with the brief to introduce Fosters procedures into the new ventures.

The stated reasons for failure of the womens wear ventures by Mr High in the annual reports were essentially that the type of trade was not one which Fosters had sufficient experience in. Another way of saying this would be that Fosters imposed their own modes of operation on businesses which required different modes of operation. The question is, why and in what manner this might happen?

Although there is insufficient data available from the Stone Dri and Crowds exercises to trace the decision process, what are available are the interpretations of the managers involved of the lessons they learned from the experience, and these are presented and discussed in the context of other such "lessons" in Section 3.7. It was, however, possible to obtain a good deal of data on an attempt at diversification which was current at the time of the 1980 interviews. This was "Blue Movers" which is now discussed and analysed.



### 3.4.5 Blue Movers - Internal Diversification and Development

Fosters operated two menswear boutiques, Wise Guys and Mr Christopher, which had been part of Bradleys. By the late 1970s these operations were not making profits partly because of the rise at the time of specialist jean shops which were taking sales from the boutiques.

Melvin Taylor explained the situation as the management saw it at the end of the 1970s:

"We were already joint leaders in jean sales with M&S and we felt that if these specialists in jeans can succeed, and if the market is still fairly small in relation to the USA and Europe, there is a lot of potential growth and that maybe we should be in there attacking it."

It was also clear that at the same time competitors such as Burtons were also beginning to move more actively into the jean market. Frank Taylor also explained that Barry Davison by this time was involved in developing the company's interests in the USA:

"He is convinced - and I think rightly - that we follow to a large extent the USA in trading cycles - eg hypermarkets. One of the things that are there now is the jean specialists".

It was not an isolated instance of this view of the UK as a "follower" of the USA. At about the same time, Fosters had acquired Discount for Beauty - Barry Davison explained the impetus for that decision as follows:

"I had been to America and seen the development of discount drug stores. There was Superdrug growing over here and we knew the sort of profit levels they were making. I believe Discount for Beauty was a firm base to get in".

It should be remembered, that the expansion of the jean market and of Fosters sales of jeans had been occurring for at least five years by 1980.



More specific to the Blue Movers venture was that by the end of the 1970s Fosters were faced with a problem of what to do with the residual shops from the Stone Dri operation. Many of the shops which had been part of that chain had been re-allocated to Foster Menswear or Adams but there were some remaining which had not been re-allocated because they were in poor sites or duplicated existing Foster sites. Many of these were being used as what the managers called "junk shops" - shops used to dispose of redundant stock and which were trading under the name "Bargains Galore". The company had begun to experiment with some of these as specialist jean shops in 1979 which, according to Richard Haynes "were trading under all sorts of funny names". Some of these were called "Blue Movers", another "Mean Jeans" and another "Jean's Jeans". David Botterill had been involved in setting them up:

"In Liverpool we had a really run down Stone Dri shop still trading as Stone Dri clearing out old stock in Church Street which is a good shopping area, although it was at the wrong end. Mr Davison said to me 'try a fashion operation - I'll give you carte blanche'. So I did a fairly garish exercise. Mr Davison said call it 'Blue Movers'. We didn't spend money on the shop - only £3,000. We tripled the turnover overnight so we decided to do one or two more. I suppose it was the figures that prompted Mr Davison".

According to Tony Gray, at about the same time:

"We actually had in the late 70s a small retail committee. On that were the chief executives of six of the smaller activities. Our specific brief was to look at the viability of a jeans concern. We sat for about six months and we decided at the end of the day it did not work. We felt that the shops and locations available were not appropriate. They were too small and in secondary sites".

The recommendations of the committee were overruled, and it is important to understand the basis for this. There was no market research undertaken into the market potential for specialist jean shops or particular shop

designs or names and no discussion of the matter at the Group board. Most of the managers in 1980 were quite clear that the major reason for the initial go ahead was Barry Davison's view. He decided that some of the "Bargains Galore" shops should be used as an experiment using the name Blue Movers, and operating them within the Menswear company. Melvin Taylor summarised the attitudes to the idea amongst the Menswear directors.

"We came out with some research on the profitability of other operators in this field. We didn't want to do it by acquisition because at that time we would have had to pay a lot when we had sites and expertise. If we are one of the leading jean sellers we must have some knowledge. We launched the thing in July 1980. We had these shops not doing anything - they were not selling jeans properly. They weren't making profit. We can't get rid of the sites unless people want to buy them. There is no point in sitting there with them empty. The positive way was to find something to do with them. The initial suggestion came from the Chairman. We had a Marketing man (Richard Haynes) who was keen, but he may have been keen to have something to hang his hat on. The buyers were keen because they buy a lot of jeans anyway. They felt they could just as easily buy branded jeans as own-brand jeans. We felt we had a good brand name of our own and we were trying to give it an image of being a branded line like Levis. We felt it could be a useful way of expanding that name. We had personnel available because we were closing down another operation so we had to find another role for those people or they had to leave. It was felt that we could afford to experiment in a reasonably substantial way. We looked at the profit potential of the branches we had short-listed. We had various people estimate what the turnovers were they felt they could achieve. We know what the costs of running the branches were and we could estimate the gross margin. It showed a breakeven position in the first year. Everybody was keen on it".

There was, in fact, not quite the total agreement that Melvin Taylor suggests. The buyers were wary of the need for branded jeans and the lower margins they entailed: as Peter Williams put it: "Could we survive if we only sold branded jeans with their limited mark up?" However, he explained that this problem was resolved by the decision to use the introduction of branded jeans so that "we would introduce our own brand



merchandise to give us the added profitability".

Also, at least one senior board member, Mike Adams, was entirely against the idea: in 1980 he stated:

"Totally wrong, emotional, chasing a pot of gold, looking over your shoulder, moving into a market late in. It will be a non-existing business within 18 months. Barry is very anxious to be aggressive. What are other people doing? We must be doing that. He looks at Foster Menswear figures and sees sizeable proportion in jeans. He sees Jeans Junction, Jean Machine and so on and says we ought to be in that field. It was very much his decision. He said what do you think and I said just what I said to you. He said you are too "fuddy duddy", etc. We come back to the clash of two personalities. But as far as 10 million profits (the Group profit figure in 1979) is concerned, it is incidental. Go ahead. But it will be a disaster".

Adams opposition was not pursued by him in open conflict at the Group board:

"My job is to express my opinion particularly to my co-Managing Director as honestly as I see it. If I lose the debate at (the Menswear) board, I support their decisions".

#### A Theoretical Interpretation of the Initiation of Blue Movers

It is worthwhile at this stage to consider what gave rise to the Blue Movers project. The first stage was incubation, that is the consideration of the need to do something. In the case of Blue Movers, and according to Lyles (1981) quite typically, this occurs at an individual level. Here it was Barry Davison who was considering the various stimuli which eventually led to the project. The impetus lying behind this appears to be at a strategic frame level; that is a perception of opportunity or threat in terms of competitive position. In this case the combination of the growth of specialist jean shops as a threat to Fosters and the view that the UK market tended to follow that of the USA where such shops were continuing



to take an increasing share of the menswear market. Lyles, like Norburn and Grinyer (1973/4) further argues that this largely individualised incubation does not in itself give rise to action; that there has to be some organisational "trigger" for this to happen. It has already been shown that this trigger took the form both generally as a loss of sales to shops operating more fashionable merchandise and also specifically in terms of the low performing surplus shops available.

The next stage is one of definition or resolution of the nature of the opportunity. This is not a matter of analytical diagnosis, as rational models of decision making would have it, but is confirmed to be a matter of diplomacy and bargaining as noted elsewhere (Cyert and March, 1963; Quinn, 1980; Lyles, 1981). Specifically this study shows that as far as this decision routine was concerned there were two areas for the resolution of the opportunity. The first is the area of management experience and the second the political arena of the organisation: and both are intimately concerned with resolving potential conflicts associated with strategic formulae.

The term 'strategic formulae' may be hypothetical in the context of this thesis but, for Fosters managers engaged in the operations of the business, "best practice" constituted the actual, live day to day experiences of managing. The buyer spent his days ensuring the merchandise mix met sufficient buying quantities or achieved agreed margins. The area manager spent his days maintaining retail loyalty or ensuring sufficiently aggressive sales activity. The decision to proceed with a specialist jean operation followed a period of experimentation and involvement by these managers which, effectively, reconciled a strategic frame level notion with management experience at a formulae level. In so doing, the project was

defined for them in terms of their understanding of strategic formulae as they experienced them.

It is also argued here that there has to be a political configuration which will not resist action, and that that is likely to mean that there is no powerful group or individual which will seek to protect its interest in preserving dominant strategic formulae. In the case of the Blue Movers venture, there were shops within the menswear company which were performing badly. There were two possibilities: one was closure of the shops and the other was their development and return to profits. It is argued here that the decision to use such shops first as a trial and later as the Blue Movers chain had little to do with considerations of market and competitive needs and much more to do with political convenience. By this is meant that closure of such shops would have been an attack on current strategic formulae. Specifically it would have offended a central management formulae of the retailers in particular, that the company had a responsibility for the well being and employment of staff and that motivation in the retail side of the business was maintained in this way. It would also have meant the disposal of properties at a depressed price and this offended the formulae espoused by retailers and accountants alike. Fosters was held to be good at making its properties work profitably. The closure of the shops was a negative move in terms of current strategic formulae; their development was a positive move.

It is a recurring theme of the interpretation of events at Fosters that strategic decision making has a pronounced political dimension and that the process of decision making can be identified in such terms. Further it has already been stated that the political action is concerned with resolution of conflicts or threats which are concerned with the preservation of power



derived from association with dominant and successful strategic formulae. As the thesis progresses conditions of political context permitting change will be identified. At this stage it is possible to identify one such condition which is well supported in other literature on decision making. That is that, faced with threat to the bases of power, it is likely that a situation will be sought which reduces such threat by looking for a solution which provides a coalition of threatened interest groups. Lyles (1981, p. 66) cites Fuller and Myers (1977, pp. 115-116) as stating:

"Conflict over policy determination can best be observed by charting the alignments of different interest groups who have various stakes in the solution of the difficulty. These groups represent certain institutional values, many of which appear incompatible with each other, all of which must be reconciled or compromised before the community can go ahead on a collective policy of reform".

Faced with declining performance in a number of shops those whose status or reputation could be harmed by closure were seeking a solution which would reduce threat, or enhance their standing. The possibility of using the branches for some other venture was attractive because it did precisely that. The accountants saw the possibility of increased productivity through low performing branches and it meant that the necessity to close branches and make staff redundant could be avoided; indeed the retail management could use it as a means of demonstrating still further their determination to look after the well being of staff and provide them with new opportunities. The buyers, wary of moves to introduce branded merchandise, were initially wary of a specialist operation which might highlight branded goods: but this fear was reconciled by turning it on its head; the introduction of a limited quantity of branded merchandise would show just how comparatively good Fosters own brand merchandise was. The buyers actually convinced themselves that Blue Movers might further



improve buying quantities of existing merchandise. As such they were able to reconcile themselves with the move.

This situation can then be restated in terms of earlier propositions. Whilst the impetus for strategic decisions may be traced to perceptions of the need to change at a strategic frame level, the definition and resolution of the opportunity took place at a strategic formulae level. It was not a matter of investigating analytically market need or debating competitive response and marketing strategy in order to take a decision. The taking of the decision depended on the extent to which potential conflicts with strategic formulae could be resolved and in consequence, reduce potential political threats or enhance political standing for managers associated with those formulae.

In terms of the impetus of the project, it moved beyond "incubation" not because of the weight of analysis to do with market and competitive opportunity but because the conditions internal to the company were conducive to action being taken. It is not sufficient to ascribe this progress simply to the power of Barry Davison; he and his fellow executives are quite conscious of other "ideas" of his that never progressed beyond incubation. There had to be some mechanism for the organisational progression of those ideas.

It is also clear that such opposition as did exist at an early stage to the notion of developing a specialist jean operation was of little impact. First the recommendations of the retail committee; these were negative to development, and were made by managers not directly concerned with the preservation of the menswear retail formulae. In this sense they were outside the arena of influence on this decision; their view was based on an

evaluation of the suitability of sites in terms of perceived market need. The menswear support for the initiative was based on strategic formulae - what was "known to work". The same applies to the opposition from Mike Adams: he himself saw his role as making his views known to Davison rather than becoming involved in debate at any operational level. In this sense Mike Adams was taking a rational, analytical perspective on the issue, his argument beginning with a diagnosis of market conditions and reconciling Fosters capabilities market need. Others, virtually all who were associated with the project, defined market opportunity in terms of strategic formulae. The main logic for their advocacy of the project was what they saw as the hard reality and proven success of the Fosters operation. The market could be interpreted in this light, especially because, in so doing, it provided an opportunity to enhance their status or power.

The next stage, following the incubation, triggering and resolution, was the development of the solution. The early development of the test shops proceeded very much in the image of existing strategic formulae. Shop window redesign was based on what existing retail management saw as "fashionable"; there was no attempt to recruit new sales staff and a young trainee buyer was given the job of buying for the shops. In short the specific design of the solution to the problem was governed entirely by existing formulae. It would be wrong to interpret the sequence as i) perceived opportunity, ii) diagnosis of opportunity, iii) configuration of solution based on diagnosis, and finally iv) implementation. It would be more accurate to represent it as i) perception of opportunity (at frame level) ii) resolution of opportunity by reconciliation with existing strategic formulae, iii) configuration of implementation plans in terms of existing formulae. Again to restate in terms of the thesis, the development of



solutions is based on strategic formulae, not on strategic frames. It is an assertion which is borne out repeatedly as being the norm in strategic decisions in Fosters and in their competitors and conforms to a pattern that will be demonstrated repeatedly in the rest of the thesis.

#### Developing the Business Venture

As the Blue Movers project moved from being a trial to a full business venture in its own right, the pattern continued but with illuminating elaborations.

The initial trial was run on six shops, the Fosters' property company, Marshall Lake Properties, undertaking the shop design, and Brian Wood co-ordinating the operations from within the Menswear company. The results of the experiment were seen to offer sufficient promise to go ahead with an extension of the number of shops. It was decided to add the shops from the Mr Christopher chain and two Dormie Scotland branches to the Blue Movers operation, making eighteen shops in total. Decisions then had to be taken as to how to operate the chain. Mike Adams painted a picture of this as very much a matter of internal political accommodation; since Brian Wood saw it as a means of extending the business interests under his control:

"The infighting in the Foster Menswear team as to whether it should be a separate division or not and the positioning of Brian Wood of extending his empire!"

It was decided that Blue Movers should be a division of Foster Menswear rather than a separate operation within the Group. Mike Adams also commented on the selection of the general manager for Blue Movers:

"You have a situation in Dormie of being slightly heavy on



management so Tony Gray is found from there to go to Blue Movers instead of choosing a man specifically with experience of jeans and modern clothing".

Tony Gray was Assistant Managing Director of Dormie and had sat on the review committee that recommended against the pursuit of a jean operation. He nonetheless accepted the position "in the hope that a success would get me on the Foster Menswear board".

Chris Richardson was the young trainee buyer in the Menswear company who had been given the job, according to Peter Williams because he "moved in the same circles as potential customers". When Tony Gray took over as General Manager he had different ideas:

"Blue Movers was envisaged from day one as a business where we would be selling more products to ladies than men, and we were in fact - about 60:40. I saw the need for a ladies fashion buyer as a central need in the operation. The board disagreed and decided that a caretaker buyer, a man (Chris Richardson), who had started it before I was involved, when there were two or three shops should be allowed to grow with it. It was very commendable but a thoroughly bad decision. He did not have the experience to buy ladies fashion casualwear. It's a very specialised business".

Gray had argued for the employment of an experienced senior ladies buyer. This was not agreed. Blue Movers recruited a female assistant buyer - Sandy Hughes - straight from college. It was in line with the Fosters practice of always promoting within - a policy which was seen as a means of maintaining and generating morale as well as being less expensive than recruiting expensive outsiders.

However, unusually for Fosters, when it came to shop design for the eighteen shops, the decision was taken - according to Tony Gray, by the Chairman, Barry Davison, - to employ outside design consultants. "It was

believed that the in-house shops design for the original six shops did not stand up to the competitors", explained Tony Gray. Rich Haynes, who had become involved early on joining the company added to this:

"If you are going to attract today's 17 year olds its got to look like a place where 17 year olds will feel at home, not like an Army Surplus Store. We went out to a firm of shop designers named Conrans and they produced a complete Blue Movers image - it cost us £15,000".

Previously, with Stone Dri and Crowds, Marshall Lake Properties had been made responsible for shop design.

Whilst the general management and buying for Blue Movers was set up specially, the sales and display *organisation was not: this was retained by* the Menswear retail team. Tony Gray supported this step:

"We had a sales team in Menswear that we regarded as very competent".

Given the interpretation of decision processes so far made, there are no surprises in the operation being placed within Menswear and to utilise the Menswear retail team. Nor is the appointment of Tony Gray out of character with the previous practice for other attempts at diversification by the company. The appointment of a young buyer, reared within the Menswear buying team, is also consistent with what might be expected; as is the refusal to countenance Tony Gray's request for a more senior outside buyer, to be brought in. What does perhaps need some explanation is the decision to use outside design consultants. However when the decision is considered in terms of previously discussed relationships between power and strategic formulae, it is more understandable. It has been proposed that power within an organisation is derived from association with



past successful formulae and that resistance will take place if such formulae are challenged. It is however acknowledged in Fosters that Marshall Lake Properties, whilst possessing skills as a property company, possessed few as designers. Quite simply managers in Fosters did not see shop design as one of their special skills; it was not part of their strategic formulae. In consequence the power base within Marshall Lake Properties was weak on this issue. Indeed this was accounted for by managers in 1980 by the explanation that "their designs were one of the reasons why the womenswear operation didn't work". Also in Menswear outside design consultants, Fitch and Company had already been brought in to advise on the re-design of the menswear shops in the late 1970s. Marshall Lake Properties had failed to raise design to a recognised skill within the company. Noticeably it was not similarly argued that the buying team or the retail team were deficient despite the fact that they had taken an active and central part in the wo menswear operations; and it was not so argued because they could demonstrate continued successful implementation of retail and buying strategic formulae, in the menswear side of the business.

#### Disenchantment and Decline

By 1980 Blue Movers had developed into a separate business within the Menswear Division. The first test shops had been set up in the image of those who ran the existing shops; display managers had designed windows and area managers laid out the shops. Richard Haynes might have seen the early attempts as "army surplus stores" but they were the expression of the experience of menswear management: they were the retailers' strategic formulae in action.

The Blue Movers shops as they evolved were not what these managers had



originally envisaged. The shop designers had done away with windows with backs in and demanded that they have little merchandise in them. They had designed a shop interior that was open and uncluttered. The shop staff were expected to wear jeans and look casual. Moreover it was found that branded merchandise had to be sold in order to be credible and represented an important share of sales. What had started out as expression of the well tried strategic formulae, had developed into a different sort of operation. By 1980 there was concern by those that had to manage the operation that it was not really for them: David Botterill confessed:

"I don't think I have the necessary experience in what is a specialist field".

David Felton, an Area Sales Manager responsible for Blue Mover shops as well as Menswear shops was, clearly, not committed:

"Our company is middle of the road, not highly fashion oriented. Blue Movers is moving up-market as far as I am concerned to the more stylish lad who would not come in to Fosters. The company policy is to deliberately disassociate it from Fosters for that reason. I am not sure that it is the right decision; I would rather have seen the money spent on refitting my shops or more shops of the type I have got. If we had bought up a chain of jean shops I would agree that that is the way to go about it, but we are doing it on the cheap. We are making mistakes: it is not a successful operation. I think we would have been better to get expertise rather than do it ourselves".

Stuart Griffin, an Area Display Manager who had been involved in the design of the original trial shops was also less than enthusiastic:

"I hear Area Sales Managers talking. I think as far as Blue Movers is concerned it should be taken off altogether with the amount of shops that they have now got. I am supposed to be responsible for their windows but I'll be honest with you; I just do not have the time. I haven't seen one for ages. I think it should be a separate company altogether.

Others within the company at middle management level expressed similar concerns. Peter Harper, one of the Merchandise Managers:

"I expressed the view that the management team should be totally divorced from Menswear. Its an entirely different animal. Its more akin to the Oxford Street type of trading. Fosters is good, strong, provincial retailer. On Oxford Street we would fall flat. I am keen; the image is great but we want a sales management team that can give the jean specialists a bit of a chase. They have to be more of a leader... You would do alright in very select sites".

It is an interesting phenomenon that those who were happy to be identified with the original idea, who when asked about Blue Movers begin by identifying themselves with the early trials, should be so critical by the middle of 1980.

It is however, the significance of the experience of the managers that is of particular interest here. There is no evidence in 1980 that managers who voiced concern over Blue Movers were critical of a specialist jean operation as such. Only Mike Adams voiced such a criticism and that at a strategic frame level. The managers who were critical and were evidently giving less than total commitment to the project because it had taken shape in the market place in a form which bore little resemblance to what they had conceived as the strategic formulae of Fosters. It must be remembered that after the initial experimentations planned and implemented by retail managers and a junior buyer, the project was given over to Tony Gray, until then not involved with the Menswear operation specifically and outside designers noted for creative flair. The eventual operational design of Blue Movers was based on their conception of market need; it was designed in terms of individual perceptions of strategic frames. Yet it had originally been developed as an idea rooted in the strategic formulae as experienced by managers. What managers now



perceived was a mismatch between the project's conception at strategic frame level and the strategic formulae of the business. They did not especially disagree with the business as conceived in strategic frame terms but they did perceive a mismatch between what they could see might be needed and what they felt competent to do. They could see the limitations of Fosters strategic formulae; and apparently they could see them a great deal earlier than the senior management because they were involved in the experience.

It is not argued here that Blue Movers would necessarily have succeeded had the enterprise been developed along the lines of the original management experiments. It is however argued, and will be demonstrated as the thesis unfolds, that the implementation of strategic change requires both changes in strategic frames and strategic formulae, that strategic formulae are likely to be particularly resistant, yet crucially important to change and that to neglect such changes, as with Blue Movers, will jeopardise the implementation of strategy.

Blue Movers was originally given a trial life of eighteen months. In fact it lasted till April 1982. Tony Gray later accounted for its demise as follows:

"The managers in the Menswear Group were not receptive to other ways of doing things. Remember Fosters was so successful that there was a genuine belief that what they were doing and the way they did things was right. It never performed to its target requirement. In the last six months I was aware that the concept was under the microscope by the Chairman and his colleagues".



### 3.5 MANAGING STRATEGIC CHANGE IN THE 1980S

The period 1980 to 1983 saw a dramatic change in the fortunes of Foster Brothers. This section deals with how the managers coped with the decline in company performance and eventually turned round the situation. This is not dealt with simply by recounting the decisions but rather by attempting to understand the managerial perceptions of the developments and integrate these with the findings of the research.

The section commences with a review of the situation in 1980 as the managers saw it when interviews were carried out at that time and includes a summary of advocated strategies for the future. This is followed by an account of how the managers themselves perceived the strategic management processes in the company in 1980. This is then reconciled with what has been learned from the analysis of strategic decisions in the 1970s.

Following this the developments of the next three years are recounted, again as recalled and perceived by the managers: here careful attention is paid to cross relating different accounts of events and, wherever possible checking them with published material from within the company. Finally, there is a review of the managerial perceptions of the company in 1983: in effect this last is an account of what the managers had learned from the development of the company over the whole period under study but particularly from the period 1980 to 1983. Throughout there is an attempt to reconcile the management accounts with the developing thesis embodied in the emerging propositions.

### 3.5.1 Management's Perception of the Strategic Position in 1980

When managers talked about their understanding of the strategic position of Fosters a number of recurring characteristics were discernible in their accounts; in particular:

- The most dominant issue was the impact of the fall in consumer spending on their operation, and linked to this, the importance of the market niche they inhabited; by this time this was referred to by all the managers as the "C2D market";
- The almost dismissive attitude to competition;
- The emphasis on their internal competences, particularly of buying but also of the "team spirit" and loyalty in the company, aspects of which have already been discussed in describing the culture in Fosters in 1980;
- The issue of diversification.

What views there were on competitive activity tended to regard it as removed from any really direct impact on Fosters. It was as if the managers were regarding other retailers from outside their sphere of influence: Barry Davison for example:

"Burtons have now reasonably successfully adapted themselves to the market place. Colliers have not adapted themselves: they are having the most appalling time. I think that they have to have the guts to say drop Colliers and start a new menswear chain, to say it would be bad for us for three to four years but perhaps we can utilise these super sites we have got: let's design a new business. Hepworths had a big leap forward because they got into fashion when it was just starting. It's a fairly nice operation but I think they are going to have to change something dramatically in the longer terms."

The almost dismissive attitude of other managers seemed either to be rooted in the view that the big menswear retailers were not really competitors, or that, if they were, Fosters were much better at what they were doing. An example of the former was Peter Harper's views:

"There has been a contraction on the High Street. John Colliers went into the modern end completely, as have Burtons, we are getting quite a nice slice of it. There's only us and Dunn's really."

And of the latter, David Botterill's views:

"Burtons have gone much more casual, like us and I would say they are our major competitors. We are more competitive than they are and give better value. Burtons spend a lot of money swamping the market with advertising. We spend a lot less but have a more effective marketing package".

Having given these examples, it is, nonetheless, important to emphasise that, overwhelmingly, managers did not talk much about other retailers specifically. The issue which dominated the discussions with managers in 1980 when it came to talking about the strategic position of the company or how it should be developing, was their perception of the importance of the market niche they occupied and how that was changing. Almost all the managers interviewed talked about the "C2D market" that Fosters deliberately concentrated on. The expression had become by 1980 a sort of code or symbol of their traditional working man's segment. It was typically expressed by Melvin Taylor: "We believe we are servicing the majority of the population in the C2D market". It was a market position that had been built up over years and had its roots in the company's provision of basic outfitting to the working man. The recent Fashionpoint exercise was seen as a widening of that base to a different age group but not to a different social group: Peter Harper explained:



"We all accept that we should pursue the image of the younger factory worker yet still retaining the older factory worker."

And Brian Deakin, the Display Manager:

"We have never gone outside our social group because we have other shops in the set-up - Dormie and so on. So we should stick to what we know at the same time keeping our finger on what that social group wants and adapting to that".

In merchandise terms the market position, then, translated itself into the continued provision of outfitting plus the relatively new addition of what some of the management team called "Yob's uniform". It was not a position which managers saw as different from what they had been doing for years. Peter Williams:

"We have kept our feet on the ground whereas others have flown off in various directions. You see, so many have gone off into fashion and come completely unstuck. The next time you read of them they are into voluntary liquidation. We have kept our feet on the ground. We know our market thoroughly".

It was a position which most of the managers insisted was non-controversial. In fact, there was some disagreement about the precise interpretation of the market position in 1980 and about how it should develop. David Botterill believed that the company had "completely changed (its) image: we are much more fashionable now and are appealing to a wider market". Mike Thomas saw the company developing, if gradually, more fashionable merchandise to meet the needs of the new customers they were seeking:

"If the C's are becoming more educated and more sophisticated and are demanding these things - quality - for which they will pay a slightly higher price, then we ought to move up and get that. I see it as an extension: ten years ago the E might now be the customer".

The most radical position was taken by Brian Wood:

"I do see a change but I am the only one. I think the C2 market we have we should retain but we have a lot of big stores and I have a feeling we ought to edge into the market of Hepworths at the lower end - and pinch some of their C1 trade. .... But the Chairman says that we are in a C2 market and this is where we are staying. But oddly enough when we do produce something - we now have a simulated suede coat at £50 and its selling quite well, its incongruous that we can do that sort of thing. Again the Chairman says you cannot sell to young fashionable market when there are kids buying school uniforms. Now every logic tells me that is correct, but I'm the best retailer in this business and I know that in these shops you can, provided you offer them the merchandise. My views are slowly prevailing now because we have gone into other sorts of merchandise. We are selling Tootal shirts and these suede coats; we do get set backs when we buy more expensive trousers and they don't sell and they say 'I told you so'. Slowly we are evolving I think".-

Norman and I get on very well, we are the same age, we have a good rapport between us. We bite and scratch, bet money and things like that. Basically I think we are on the same wave length. We don't differ very much. He also believes there is a small market to up grade. He's done that already".

Wood saw himself "infiltrating" a higher quality, more fashionable merchandise to move the company more up-market in much the same way he, and others, had attempted to do in the early and mid 1970s. He saw such "infiltration" as a normal means of operating to support the views he argued at management meetings. Melvin Taylor described how the discusison of the issue took place at such meetings:

"There are one or two who would like to widen the range and attack a wider range of people. It comes up at board meetings. It is not terribly well organised as a discussion: it tends to just develop. Unfortunately people are not terribly equal at these meetings. We have a very dominant character in the Chairman and he has very strong views and in the past has been very firm in shouting down, maybe to protect his opinion. That is changing at the moment. He is part of this gradual change. There is only one who is advocating attacking another market. Mr Davison is saying we should stay where we are".



And Richard Haynes, new to the company as Marketing Director:

"We have agreed as the board that we are in the market of providing fashionable goods to the C2D market and the largest in that market is age 15 to age 35; but we realise that a lot of our customers are older than that and would not wish to alienate them. That's carved on tablets of stone almost. If we start to allow ourselves to drift up into C1 market then we are going to miss out. At the moment we are alone in the market sector we are in".

The picture emerges of a management team, dominated by the Chairman, largely committed to a traditional down market posture but trying to reconcile itself to its relatively recent incremental adjustment to marginally different merchandise and target market. It was a reconciliation that, individually, they expressed somewhat differently. Botterill interpreted the situation as a major move, others as no move at all, Wood as merely a beginning of a process of incremental change whilst others, like Melvyn Taylor, thought there was a real risk of confusing the customer:

"We are confusing the public trying to stay in the area we are in as to what we are and who we are trying to serve. If we try to attack a new sector of the market they will get even more confused".

However, amongst the retailers and the buyers there was, however, little difference as to how the divergences on perceptions of market position would be resolved. It would be through the gradual evolution of the merchandise mix within the bounds of what Fosters were good at doing. Peter Williams explained:

"You never stand still with merchandise - it evolves. What you sell today you don't necessarily tomorrow. But the merchandise quality or our expertise with merchandise and our knowledge of our customers' requirements is important. I am not discounting the fact that there will be changes. In the next few years we might sell more suits and less jackets or no tailored jackets at all".



Norman Phillips translated this in market positioning terms:

"We need to strengthen our present market position. There is still a large central market. We need to find compatible means of attracting the younger more fashion oriented person as well as Mr Average Conventional."

Compatible, that is, with what the company was doing at the time successfully - with its strategic formulae.

Melvin Taylor, too, saw the reconciliation of potential "confusion" through the evolution of the merchandise mix:

"There is a change in clothing habits from more formal to less formal and we must make sure we are as up to date as possible. We are not fashion leaders and don't intend to be. We are followers of fashion and think that it is much safer. I think you are best sticking to something you understand".

Mike Thomas described the mechanics of the process of fitting the evolution of merchandise to the target market:

"Different merchandise would not just drift into shops; there would be no aimless drift because the disciplining process would stop it".

He saw this "discipline" working as follows: first:

"A policy will come downwards and merchandise will flow upwards".

However, he granted that as far as policy went, the merchandise team were involved:

"But on policy on range content I would be giving a good deal of thought, so would the buyers and Norman Phillips. So would the retail team to a degree, informally".

So the precise interpretation of merchandise mix, which is what the managers saw as defining their target market, was primarily in the hands of the senior management team, within the bounds of general policy guidelines from above. Thomas again:

"The market the company pitch at is pre-determined. We are told we are a C2 market:that's where we are at. Therefore if a buyer produced a range which was construed to appeal to a B1 socio-economic group he would have it thrown out. My job would be to hold that down".

It is significant to bear in mind that Thomas himself was advocating an evolution of merchandise for a "more educated and sophisticated" target market.

It was a system of evolution through adaptive buying which the relative newcomer, Richard Haynes, also observed:

"A lot of what happens here ... the decisions are taken based on history. The selection of next years merchandise is made largely by looking at this year's and seeing there are certain on-going lines which go on year after year. All you do is change the width of the lapels or the trouser bottoms. So to that extent the buyers job is not speculative. We are trend followers not trend setters. Now there are areas where they do take risks which are more in casual clothes where they gamble on a colour or a particular garment. They have just gambled on a suit which everyone said would sweep the board and it hasn't and no-one is sure why. Generally speaking we are following trends though".

#### A Summary of Advocated Strategies for the 1980s

Not surprisingly, perhaps, there was considerable unity amongst managers as to what strategies should be followed in subsequent years for Menswear. Exhibit 36 shows a summary of advocated strategies by managers interviewed in 1980. The pattern can be described as follows:

## ADVOCATED STRATEGIES IN 1980

## CONSOLIDATION

		EFFICIENCY	QUALITY OF MERCHANDISE	SHOP IMPROVEMENT	RATIONALISATION (SMALL SHOP CLOSURE)	OPEN BIGGER SHOPS	INCREASE REPRESENTATION	WIDEN PRODUCT RANGE	DIVERSIFY	TARGET MARKET CHANGE	OPERATIONAL
MENSWEAR BOARD	DAVIS W					x	x	x	x		
	ADAMS			x					x		
	HAYNES					x	x		x		
	F TAYLOR	x				x	x		x		
	M TAYLOR				x	x		x	x		
	PHILLIPS				x	x	x		x	x	
	WOOD						x	x		x	
	WILSON	x					x				
	BUTTRILL	x		x		x	x	x			
	PRIEST					x					x
	LLOYD					x					
	FELTON			x					x		
	GRIFFIN						x				x
	HARRIS	x						x			x
	DEAKIN										x
	LAWRENCE					x					
	FILMER					x		x			
	DURHAM								x		
	HARPER		x					x			x
	WILLIAMS							x			
THOMAS		x				x	x		x	x	
		4	2	3	2	11	9	8	8	3	6



## 1. Consolidation

Almost every manager advocated a consolidation strategy for Menswear. This, most typically, took the form of an advocacy of "doing what we do well" but increasing representation in towns and cities without Foster shops, closing smaller shops to open bigger ones and widening the product range to include shoes and, perhaps, sportswear. The logic for such a strategy was, typically, as put by Davison:

"Menswear is in a difficult situation. We have already got a very substantial portion of the menswear market and I don't see currently how we can substantially increase our share, not to achieve the sort of growth pattern that we have had over the last twenty years. We have got certain areas of the country where we are poorly represented and our plan is to increase the depth of our representation. The other thing we are trying to do is to attempt to enlarge the size of the shop operation. So we can widen the scope of our merchandise appeal still wider and thus take a bigger share of the market; but there must be a limit to how much one can get. And unfortunately in a stagnant economy like we have in the UK that is a problem. We have no plan yet, and I don't see any likelihood of it moving Menswear into selling other sorts of merchandise. We have looked at selling shoes and we have a lot of successful branches selling boys' wear, but I don't see any movement into ladies' wear at all. So the growth aspect has to be much slower than it has been in the past."

There were different emphases placed on this by some managers - Frank Taylor, Wilson, Botterill and Harris talked more specifically of concentrating on cost cutting and improved efficiency given a threatening economy; and Harper and Thomas felt merchandise quality should be improved. Adams, Botterill and Felton suggested that there should be greater investment in improving shop premises and Felton clearly resented money being invested elsewhere when he had shops which were in need of attention.

## 2. Diversification

The other main strategy advocated was that of diversifying into other retail activities. It was advocated by most of the Menswear board but by few other managers. The logic for diversification was in effect an extension of that for consolidation: Davison again:

"It is obviously going to be more and more difficult to get worthwhile expansion. That is the reason why I am trying to move into other businesses but we are not having as much success there as we would like. There is no reason why because you have been successful as a menswear business you should be successful in others".

On the board only Adams and Wood raised objections to the attempts to diversify. Wood's view was that the company had "made a few bog-boos in some of the acquisitions" and that it was "not what we are looking for". Adams was more specific. He was not against diversifying, as such, but against the manner of some of the ventures and he linked this with the way in which the company was structured and managed:

"The Main Board have got to digest that they are a small holding company rather than a Menswear business with the odd incidental company. If it can grasp that and structure the company correctly and give the individual subsidiary a certain amount of autonomy within a Main Board Group Policy the world is its oyster. If it fails to grapple with that it will struggle and remain in Menswear with subsidiary companies starting up with ambition and then being folded up. That has been its history. ... I am not against these other things happening providing you recognise yourself as a holding company and say that all these other things are totally different operations. Don't try to implant the things in Foster Menswear into that subsidiary because you will kill it".

It was a view about the diversification programme which was held more widely outside the board room. Typically diversification took



effect in the implantation of Fosters personnel and control systems as with Discount for Beauty Staff Facilities and Milletts and the presence on the board of the subsidiary of Davison and a number of other main board directors. Davison and other board members believed that the evident success and experience of Fosters could be used to improve the companies they took over. It was not a view shared by middle managers in Foster Menswear who did not see that their skills were necessarily transferable:

"I think growth should always be in areas with which managers are familiar. I think to diversify into areas with which the managers are not familiar is not a very good thing.

And there was some resentment that money was being "wasted" on new businesses and was needed for the refurbishment of the Menswear shops: David Felton argued:

"I am not sure that it is the right decision; I would rather have seen the money spent on investing in my shops or more shops of the type I have got".

### 3. Target Market Change

It has already been described how Brian Wood and, to a lesser extent Mike Thomas and Norman Phillips, advocated an upgrading of merchandise to appeal to what they conceived of as a more up-market, customer. It was a strategy not supported by others in the company.

### 4. Operational Strategies

A dimension to the advocacy of strategy was the extent to which some of the display and retail managers - Priest, Harris, Deakin and Griffin - and the merchandise managers Harper and Thomas discussed



strategy in highly operational terms. For example, Ken Priest's first response to the issue of future company strategy was:

"I think we should be stunting with lots of gimmicks .... and I think we should go back to more bulky type displays."

Window and branch layout also featured in Peter Harper's views: "I think we have to be more inventive with our windows and our layout in the branches". However he went on to argue at an operational level for greater efficiency on wastage and improved quality control:

I think we have to become more conscious on our quality and standards. But I'm a small voice. That is having management information on what extent we are writing off stock. ... We want a department to handle returned goods; but that's dead money; so we've discouraged it and asked it to be handled at branch level. So we as a buying team never see it till we go to the branches".

#### The Logic of the Strategic Management Process

Managers in the company in 1980 were quite well aware that Fosters adopted quite deliberately an adaptive mode of strategic development. It is worth repeating the account by Barry Davison of Fosters development. Here, however, some of the more detailed content is omitted to emphasise his views on process:

"Why is the company successful and other menswear businesses are not successful? Luck, doing a lot of little things at the right time ... We, as a multiple company, grew rapidly in the number of branches at a time when it was not too difficult to do it. The development of shopping centres in the UK was going on rapidly and we gained a lot of representation when there was a polarisation of change in shopping habits from developed centres. We took advantage of that situation when a number of others did not. We anticipated the move to imported merchandise earlier than our major competitors. We have got a very tight control on cost. Tighter than a lot of our competitors. We were in the casual menswear business before we realised we were; that happened without a conscious decision being made. We were jacket and trouser sellers whereas they (Burtons) were suit sellers. We were a workwear specialist and it was a natural progression to move into jeans. We got that

jean trade without consciously going out to get it. So from that point of view the growth from until the big surge forward really came without any concrete plan. There was the plan to get more and more branches - there was that plan. The merchandise attack, there was planned appeal. We created not a big leap in turnover, but a leap in turnover sufficient to dramatically increase our profits. In retailing you do not need a big leap in turnover in order to push up your profits. That increase in turnover has come without a corresponding increase in overheads. This is the thing about retailing; you have a very large fixed overhead. You only have to put your turnover up by 10 per cent and you have an enormous profit increase".

Later he was more specific about what he saw as the perceived advantages of this process of adaptive gradualism, or incrementalism.

"We have no particularly entrenched ideas as to where we were. We have only now got a reasonably entrenched idea as to what market we are in. We had no ideas as to what market we were in, other than that we wanted cheap clothes. So there was an infinite amount of flexibility. We did sell suits and then we dropped them because Tom didn't like the idea of selling suits. Now Burtons have created in Top Man a very solid image. This is great at the present stage. One thing we decided was that we wanted to keep this wide appeal, it might not bring us enormous leap forwards, but as long as we can keep adjusting our merchandise mix and image satisfactorily we can keep a fair share of that market. I don't think it will give us any dramatic change."

Davison believed there were good business reasons for this approach to strategy development. In talking about the relationship with and influence of the City, he said:

"Because if people (the City) thought I was slowing down and was not building the business up or looking to build it up, then we would be down-rated. They would say that growth potential as far as Fosters is concerned would have to be down graded. And therefore P E ratios and everything else drop off. Then you become an easier thing to pick off because people start off with a lower capital cost as far as your business is concerned, and they therefore can offer the shareholders that much more capital gain by offering a figure for them. That is an ancillary part. It isn't what drives me on. That is quite definitely in the back of my mind. I mean one of the problems of being a manager of a company of our size is that we have got this problem hanging over us. I therefore can't really make a decision which says, like a private individual could do, this would be good for us in five years' time, but would be bad for us for the next five years. I can't do that because if I do that we would be down-graded in



the stock market and our shareholders will not be happy with that. And that would give someone the ability to come and snap up what we have done. It is a primary reason for policy making now in that we can only take small things that have not got an immediate return and when we go for something larger it has to have a satisfactory return immediately. Experimenting with something new that you absolutely believe is right to do, lets say there was a project that we could put £15 or £20 million into, because if I looked upon it as my own money I believe that long term that would be the right thing to do, but it was going to knock us about desperately in the short term; that would now be a prime restraint. I would just totally disregard the possibility of doing that because of the risk to which it would put the organisation. It is not the risk that it would put to our financial state, but the risk in the open market".

Davison also argued that the nature of retailing is such that small, incremental steps make a lot of sense given that, even fixed assets in retailing are, relatively speaking, not that fixed. He expected, and believed he was expected, to provide short term return on investment that was, after all, disposable in the form of shops:

"One of the differences between retailing and, say, engineering is that you tend to take much shorter term decisions. I am going after immediate return; I am not in the position of Michael Edwardes who says, 'Do we lay down £150 million pounds to try and make the Metro: because that might make us profit in five years' time'. We do not have that sort of situation. You do have to have a long-term plan because you can't take short term decisions without it but its got to be gradual".

It never became clear what was meant in the company by "long term plan". There existed five year budget forecasts but there was no evidence of a written document setting out and arguing strategy. It was a view of management process which was commonly espoused by other managers too. Frank Taylor saw the attempts at diversification in much the same way:

"The real strength of the Company is to be able to follow these peripheral excursions into whatever, because most of them are lossmakers. ..One has got to keep thrusting in these directions: they are little tentacles going out, testing the water."

Brian Deakin explained the process as follows:



"We haven't stood still in the past and I can't see with our present set up that we shall stand still in the future. But what I really mean is the path of evolution rather than revolution. Some companies get a successful formulae and stick to that rigidly because that is what they know - for example Burtons who did not really adapt to the change in climate from bespoke to casual, so they had to take what was a revolution. We hopefully have changed gradually and that's what I think we should do. We are always looking for fresh openings without going off at a tangent."

It was very much the view of adaptation though a flexible set "formula" - a word Deakin uses himself; and Mike Adams expressed a similar view, linking it directly to the centrality of merchandise adjustment as a means of change:

"You don't stick to the same formula in a vital business such as retailing: you have to be constantly reacting. 15 years ago it was common in your bedroom to have lino on the floor and a mat. You now have a cheap fitted carpet. So the men selling lino have had to move into carpets. You either follow fashion trend, or you are an innovator. If you are an innovator you are usually in the top market, which we are not, so we must be a follower".

What emerges is a view of strategic management as consciously managed, logically adaptive incrementalism in which the key adjustments are made through merchandise mix.

#### The Dominance of Merchandising

It has already been shown that the merchandise function had increasingly throughout the late 1960s and 1970s developed a powerful influence on the market position of Fosters. There is some evidence that Davison's involvement on the area was less than in other areas of the business. He would comment on merchandise rather than specify merchandise decisions. He was seen as developing an understanding of merchandising issues rather than being an expert on them.

Certainly Norman Phillips saw himself as having a great deal of autonomy and prestige both within and outside the company:

"I am proud to work for the company I do. The financial backing of the company for any decision I take, irrespective, right or wrong, my decision is final and that will be supported financially. I take a lot of pride in that support and as such the company has a reputation second to none with the businesses with which we are involved. As an individual, as I am a director personally responsible, I likewise have that image and it's something that I enjoy. In the buying function more than any other operation one has to play hunches but its guided by financial restraints. I can be sitting in any market in the world and see that and say I'm going to buy it. I have no computer record, no history of it. I take a decision. I would have to say that I am the best merchandise director in menswear retailing. It means I have the greatest awareness of world availability, supply source and all that goes with it. I also have, and more so than my buyers, something which is difficult to quantify, but one needs a capacity to anticipate trends, moods, themes, colours. Although we are not in the pinnacl eof fashion we are to a large degree very centre of the road. We have to involve ourselves in fashion."

It is series of emphases that is worth underlining given events subsequent to 1980. Phillips sees himself not only in an autonomous and highly influential position with prestige within and outside Fosters, but also as highly sensitive to market needs and in tune with the adaptive, incremental approach of the company to its development.

### 3.5.2 The Strategic Recipe Current in 1980

It is useful at this stage to make an explicit statement of the recipe as it could be discerned in 1980. At a frame level the most striking and frequently occurring statements of environmental and competitive standing were as follows:

- The importance of the focus on the C2D market, the working man's market; it has been seen how this had evolved over years and was

confirmed in its importance by the success of the company and its compatibility with the strategic formulae of the company. It was seen as a stable, predictable and therefore reliable mass market in which Fosters was dominant.

- As a refinement of this, by 1980 it was becoming clear that this market was not entirely homogeneous; it had been "learned" through the Fashionpoint exercise that the younger working man expected more fashionable merchandise. So the importance of catering for the younger working man and his fashion needs had developed since the mid 1970s.
- Rooted in the strategic formulae was the view that market sectors were defined in merchandise terms rather than in terms of retail environment. Adjustments to market expectations were conceived of as adjustments of merchandise expectations, rather than, for example, changes in shop ambience or any fundamental changes in shop design.
- By 1980 managers were less clear about the distinction between their operation and other national retailers in merchandise terms. Whereas in the early 1970s it was clear to them that Fosters was the one national outfitter, it was now evident that what had been traditional tailors were now also selling the same sort of merchandise as Fosters. Whilst this was evidently and explicitly recognised, it did not seem to affect the perception that Fosters was still unique; the logic for this however by 1980 was their concentration on the C2D market and their years of experience in casual wear.
- The problem of geographical saturation was a relatively new construct



within the recipe. There were not too many other towns and cities which could be entered.

As for the strategic formulae, these could be summarised as follows:

- There was the same view that the control of costs through tight central cash control and centralised stock distribution as had existed in the late 1960s was the way to run a multiple shop operation.
- The old family tradition of care and responsibility for employees remained. Promotions took place from within almost exclusively and certainly within the retailing and buying operations; and in both of these it was seen as vitally important to the company that the "team spirit" of the company was maintained.
- "It might be argued that the views about the processes of decision making and strategic management were by 1980 so firmly embodied as best practice that they could be thought of as a strategic formulae. Change should take place through gradual adaptation within what the company knew how to do: and the company was able to achieve this because it took decisions fast and was blessed with dynamic, visionary leadership.
- However by 1980 the central formula was to do with merchandising: this took the form of the commitment to the philosophy of buying which had built up over years and reinforced the key strategic frame. It was important to be able to build on the ability to buy in big enough quantities to obtain the prices that allowed high margins yet competitive retail prices. Hand in hand with this went the view that

branded merchandise was to be avoided since it reduced both margins and buying quantities of standard lines.

- The commitment to the skills of the buyers being in developing commodity purchasing of volume lines overseas had been refined. The buyers were seen as skillful not only in this but in achieving more fashionable merchandise through similar sources whilst still retaining the high margins on which the business was based.
- The strength of retailing was still seen to be in its aggressive selling through price policy, promotions and personal attention to the customer.
- All this was bound together by what was seen as a unique team spirit and loyalty to the company.

This recipe, summarised in Exhibit 37 can be seen to be very similar to that of the early 1970s in terms of formulae (see Exhibit 34). It had evolved in line with the experience of managers over the years. There was perhaps even more emphasis in 1980 on the centrality of the buying formulae, but this can be explained as a result of the sales and profit growth of the previous decade which was seen to be fundamentally the result of matching merchandise to customer expectations.

### 3.5.3 Generalising About an Adaptive Process

The Fosters' managers' perceptions of their strategic position and how they saw the company adapting to it, together with our knowledge of the development of the business over the preceding decade, provide material on the basis of which it is possible to refine further an interpretative

EXHIBIT 37

FOSTERS' STRATEGIC RECIPE IN 1980

STRATEGIC FRAMES

The nature of the competitive environment and Fosters' position in it was perceived as:

- Dominating "the C2 market" for mens clothes - a mass market which was stable and relatively predictable.
- Market requirements were defined in terms of merchandise: for example there was a need for an attention to fashionable merchandise for younger C2D men.
- Fosters was still seen as unique in its field of operation as a national operator despite the fact that other national retailers had moved into its merchandise area.
- Geographical opportunity for opening new shops was becoming limited.

STRATEGIC FORMULAE

Fosters competitive success was seen to be because:

- The buying formulae provided:
  - a) good quality merchandise at low retail prices but high margins;
  - b) the skills and flexibility to adapt commodity buying to provide more fashionable merchandise.
- Established central control of costs and current assets.
- Effective, trained, aggressive retail selling operation.
- Top management that was seen as:
  - a) continually experimenting with new ventures and adapting the existing business to new opportunities;
  - b) able to take decisions fast;
  - c) sought to promote from within to provide opportunity and boost team spirit.
- A high level of "team spirit".



model of this adaptive process of strategy formulation that was occurring.

It has been seen how normative models of strategic decision/<sup>making</sup> assume that managers will or should make choices and take action on the basis of analysed environmental change; specifically that strategy will be designed by assessing, on the basis of the compatibility of company capabilities with the environment, what strategic changes should take place to achieve explicit objectives and then designing operations to implement changed strategy. Two critical assumptions in such a model are that environmental change is somehow an independent, external force impacting on the organisation; and second that operational planning is the end product, or outcome of the strategic decision making process. Both assumptions are questionable on this evidence; and, it is argued in this thesis, that the Fosters evidence is not atypical.

Managers all saw significant environmental change taking place. On the whole the change they saw was that which could be observed from within the organisation; for example the differences in buying preferences of their existing shoppers. They did not emphasise the activities of other retailers, if anything tending to be rather dismissive of them. Nonetheless the changes they observed were seen as a stimulus for required change: there needed to be a response by the business to the needs of their customers.

The selection of "relevant environmental change" was based on the extent to which environmental change was perceived to threaten or require amendment to the recipe. Changes in their customers buying habits certainly did; the activities of other retailers, defined historically by their recipe as different from them, did not for most managers. In Rhenman's

(1973) terms relevant environmental change is defined according to the elements of environmental change which are seen by managers to be "dissonant" with the recipe.

It would be a mistake to think of competitive activity as perceived in 1980 as clearly relevant environmental change because it was not seen as threatening the recipe: Fosters was perceived by its managers to be dominant in their market sector, in which there was no threatening competition. Given this logic of the strategic frame of the recipe, the developments of Burtons were interesting to observe, deserving of comment, but of no direct consequence and requiring no specific action or decision. On the other hand, the continuing change in buying behaviour of the target market was relevant; it was clear that there was a continuing expectation of more fashionable merchandise within the "C2D" market. This was a change which was of direct relevance in terms of the recipe. It was also clear that there was, for the first time managers could recall, a downturn in expenditure in that target market: this was also certainly relevant.

Given perceived dissonance managers seek for "consonance"; that is they seek to resolve the extent to which elements of the environment and the recipe are in a state of dissonance. It is here that the most significant acts of strategic adaptation take place. The evidence throughout the period under study at Fosters is that consonance is achieved through a) interpreting the dissonance in terms of what is here described as the strategic formulae of the recipe; b) where necessary marginally adjusting the formulae; and c) taking action in line with the adjusted formulae. This in turn will very likely create internal dissonance between the frames and formulae of the recipe, so the final stage of the search for



consonance is d) the adjusting of the frames to revised formulae: this will take place providing there is evidence of success in the action taken as a result of the formulae changes.

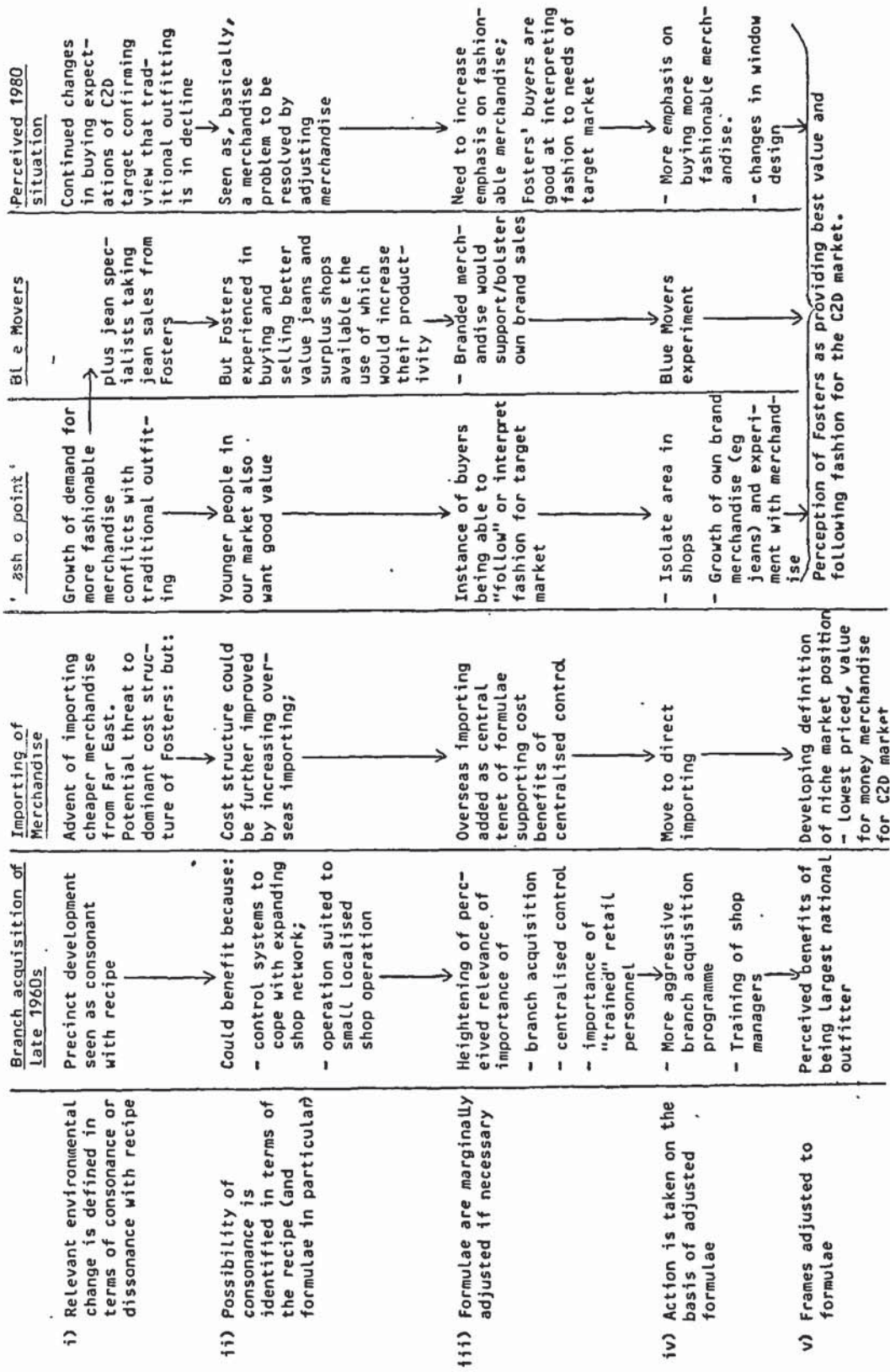
Exhibit 38 sets out the developments in Fosters according to this model. Without repeating the narrative that has preceded some comments on the interpretation of the process of strategic development as set out in that exhibit is necessary.

i) Relevant environmental change is defined in terms of consonance or dissonance with the strategic recipe

Managers were highly discriminating about what, in terms of environmental change was seen as strategically relevant to the company. There is no evidence of a comprehensive scanning approach to environmental assessment as advocated in normative management literature, or projections of environmental trends except in so far as they directly relate to the company's current recipe. For example, in the mid to late 1960s there was no apparent impact of the "Carnaby Street Revolution" as far as Fosters was concerned. The possibility that fashion changes as they related to fashion leaders would impact upon the company was not seen as relevant because it was not seen either to threaten the existing recipe or to be susceptible to exploitation by the existing recipe. The company's success was, after all, based on building up its distribution of shops and controlling costs. What was consonant with this was the development of shopping precincts. A second example would be the turmoil of the 1970s as far as the rest of the menswear retail trade was concerned. The extent to which other retailers, and particularly Burtons, faced such major problems



AN ILLUSTRATED RESTATEMENT OF AN ADAPTIVE STRATEGIC DECISION MAKING PROCESS



and underwent such radical repositioning might lead to the expectation that there would be pronounced perception of changed competitive pressures by the end of the 1970s; yet the perception of most managers was that the activity in Burtons by 1980 was of interest but not really relevant to Fosters because Fosters had much more competence in the market that Burtons were perceived to be moving into: Fosters success had developed throughout the 1970s on buying good value casual menswear and on this basis they dominated their market niche. The action of others and the changes taking place were therefore interpreted in terms of the view of reality of the managers as defined by strategic frames and formulae. It was not a question of evaluating the environment in terms of the recipe; it was much more a case of "enacting" or perceiving the environment in terms of the recipe.

- ii) The possibility of consonance is identified in terms of the acceptable adaptability of strategic formulae

Given the identification of relevant environmental change, the natural tendency is to seek to interpret it in such a way that consonance with the existing strategic formulae can be achieved. If environmental relevance is identified in terms of consonance then, in effect, this interpretation has already taken place. If relevance is defined in terms of dissonance, then search takes place for means of reconciling the conflict with strategic formulae. It is this activity that has previously been identified as embracing the phases of problem resolution and search identified by Mintzberg et al (1976). For example, in the late 1960s and early 1970s, the growth of importing, largely through import agents posed a potential threat to Fosters because it could have undermined their



dominant cost and price structure position built up by careful control of costs: the problem was therefore redefined in terms of how a changed environmental situation might enhance cost and price advantage through a greater emphasis by Fosters on importing.

The response to the fashion changes of the late 1970s, as has been seen, was an eventual recognition of dissonance with current strategic formulae because of loss of sales; but the result was not a wholesale questioning of the distinct competitive position of Fosters as a menswear retailer. Rather it was initially a redefinition of the problem in terms of the strategic formulae. For example, in the mid to late 1970s with the emphasis on the ability to offer good value merchandise through skilled buying overseas, the dissonance created by the growth in fashion awareness was reconciled with existing formulae by perceiving that younger people in the relevant socio-economic group would welcome value-for-money fashionable merchandise, a limited range of which could be bought in bulk, which was in line with the dominant strategic formulae.

In 1980 given the continued evidence that the traditional Fosters image was not achieving the same growth in sales as it had previously experienced, this was interpreted directly in terms of the dominant formulae of the recipe - it was seen as a problem of merchandise adjustment, because it was merchandise that defined the target market. There was little consideration of the comparative stance of competitors and virtually no mention of the presentation of shops themselves. As Brian Wood said in 1983,



when he reconsidered the position in 1983:

"People said things like 'if you get the merchandise right you can sell it out of fish barrels'".

iii) Strategic formulae are marginally adjusted to provide consonance if necessary

It may be necessary to make some marginal adjustment to formulae in order to achieve consonance. There is no evidence in the whole of the period examined so far that there was any major shift to the formulae at a particular time and this despite the fact that the retail environment was undergoing quite turbulent change. Since such changes in the environment are identified and resolved in terms of the recipe this is not surprising: as will be seen, it is when problems cannot be resolved in terms of the formulae that managers find particular difficulty. Formulae changes normally take the form of:

- the heightening of importance of some aspect of the existing formulae, as for example when overseas importing came to be seen as of central importance as a means of achieving cost benefits in the late 1960s and early 1970s;
- the addition of a compatible formula construct which supports existing constructs, as for example the importance placed on shop management training in the late 1960s in order to "re-educate" managers in the ways of centralised control and selling.
- the reinterpretation of a possible threat to formulae so that

it can be made supportive. For example, branded merchandise was always seen as a threat to the high margins obtained by importing and own branding: but as Blue Movers developed, this was reinterpreted so that branded merchandise, if introduced carefully, could show just what good comparative value the own brand merchandise was.

It is clear from the account of the Fashionpoint and Blue Movers exercises that the sorts of adjustments described in ii) and iii) are made within the political frameworks previously described. In both those cases it was seen that the nature and speed of the changes were bound up with the extent to which groups deriving their power from association with dominant formulae resisted or sponsored the identification of opportunity or the adjustment of modes of operation. Rhenman (1973) identifies a similar phenomenon and calls such groups "leading sub-systems", likening them to Barnard's (1938) "strategic factors" and Emery's (1967) "leading parts".

- iv) Strategic action is taken on the basis of the adjusted formulae
- The adjustment of the formulae, that is the marginal redefinition of the perception of managers as to what they see as best practice, goes hand in hand with the company doing those things, often in an exploratory fashion. A good example is the "infiltration" of merchandise which took place in 1980. Given differential strategic frames amongst managers - e.g. Wood, thought the company would be better positioned marginally up market but others did not - the issue, whilst being stifled in terms of debate was being "examined" by trying out different sorts of merchandise.

These experiments were taking place within the dominant buying formulae since it was that that defined strategic position and would either cause resistance to or would facilitate change.

This phenomenon has already been noted and illuminates the findings of Mintzberg et al (1976) in particular. They found substantial iteration between stages of problem definition or diagnosis and "search". The picture is one of managers continually redefining and re-conceptualising the problems. What these researchers have not emphasised is that this redefinition is through action. Search is not so much an intellectual exercise as experienced process. Mintzberg notes that a common form of search is memory search, that is the application of what managers have done or experienced previously; what he is observing is the application of strategic formulae. His iteration between diagnosis and search is in effect not iteration at all since diagnosis is, or at least occurs through, search. The public face of this is incrementalism, the continual readjustment of observable strategy in line with marginally adjusted strategic formulae.

- v) Strategic frames are adjusted to the adjusted strategic formulae
- It has previously been noted that managers perceptions of strategic frames change at differential rates. For example it was clear that different sub-systems within the company, and different individuals, interpreted Fosters competitive position in the mid 1970s differently. In particular the retail managers and some of the younger managers had a different perception from that of more traditional Fosters managers about the company's ability to compete



in a market that they saw as increasingly demanding more fashionable goods. The resolution of this problem took place through the evolution of the project described here as "Fashionpoint". This evolutionary process itself has the effect of at least partially reconciling such differences through action. If action is being taken to sell more fashionable merchandise, then for those whose strategic frames have shifted and who see the need for the company to re-position itself, they will see, that the company is re-positioning itself. For those whose frames changes are less pronounced and who fear such repositioning, they will see that the company is moving carefully and taking few risks. What in the end appears to be most significant in overcoming dissonance between frames or between evolving formulae and different frames, is the success of any such action taken. If action takes place which results in improved company performance, then it is evidence that action is appropriate to the needs of the situation. In such circumstances there is likely to emerge a consensus view of the company's strategic frame which will reconcile the adjusted formulae and different views of strategic frames.

The sort of statement most used about Fosters in the early 1970s was that it sought to offer the lowest priced, best value merchandise to the working man. It is difficult to find any evidence that the means by which this was achieved - cost control and direct importing - arose out of this view of the strategic position of Fosters. Rather it would appear to be that the strategic frame is a rationalisation and strategic expression of successful modes of operation. Similarly, in the late 1970s, it is possible to discern a pattern of re-definition of strategic position very much in line with dominant formulae. There were different views about the position of

Fosters in terms of the extent to which they were meeting the needs of the market place, particularly in terms of the provision of fashion merchandise. The resolution of this problem took place at an action level through the manipulation of merchandise mix. The unifying frame adjustment that emerged was to do with Fosters being a "follower" of fashion, a position which they were, it was argued, uniquely capable of carrying through because of the prowess of their buyers.

In this period there is evidence of dissonance between the dominant buying formulae and the strategic frames of certain individuals: but this is always resolved in terms of the dominant formulae. For example, when Wood talks of the need to appeal to more fashion conscious market, he conceives of this in terms of marginal merchandise adjustments. There was no manager in 1980 advocating a substantial departure from the mode of operation which had been dominant for years in the company.

#### In Summary ...

The situation in 1980 was, then, that faced with a decline in turnover there were four responses, all of which were within the pattern described above. The first and easiest to explain was that the downturn was temporary and that Fosters was well positioned to take advantage of the improved market conditions when they occurred. David Botterill talked in terms of the company having to run a difficult steeplechase but that "we have conserved our energy so that when we cross the final fence and hit the straight we will just shoot ahead".

Peter Williams put it more prosaically and within the context of the strength of merchandise:

"I think we as a company have got more potential for growth

than any other retailer in the UK. We have a springboard now for when we do get a change in economic conditions, we could make a very rapid growth. I firmly believe that the merchandise we sell and the expertise we have developed in ways of selling it give us every opportunity to outstrip the market".

It was a confidence based on proven formulae which had generated past success and would surely continue to do so.

The second response was similar. It was the view of Norman Phillips and represented the core beliefs of most managers in the company: there were indeed changes taking place in the market place, most notably that the target market was requiring more casual clothes, but the skilled and sensitive buying team would cope with this through merchandise adjustment. The application of this key strategic formulae of the centrality and flexibility of merchandising was sufficient to create consonance out of dissonance. It required no other changes of significance to the recipe - no fundamental re-definition of target market or view of competition, no operational re-orientation to different forms of retailing or retraining of personnel; it was a merchandise issue.

The third response was primarily lodged with Davison. His view in 1980 and, from the evidence of the 1970s, for some time before appeared to be that there was too heavy a reliance on Foster Menswear. The downturn of 1980 confirmed the view and bolstered his conviction that diversification was necessary. Here is a clear state of dissonance with the current recipe: yet its resolution was not through the creation of some new view of how diversified businesses should be run. On the contrary, each new subsidiary was moulded in the image of the successful Fosters formulae within the organisational mores of the company. In short, consonance was achieved by reference to the dominant formulae applied in a different area.



A similar state of affairs existed for the fourth response, really represented by Wood alone in 1980. This was the view that maybe the strategic frames upon which Menswear was built needed amendment; perhaps the target market needed to be re-defined. In the first place it is perhaps significant that there was only one manager advocating anything as radical as this - in this thesis it has already been argued that this is because it is altogether too threatening to power elites to do so. However, consider how the dissonance of such a frame challenge is reconciled by Wood himself; it is by advocating changes in merchandise. What starts out as an apparently radical challenge to the recipe becomes a search for consonance within it.

#### 3.5.4 Strategic Drift

If the strategic development of Fosters is considered historically, then a phenomenon emerges which, it is argued here, is an inevitable risk of incremental management processes - the phenomenon of strategic drift.

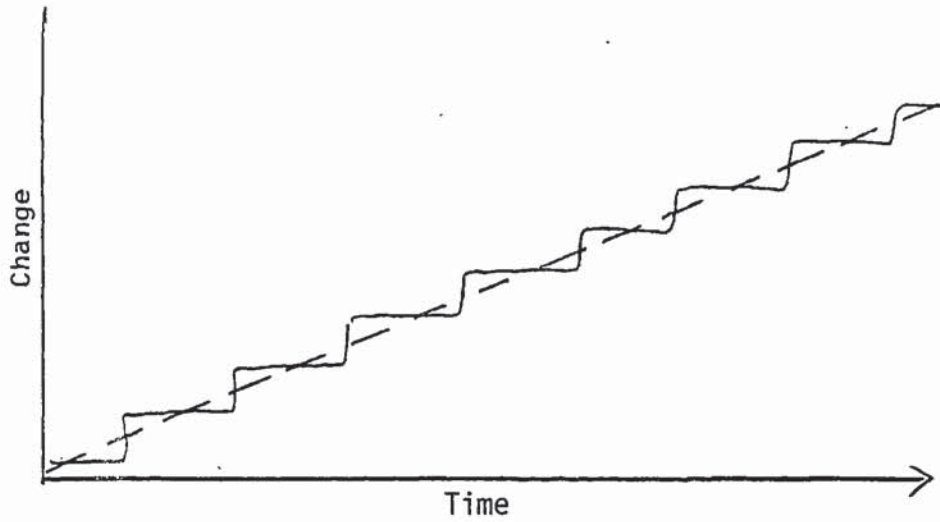
The idea that incrementalism can be - and indeed is - managed logically is proposed by Quinn (1980). The notion is that strategic change, through the sensing of managers within sub-systems, the interplay between sub-systems and continual testing out of new strategies, results in a learning and re-adjustment process in organisations by which the organisation keeps itself in line with environmental changes. It is a notion which is shown in representative form in Exhibit 39(A). The evidence in Fosters is, however, that consciously managed incremental change does not necessarily succeed in keeping apace with environmental change. Indeed it is argued here that there is a high risk that it will not. The situation in Fosters as it evolved

EXHIBIT 39

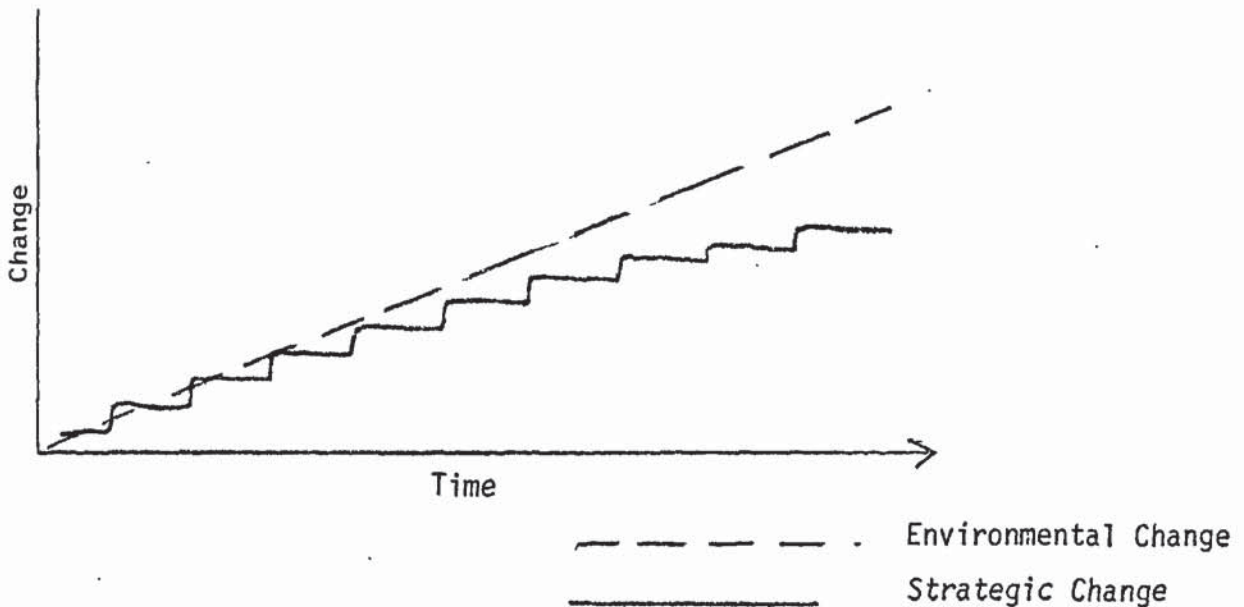
PATTERNS OF STRATEGIC CHANGE

(Adapted from "Exploring Corporate Strategy" by G. Johnson and W. Scholes: Prentice Hall 1984)

- A. The environment changes gradually and organisation strategy develops incrementally in line with it.



- B. The environment changes gradually but organisation strategy fails to develop in line with it. Strategy moves "imperceptibly" away from environmental "reality"



through the 1970s was not as shown in Exhibit 39(A) but rather as shown in Exhibit 39(B). Gradually the incrementally adjusted strategic changes and the environmental, particularly market changes, moved apart.

There is substantial evidence for this. The market research which Haynes commissioned in 1980 was available in June of that year and has been studied as part of this research. There were two pieces of research; 34 group discussions and 1063 individual hall test interviews with a quota sample of male and female buyers of menswear. Since the report is over 100 pages long with 82 findings summarised at the beginning, it is not possible or necessary to discuss all the findings. It is however worth summarising them to provide an understanding of the hard research evidence that existed about the extent to which the company had drifted from market reality.

Some of the most telling findings were as follows (they are numbered as in the original report):-

- "14. Fosters featured relatively prominently as a source of purchase of schoolwear, but did not seem to appeal much to boys for casual wear.
15. Quite a number of the younger men in the sample were alienated from Fosters by memories of having been dragged there for schoolwear.
39. The Foster shops in older tattier shopping centres were generally spoken of more favourably than those in more modern shopping environments.
40. The research suggested strongly that Foster shops are suburban in appearance, mood and trading methods. They are acceptable (to women especially) in a suburban environment. But they are out of place in city centres because they do not relate to how people like to shop in that environment.
44. Respondents were much less favourably disposed towards Fosters than the nature of the sample would have led us to expect. Most of the young and quite a few of the older men were certainly not well disposed towards Fosters. The women



were generally more positive about Fosters than the men but this was certainly not universal. Furthermore it was quite often because of their purchasing of boyswear rather than menswear.

45. Fosters was generally regarded very much more highly by the Ds than by the Cls. Fosters is not very relevant to the needs of Cl men.
46. There was a widespread feeling that Fosters is old-fashioned.
47. Fosters' prices were often described as "cheap"/"reasonable". For some this meant low prices, acceptable quality, and good value. A more general view was that the prices were low and the quality matched the prices.
48. Many respondents talked of a lack of style.
49. Fosters was not generally associated with up-to-date fashions.
50. Some respondents felt that Fosters' merchandise did not measure up to their standards.
51. In most cases when respondents described what they regarded as a typical Foster shopper they were talking about people with whom they did not identify. In other words they did not see themselves as the sort of people who were Foster shoppers.
52. Many respondents linked Fosters with boyswear. Indeed many of the purchases from Fosters which respondents had made had been of boyswear. This association did not enhance the appeal of the shops to men.
56. Although a few respondents liked the crowded windows the vast majority found them unattractive and offputting. One complaint was that they were so cluttered that it was impossible to focus on anything in particular. Specific criticism was made of the "dummies".
60. Many respondents held a negative view of the merchandise. This seemed often to have been evoked more by the windows and the mood and style of the shop than by actual experience of the clothes.
63. Only a very few respondents felt that the styles and fashions sold by Fosters were very up-to-date. Quite a number thought that they were rather middle-aged, or a bit behind the times. Some regarded them as archaic.
65. Quite a few respondents of both sexes thought the quality of Fosters' merchandise was poor.
67. An element contributing to the impression that Fosters does not sell first class merchandise is the frequency and manner with which sales and special offers are announced in the windows.

68. Many young men claimed not to shop at Fosters because they wanted to buy brands, notably of jeans, which Fosters did not stock".

Some of the verbatim comments from the group interviews were particularly galling to the managers, for example:-

"One of the things is the fact that it's such an old firm ..... older firms tend to get mentally left behind in young people's minds ..... they sort of think, well I won't go in there because it's an old firm, they won't have come up to date"

"From looking in the window I didn't fancy going inside".

"It looks a bit grim from outside".

"It's got a touch of the Oxfam shop about it".

"From the outside ..... it gives the impression of being a cheap shop ..... it's not the sort of place I'd go to buy a suit, I'd feel embarrassed to walk in there. It's a reputation like Woolworths or Tesco .... you say, 'Oh, I don't want to go in there, it's a cheap shop'".

The hall tests pinpointed other problems. In particular it became clear that:-

- 1) Fosters appealed more to women buying for men than men buying for themselves;
- 2) The shops were biased even more down market than they thought;
- 3) And even more towards older men (aged over 45) than they thought.

The hall tests also supported the group interview findings that Fosters was seen as unattractive in terms of shops, poor in terms of merchandise and rather old-fashioned. The report concluded:

"In our view the present Foster market, described demographically, provides the potential for a perfectly adequate customer base. The key problem which this research has demonstrated, however, is that the shops themselves are not currently sufficiently attractive to draw in enough customers from within these demographic groups. Furthermore Fosters' method of trading fails to meet the widespread desire for self-selection".

The findings showed a striking difference between the "image" the managers had of Fosters and the perceptions and behaviour of the customers. In particular, although Fosters managers considered that the market focus was and should be down market, they did not see the company as the rather cheap and nasty, old fashioned retailer that the customers did; nor did they believe that the age profile was as skewed towards the older male as it was. The research also, most significantly, attacked some of the most firmly held beliefs about the company's basis for success. Merchandise was seen to be out-dated and rather poor quality and what was seen by the managers as a shop presentation and staff attitude geared to the expectations of their customers was indicted as confused, tatty and aggressive. The research also showed that the customer was at least as concerned about the shop environment as the merchandise.

The managers, faced with the report could not accept its wider implications; how could such an indictment be so when the company had just had years of uninterrupted growth culminating in record profits? The response was to concentrate on remedying some of the admissable findings: it was argued that the move to a younger market was already underway and would be continued; window design was re-examined to cut down the clutter and deal with shop appearance, display cards were re-designed to make them less garish and there were some changes in merchandise layout.



There was then a widening gap between market requirements and Fosters strategy. The preceding discussion shows why this might be. Since environmental change is interpreted in terms of the recipe managers convince themselves that they are responding to environmental changes when they are only doing so in terms of their enacted environment (Weick,1969). There results the phenomenon which is here called strategic drift. Strategic drift is the gradually widening gap between an organisation's environment and its enacted environment

It is not argued here that strategic drift is inevitable given incremental management of strategy; but it is argued that it is an inherent risk and that the reasons for this can be understood in terms of the dynamics of decision making and change outlined above.

The next part of the thesis deals with the way in which Fosters extricated themselves from the position they were in. Later the specific problem of managing incrementally to avoid drift will be addressed. It is however important to point out before discussing the mechanisms of change after 1980, that in 1980 there did not exist the uniform consensus that had existed for much of the 1970s. There were signs of tension, many of which have been discussed earlier. The continuing disquiet of Barry Davison at the reliance on Menswear; the contrary disquiet of middle managers at the diversification attempts and in particular at the investment they perceived as being syphoned off from the menswear shops; the differing views of a minority about the target market merchandise needs, and of Wood in particular on the nature of the target market; even down to the differing views on such operational issues as the form the window displays took. Whilst none of this tension took expression in a

fundamental or powerful challenge to the recipe, it was nonetheless a product of dissonance as a result of strategic frames and formulae shifting differentially.

### 3.6 1980 TO 1983: STRATEGIC RE-POSITIONING

#### 3.6.1 1980 and 1981: Decline

By the middle of 1980 it was clear to managers that the growth of recent years would not be maintained. By the middle of 1981 it was even clearer that the Group was in a state of serious decline. The period is an excellent example of a management team, faced with a problem it finds difficult to understand, exerting greater efforts to apply its strategic formulae to improve the situation. Haynes commented

"For a while we were floating around like a ship without a rudder: no one knew where we were going".

The response to downturn was, classically, as suggested by Grinyer and Spender (1979). First management tightened controls; so much was clear even in the middle of 1980: when Botterill talked about branch refitting in 1980 he said:

"I'm looking at branch improvement on a much tighter budget. I try to knock people down to get the same job done for 5% less; then its 5% saving".

With continued decline in turnover they attempted to "do better what they did": as David Felton described:

"When your figures start dropping you look at things purely on an area basis if you're honest. That's what you are really concerned about - your 22 shops, when they start to go down ..... When things go wrong you tend to stick to the rules much more rigidly. Had I got the stock right, were the staff right? At that time we were nothing to do with profitability, our brief was turnover. Had we got the windows packed? You spent your time chasing around the branches asking the managers if they were doing everything right".

At board level the decision was taken to embark in 1980 on an even more aggressive pricing policy. Fosters carried a sale for a large part of 1981 and increased advertising expenditure to promote the price-led strategy. To support this effort 1981 became designated "The Year of the Salesman" with incentives at branch level for increased sales.

The phenomenon observed is, then, rather wider than just tightening controls: it is the more energetic re-application of the strategic formulae, the application of what is "known" by experience to be successful - in this instance not just the effort to control and cut costs, but a more aggressive sales approach.

Sales and profits continued to decline so costs were further cut back. It was the mechanism that had always been seen as available to the company. Melvin Taylor explained that the major variable cost was retail wages and that attempts to cut these had been resisted by the Area Sales Managers:

"Our wage costs were out of line with other people as far as we could tell. We had no system of control other than through our area managers and no matter how far down the line we went with disciplines on that it never seemed to have any effect because they said they needed the staff".



It was resistance which was understandable. The retail managers had come to believe that Fosters "looked after" its staff; and the Area Managers claimed that the "team spirit" and loyalty of staff was a major motivating force.

Coincidentally, the company were approached by Metra Proudfoot, consultants specialising in productivity programmes, who suggested "they could save us a million pounds". The board saw it as an opportunity to overcome the problems of retail resistance: Melvin Taylor again:

"We said we are taking it away from the ASMs and we will bring these people up and set it up as a central control. There was no way you could decentralise that as you wouldn't be able to implement it and in fact we implemented it from here. We made decisions on each branch from head office. There was a group of people nominated to do that working alongside Metra Proudfoot".

A team of retail managers was formed to work alongside the consultants. Brian Lloyd, who worked with them, explained their approach:

"They studied every branch and they were surprised to find how many customers we served in a day, we didn't know how much money we took off customers; we didn't know how many items we sold to our customers. So they built in a system which revolved around how many customers you could serve in one man hour and how many staff you actually needed".

The result was an elaborate control mechanism and 400 redundancies.

John Wilson said that "The Chairman took something of a back seat at the time". Richard Haynes view was that there was a deliberate attempt to

divorce the action from the Chairman and the senior management: "It is convenient to blame unpleasant things on consultants".

The proposition which arises from the examination of this period is, then similar to the findings of Grinyer and Spender (1979(b)). It is that, faced with declining performance, management's initial response will be to tighten up the operation. Grinyer and Spender's assertion is that there will be first an attempt to turn the situation round by tightening controls and that, if decline continues, then there will be attempts to take strategic action but within the existing strategic recipe. The observation here is that the tightening of controls may go hand in hand with the energetic assertion of the operationally familiar and successful: in other words that, faced with decline, management is likely to seek greater productivity through both tighter controls and concentration on the strategic formulae.

### 3.6.2 The Impetus for Change

This section shows how Fosters turned a rapidly declining sales and profit position into one of renewed growth and profits. The "story" is told initially and, in so doing, some reference is made to previously learned processual issues and pointers made to later conclusions. However, in the main, discussion of the implications of the recovery process is left to the end.

In 1981 Barry Davison was admitting publicly and privately that Fosters was suffering worse than other menswear retailers. The publicly stated reasons were to do with the recession and the fact that increasing unemployment and lower discretionary income were hitting their traditional customer base harder than the customer base of other retailers.

Undoubtedly these economic influences on Fosters sales had an impact. However there was the uncomfortable fact that Burton's, who had moved decisively into the market that Fosters had regarded as theirs, were doing exceptionally well by 1981 compared with their previous performance and the performance of Fosters. The financial press carried articles applauding the Burton's recovery and highlighted the role of Ralph Halpern, Burtons' chief executive. The articles that appeared on Fosters were brief and drew unfavourable comparisons with the Burton performance. Barry Davison was sensitive to such publicity both personally and in terms of confidence in the City.

Fosters had commissioned the shop designers Fitch in the late 1970s, who had worked on the Burton's new shop image, and since that time there had been a gradual changeover to what became known as the "Fitch" image. There was some evidence of an increase of sales after a shop had been refitted but only in the order of 10%. Barry Davison said:

"I was not happy with our return on capital expenditure but I was told (by Fosters retail management) that we had to spend just to stand still. As an accountant I was not happy about spending money on which I was not getting a return".

1981 Davison recruited as Group Financial Director, John Fallon, who had been with Burtons. Fallon was able to confirm the comparative poor performance of Fosters and described the affect on Davison:

"People like myself came in and told him (Davison) that Burtons made something like 40% out of a refit and he came back and questioned us about that. And he said that he had been prepared to accept 5 or 10% as a benchmark as thats what they have



been telling me I should expect. 'But I'm not satisfied with that any longer; I want something that is going to provide me with 40%'".

Fallon's impact was significant in other areas too. Shortly after his arrival both Discount for Beauty and Staff Facilities were disposed of. The two subsidiaries had been making losses for most of their time within the group and John Fallon explained that: "the weight of opinion from those in the business was that we had to get rid of these subsidiaries". However, the decision was not actually taken. John Fallon suggested why, and why eventually it was taken:

"There is a principal within the trade which is sunk cost which means we have spent so much we can't get out now. I don't subscribe to that view. So when I arrived I just said we've got to get rid of these subsidiaries. And suddenly the decision was taken. I didn't take the decision. I was like the matchstick on the top of the pile. It just needed my opinion to help the decision to get taken".

If Fallon's account is correct then there are two properties of these decisions which correspond to others that were to follow. First he points out that there was already a momentum for change; it was not a situation where the decision was made from a static position or where at a senior level there was a strong advocacy against them. Second there had to be some mechanism for galvanising the existing momentum into action; in this case that mechanism was an outsider in the person of Fallon, and that property of decision influence was also to repeat itself in ensuing decisions.

Certainly by 1981, Davison's accounts of Fosters performance had changed. In particular, by 1981 he was talking openly and with conviction about Burtons eating into Fosters market. There appears to have been three

reasons for this:

- Fosters decline in performance had continued despite application of strategic formulae, and the tightening of controls. It was becoming clear to Davison at least that activity based on "proven" past formulae for success was not adequate; it was not an analytical diagnosis that was showing this but experience. It was personally experienced not only by Davison but, as will be seen, by others in Fosters.
- There was outside critical pressure of two sorts. First the City were beginning to be critical. It must be remembered that Davison saw this area as a prime responsibility of his own: so criticism here was a personal attack on him. Second the City and the financial press were beginning to warm to Ralph Halpern of Burtons whose evident success and prestige galled Davison. In short, the external pressure for change was at a personal level in a company which was centralised and autocratic.
- Third, and as will be seen, very significant in later events, there were people new to Fosters who did not accept the measure of success and the strategic formulae by which the company operated. The example of Fallon's early influence on the subsidiaries and on expectation of return on investment has been mentioned. Other instances of outsider influence were to follow.

#### The Stratford Meeting

Davison decided to convene a management meeting over the weekend of 12 - 14 June 1981 at the Hilton Hotel in Stratford. The briefing document

for the weekend shows that the Friday afternoon and evening were to be spent reviewing the existing situation and the rest of the weekend attempting to resolve future "objectives" which included "market position", and more detailed plans of action. The meeting started as planned. The Friday was a review of the position with each of the executives making a presentation about their own area of responsibility. The accounts of the Stratford meeting merit fairly full reproduction.

The meeting began with a presentation by Melvin Taylor of the financial position: he recalled quite simply that:

"I presented some projections of what would happen if we continued to decline at the rate we were doing."

Others recall that initial paper as a good deal more dramatic: Richard Haynes recalled:

"Melvin had extrapolated that if the trends we were experiencing carried on then he forecast the demise of the business".

And John Harris remembered it as follows:

"Taylor had projected a rate of decline that would send them into a loss within months".

There then followed a discussion of the market position of the company led by Richard Haynes. Haynes based his presentation on the market research into customer perceptions of Fosters he had commissioned on his arrival in 1980. The report had been available since June 1980 and had



already been discussed by board members. As already seen, it amounted to a rounded indictment that the company's trading image was out of date and no longer appealed to the market the business was supposed to be aiming for. By 1983 managers in the company liked to recall that the research report led to their changing the policies of the company: but the fact was that it had been available to managers for a year before its findings began to be used to challenge policies.

Haynes's presentation was not simply a statement of the research findings. It also interpreted these as he saw them affecting operations and requiring action. He advocated the company building on its reputation amongst older men for casual clothes but remedying the negative perceptions of customers and potential customers: in particular his proposed strategy document argued:

"Our prices and discounting policies make the merchandise sound cheap to our non-customers.

- Non-customers see Fosters as a traditional old fashioned organisation, selling poor quality at cheap prices.
- Except at sale times, customers ask 'How do I look' before 'How much is it'? All our promotion concentrates on price and price cutting before style".

He went on to question the market and competitive position, advocating the need for greater market segmentation and arguing that Fosters could not hope to relate to the younger 18-25 age group. In effect this was arguing that the adaptive changes to more fashionable clothes over the previous six years had been strategically unsuccessful. His recommendations included the following:

"-

Redefine our target market as C2D, married women and men over 25.

- Develop our trading image to meet the aspirations of our target market".

He was arguing that Fosters had allowed itself to drift into a market position which was ill-defined. The business had not set about selecting a target market so much as sold merchandise of particular sort and picked up customers as it was able. This advocated position was demanding the company accept it could not really cater for the younger, really fashion conscious man of whatever socio-economic group, and was asking managers to accept explicitly that women were important customers. His strategy paper went on to propose operational changes he regarded as necessary to achieve this re-positioning. Haynes had arrived at a conception of the market position of Fosters which was different from that which had evolved over years as the accepted company view. In the language of this thesis, his perception of the business at a strategic frame level had developed to a position out of line with that which prevailed in the company. Moreover, his approach to planning change differed from the way Fosters had handled change in the past. He was advocating frame change as the basis of an analysis of market position and market needs and interpreting operational requirements resulting from that. It was a "rational" approach to strategy reformulation which was not typical in the company or of the rest of the meeting; nor did the "frame" issues raised by Haynes become the focus for the ensuing debate which was almost entirely operational in nature. Given that relevant environmental change is defined in terms of consonance or dissonance with strategic recipes advocated shifts in target market were seen as a good deal less relevant an issue than the fact that the Chairman wanted to know why Burtons



were outperforming Fosters.

As the Friday meeting proceeded each of the functional heads also presented their views. Mike Thomas recalled that they were highly defensive:

"This was where you saw the fragmentation. The senior people were not so much saying what we can do together but tending to defend their own territory. I include myself in all this saying it's not us, it's you lot".

Richard Haynes recalled the same defensive position:

"We went through everyone's area in the country and no-one admitted they had a problem. Buyers would say it's the shops, and the shops would say it's nothing to do with us, it's the crap you send us. And there's nothing wrong with the distribution and *nothing wrong with the salesmen*".

Mike Adams explained Barry Davison's role in this:

"BGD was trying hard to sit back and let things evolve around him. And learn and listen. He was looking and saying what was happening to other retailers: we were behind the times, they are doing this, haven't you seen Burtons; Ralph Halpern this and Ralph Halpern that. He was seeing outside and searching very hard to find what he should be doing inside Foster Menswear. The buyers were challenging him. They were saying come out and go to Burtons at Stratford and you find a garment and I will find an equally good one at Fosters. It's the environment we are trying to stock them in".

By the Saturday the meeting had become not only defensive but heated. In particular, the attacks were becoming focussed on the shop



environment and on shop management. Peter Harper explained:

"The retail guys took a lot of flak during Saturday. Brian (Wood) was being fairly vociferous in the discussion and he kept being told we have these other points of view and we're all having our two-penneth: and the Chairman jumped on Brian who said for all the good he was doing there he may as well piss off. and the Chairman said yes".

Wood was asked to leave the meeting and was away for some three hours before being recalled by Barry Davison. By the end of Saturday night little progress had been made on resolving what could be done. The general view had developed that the retail shop environment was a major problem.

Richard Haynes believed that Sunday morning was a turning point:

"On the Sunday morning we all had terrible hangovers, as the Saturday night we had all stayed up chewing the cud and drinking. I can remember distinctly saying on Sunday morning 'Chairman all that anybody has been talking about here is tweaking. In my opinion if we ignore this piece of research and don't do some of the things it is suggested then it will all disappear with us all losing our positions. In my view we have got to radically reposition this business'. This is where without Barry Davison the thing would have gone under because he said 'put your money where your mouth is: you can chair a strategic planning committee and we will appoint people who are not entrenched members of this board'".

Others present remember the meeting as resolving nothing much at all but rather as a sort of "blood letting". Mike Thomas saw Stratford as giving rise to fragmentation publicly that was then resolved more privately:

"Having put up the smokescreen publicly, each facet would then privately come back and examine their own consciences but they

would not change radically".

Mike Thomas was a Merchandise Manager and his perception of the situation from the buying perspective tallies with others in that department. Peter Harper's view was:

"We came out of Stratford-upon-Avon clean. We were Mr Clean the goods that have been provided, that's OK but it's the shops".

Certainly the merchandise managers recognised that changes were necessary, but then they had been saying this in 1980.

Looking back on it most managers in Fosters in 1983 said they did not think a great deal was achieved at Stratford and a good deal of bad feeling was caused. Certainly the minutes of the meeting, short list of conclusions and action points show little in the way of major decisions. There was a recognition that "our styles and values are not perceived by too many of our potential C2D customers" and that this was made the worse by the quality of the display and promotional material which "tended to degenerate the merchandise". The main problems on merchandise was seen as a gradual rise in price when competitors were becoming more price aggressive; it was felt that this might be the result of a "preoccupation with margins". As far as the shops were concerned the view was that there was little uniformity of image and that sales staff over emphasised "approaching customers thus dissuading them from browsing". On the personnel side it was agreed that the company had an urgent need for management development".

The Chairman's summary at the foot of the minutes was as follows:

- "1. In the light of the current trading climate, would better results be achieved from new lower prices rather than from discounts?
2. The severe economic climate hits our traditional lowly-paid customers hardest."

As for action, there was the decision to set up the Strategic Planning Committee, but the main decision was to "establish leading value lines at new lower prices in each department" and "market this concept". In short, to do rather better what they had been doing before. Whilst managers thought the meeting was frustrating, in that it decided little, some like John Wilson, regarded it as significant:

We were like a rudderless tanker without any firm direction. By late 1980, early 1981, we knew that we needed a new direction. We knew that this direction would lead us to disaster. The conference in Stratford was the turning point".

The significance in terms of this study of process will be discussed in more detail later but it is worth, at this stage, noting a number of key observations:-

- i) The meeting's relevance was not of value so much because of decisions made but because it made explicit at a formal, organisational level, the recognition that something was very wrong and that action was needed. It was a sort of institutional symbol of the necessity for change. Certainly in the 1983 interviews whilst managers were dismissive of the outcomes of the Stratford meeting they all talked about the meeting's activity and drama.



- ii) It is also interesting to note that Wilson comments on an existing momentum for change. It is an observation that others made: it was not that solutions were known but that they were seen to be needed which was important.
  
- iii) Whilst most of the time in the meeting was spent discussing highly operational issues, there were two significant individuals with more of an external focus: Richard Haynes, the new arrival with little commitment to the existing recipe, and Davison himself who was personally affronted by the success of Burtons and Halpern in particular, and was explicitly asserting that, whilst he did not have answers it was clear to him that past ways of doing things were inadequate.

The meeting had no immediate impact. Summer performance was poor and October results were particularly disappointing. As a result, the advertising budget was raised. John Harris said that "by December we were breaking even but having to spend £100,000 a month to do it".

#### The Strategic Planning Committee

The Strategic Planning Committee was set up by Barry Davison and chaired by Richard Haynes. It consisted of most of the middle management at head office - from the merchandise, retail and distribution functions - and some field managers, as well as two junior directors, John Wilson and Melvin Taylor. Quite deliberately, Barry Davison omitted Brian Wood and Norman Phillips; he argued that they were over committed to past practice and therefore likely to be too defensive. Wood and Phillips resented the omission. Brian Wood was particularly bitter:

"Barry said we had our chance and needed young fresher people to have a look at it. I still (in 1983) don't agree with that. The reason I did not agree with it was because, although I had gone along with the Fitch image, my merchandise views were not adopted. (He is here talking about his advocacy of change in 1980). Norman Phillips accepted much better than me. I didn't accept it at all. Maybe I got to the stage where I did not adapt as much as I could perhaps this was a good thing for me, a kick up the backside".

Norman Phillips who made his opposition known to Davison and the rest of the management. Mike Adams explained that:

"Sales people and Buyers were dragged out of their departments to sit on the Committee: and Norman Phillips would come up and say 'how the hell do you expect me to run the buying department like this': but Barry backed Richard".

The first meeting of the Committee on 24 June, 1981, opened with a presentation from Haynes of the current situation facing the company and was followed by a discussion of the market research. The minutes record the "key points" that were made in the discussion; they are replicated in full in Exhibit 40.

The most striking observations are:

- The highly operational level of discussion; there is much criticism of the way the business is run but little of it addressed issues such as market positioning or competitors action at a strategic level;
- There was almost no criticism of the merchandise or the merchandise management except for suits; the basic traditional ranges were not criticised;



EXHIBIT 40

"KEY POINTS" FROM MINUTES OF THE FIRST STRATEGIC  
PLANNING COMMITTEE MEETING

1. Colour Blocking

It was felt that colour blocking at point of sale would enhance displays and merchandise appeal.

2. Managerial Flexibility

Although the need for centralisation in a company the size of Foster Menswear was recognised, it is felt that there is also scope for giving greater flexibility to encourage initiative amongst our better Branch Managers.

3. Flixibility of Opening Hours

A more flexible policy to opening hours and hours worked by staff was thought to be beneficial in capturing customers who may be around outside normal shop hours, i.e. on nights of late opening by supermarkets.

4. Windows

Where there is space to browse within a shop, the window should convey an image of how the customer will look if he buys our clothes.

5. Space Utilisation

It was felt that many of our windows would produce a better return if much of the space was used as a sales area.

6. Rentals

It was pointed out that for a standard size shop measuring 20' wide x 60' deep that the first 20' of depth would account for 50% of the rental.

7. Window Dressing

It was felt that windows are currently dressed primarily because they happen to be there. There would appear to be no difference between the performance of shops with large windows as those with small windows.

8. Customer Complaints

There is a need for separate recording of customer complaints even though the merchandise is not returned to Head Office. It was felt that this could be achieved within existing systems.

9. Sizing

The non-standardisation of sizing within and across our merchandise ranges is seen as a drawback and an unnecessary complication.



10. Pricing

Whilst discussing the fact that our pricing edge has been eroded, it was pointed out that where prices are similar, people will tend to shop where the quality is thought to be better

11. Suits

There was major criticism of the suit range because of its poor quality, cut and value.

12. Current Promotions

Current promotions were criticised because they did not appear to be increasing customer traffic, but they do appear to be an aid to the salesman in increasing the value of individual sales.

13. Sales Staff Approach to Customers

Whilst acknowledging the apparent desire of most customers to browse before being approached, the need was recognised to teach a flexibility of selling approach to our staff.

14. Group Service Companies

The service which Marshall Lake Properties and their Group Service Companies can give is limited because of shortage of staff.

15. Clothing Technician

In order to improve the quality of cut and fit of many of the garments from our own factories, there is an urgent requirement to employ a clothing technician.

16. Training Adviser

As shops are refitted in line with the new branch environment, there will be a need to retrain staff. It is felt that this need can be filled by the use of an itinerant training adviser

17. Price Changes

Concern was felt at the fact that prices on current lines could be affected by changes in the rates of exchange and margin requirements and not by the market forces which help to fix the prices in the first place. This is a deterrent to garments being priced in the factories where they are made.

18. Initiative

It was felt that a centralisation of the business and a somewhat old-fashioned attitude to staff tends to dampen initiative which could otherwise be harnessed to the benefit of the company.

- The time horizons of comments were short; most of the comments were geared to action that could be taken quickly.

This discussion was followed by one on the objectives for the future and the proposal by Haynes that design consultants should be briefed to "submit ideas which will encourage customer flow and turnover within our branches". This was agreed though there is no record of extensive discussion of it; Haynes was designated as responsible for drawing up a design brief.

The next meeting was on 7 July. The first part of the meeting reviewed progress on some of the operational improvements discussed at the first meeting. There then followed the submission of a design brief prepared by Haynes; there is no record in the minutes of discussion on this. The meeting went on to discuss the request by the Chairman that it should take responsibility for the trial remerchandising of two branches at Chester and Cardiff. The remaining three meetings of the Strategic Planning Committee in July, August and September were solely concerned with the activities at Chester and Cardiff.

There are two entirely different views about the committee's activities by Fosters managers, even amongst those who sat on it. One view is that it was of very little use and achieved nothing. John Lawrence sat on the committee and his views were typical of others who saw it as something of a waste of time.

"It was frustrating as the committee did not produce anything. There were specialists from far too many fields for what were



broad meetings that we were having. The meeting was convened, for the sake of argument, to discuss Chester. The end result as far as I was concerned was to know what the branch was going to be stocking and when the opening date was, and everything to do with distribution. The meeting itself was concerned with the branch not distribution. Someone would suggest something, say the labels that the staff were wearing, and all these specialists sitting around, including me with my distribution hat on, and for the first hour they would be discussing what size the labels should be. There would be groups sitting around who would not be interested in the subject of labels. I was sitting there thinking I could be working now. It would have been better to call different meetings for the different specialists. The initial intention was to propose to Foster Menswear board how we could provide for a successful new image and to prove it by refitting two branches. One of the funny things about it was that you came away from the meeting not clear as to what decisions you had made to contribute to the new image. Behind the scenes something would happen. Those decisions came about as a result of certain people getting together whether it be the marketing director or whoever".

John Wilson believed that, in any case, those on the committee would have been unable to face the magnitude of discussions of wholesale strategic change:

"They tried very hard to look into the future but they could not look far enough into the future. They would not be aware of the financial investment required. If you quoted some of the figures to them they would be frightened .... They produced in Chester and Cardiff what they thought the customer wanted based on their own experience".

If the results of the Chester and Cardiff exercise are considered then certainly such views are well founded. There was only marginal sales increase in the two shops. Haynes, however, interpreted this as, in itself, important:

"We remerchandised with absolutely pristine merchandise. And above all else what that showed was that if you only change one element in the retail equation you will not have a success".



However, Haynes is equally convinced that the remerchandising of the shops was not the major achievement of the Committee. Rather, the two main achievements were first to endorse officially the view he had already arrived at that the company had to undertake a much more fundamental change than anyone was discussing or was capable of implementing.

"I went on a course (in April 1980 he attended the Bradford Management Centre course on retail marketing). It was a growing realisation that tinkering with things was not going to solve anything, and the figures, and the success of the Burton group - the fact that they had taken a radical step"

There are however, no records on the minutes of recollections by other members of the Committee that the idea of consequences of "radical re-positioning" were ever discussed explicitly, nor do other members of the Committee recall that it was.

According to Haynes the second and most positive outcome was the decision to brief design consultants. However, the evidence appears to be that the impetus for this and the brief itself had little to do with the committee; it was proposed by Haynes, drawn up by Haynes and progressed by Haynes. The committee was used as a legitimising vehicle for the brief.

### 3.6.3 A Theoretical Interpretation of the Impetus for Change

During 1981 the action previously described in terms of the tightening of controls and the assertion of the strategic formulae was taking place. Concurrently the Stratford initiative and the Strategic Planning Committee's work were taking place. This second phase of activity

represents impetus for more fundamental change and is now discussed. The Stratford meeting was seen as largely unproductive by managers. It is argued here that, an examination of the processes associated with the meeting not only supports many of the propositions made earlier in the thesis but also shows that the meeting was in fact important as an impetus for and facilitator of change.

It is clear from the proceedings of the Hilton meeting that:

- Strategic frames within Fosters were indeed changing differentially; whilst most managers seemed to be wedded to a view of their competitive position rooted in the success of the past, others were not. Most significantly, by 1981 Davison was not. Clearly he was advocating no precisely reformulated strategy but he was no longer convinced that the company's competitive position was satisfactory and that it had to be changed. Also the newcomer, Haynes, was not, and he was to play an increasingly important part in the changes that took place.
- Equally clearly the issues were discussed in terms of the way in which Fosters operated; it was thus a discussion in terms of strategic formulae. As such Davison's and others' potential frame shifts were seen as attacks on strategic formulae: they were attacks on the power of individuals and groups whose power were associated with these formulae. Such attacks were defended and deflected; the outcome was that different power bases were attacking each other. The merchandisers attacked the retailers and vice versa.
- The meeting was able to resolve little, not because there was no

perceived negative variance in performance, but because there was no change in power configuration sufficient to facilitate change. What did happen however, was that the powerful coalition of merchandising and retailing was shaken, and publicly so.

- The result of the failure of the Stratford meeting to agree any fundamental changes meant that, as would be expected from previous findings, management reverted to the attempt to resolve and define problems through adaptive action, that is through action within the context of strategic formulae.

However, the Hilton meeting did three things which were fundamental to later change:

- First the nature and basis of resistance to change was made explicit and public;
- Second, tension was introduced into the process between coalitions of interest. Prior to 1981, there was an apparent alliance between different power bases and different levels of management. The fact it was shown that there was not such a degree of harmony, that there were quite fundamental differences in perceptions of both the problems and the reasons for the past success, was a force for disunity. Harvey and Mills (1970, p 188) observed that "special interest coalitions are strongest when the organisation is still temporarily remote from finding a solution to the problem and tend to break down as the organisation approaches a final decision". It is argued here that such tension and disunity may well be necessary if resistance to change rooted in strategic formulae is to be overcome.



- Third, Davison emerged as an advocate for change and again this became public. The significance here is that whilst it is not necessary for the advocacy of change to be specific in terms of recommended action, to result in action it appears that the impetus for strategic change needs a powerful advocate. It is a proposition which finds support elsewhere (Dalton 1970; Guest, 1968; Jaques, 1951; Pettigrew, 1984).

The role the Strategic Planning Committee played was also largely dismissed by managers; and indeed if relevance to strategic change is gauged in terms of performance related output, then the Committee achieved little. However, this is to miss the point that the value of the Committee was not in terms of its output but in terms of its role in the process of change, in so far as it provided further impetus for change, and the conditions under which change could take place. Specifically the Committee performed three functions:-

i) Activating dissent

It has already been argued that strategic change does not come about through the questioning of strategy at a strategic frame level but rather through such questioning and activity at a strategic formulae level. The Strategic Planning Committee debated, questioned and took action almost entirely at the level of strategic formulae in the sense that all the criticisms and actions were operational in nature. Initially this took the form of discussions and suggested improvements about window displays, staffing levels and in-store layout, but as the re-merchandising of the shops got underway, the discussions became more specifically addressed to

some of the more pivotal aspects of the company's operations such as merchandise selection, the need for branded merchandise and more fashionable clothes. The effect was to activate dissent about sensitive areas which hitherto had been little questioned by middle and junior management. In so doing the Committee provided a forum through which the momentum, mainly from the retail managers, for change and action, was stimulated. Through this mechanism the tension already noted as a requirement for change was heightened and a "felt need for change" (Dalton, 1970 p 234) promoted.

ii) Legitimising dissent

It has been stated previously that the power blocks in the company were those which derived power from their association with dominant strategic formulae. Dissent about company operations would therefore normally be successfully resisted if it attacked these formulae. By 1981, those most critical of the formulae were from relatively weak power bases; they were "outsiders" such as Haynes, and middle and junior retail managers who resented the retail operation being used as a source of cash for the rest of the company. The Strategic Planning Committee legitimised the dissent of members of these lower power groups.

iii) Re-configuration of power

It has been said that strategic change could not take place without a re-configuration of the power bases such that there would be a breach in the power blocks resisting change. The Strategic Planning Committee facilitated this primarily by raising the status of Haynes. Previously Haynes had had little impact: as he explained:

"There was a kind of mystique here that anyone who had not run a shop didn't know what they were talking about".

This raising of status of Haynes was achieved first as a nominee of Davison and second by providing him with the legitimised forum of dissent mentioned above. It is a process also observed by Pettigrew (1977) as necessary in the reformulation of strategy. As Haynes himself said:

"The only way I could get my views listened to was to have sixty people behind me." (The sixty being the committee members and their associates, for example, in other retail areas).

Indeed it becomes quite obvious that despite his statements to the contrary Haynes tailored the thinking and resolutions of the Committee. He disclosed as much himself:

"When you got into discussion you all felt the same way anyway. They just hadn't had it put this way before".

And Brian Lloyd felt that Haynes was guiding the deliberations:

"Richard Haynes had got it in his mind, a sort of overall image he wanted to portray and he wanted us to achieve".

These functions of the Committee worked to achieve the re-configuration of power that was necessary. The initial decision of Davison to leave Wood and Phillips off the Committee had undermined their authority, and Davison's support of Haynes's right to pull managers out of departmental



functions to take part in Committee activities underlined this. In addition, by associating Committee members with top level decisions about briefing designers and refitting shops on behalf of the Chairman, Haynes effectively raised the status and self-esteem of junior and middle managers within the departments of Wood and Phillips, and provided these groups fresh social links outside the influence of more traditional and powerful elites. It is a process again stated by Dalton (1970). The effect, of course, was to further diminish and undermine the power and authority of Wood and Phillips. The role of the Strategic Planning Committee was fundamentally political in the sense that it diminished the power of those most likely to resist change and increased the power of those that were likely to promote and support change. In this sense it corresponds to patterns of changes in behaviour, attitudes and beliefs noted by other researchers. Pfeffer (1981, p 32) has pointed out that "attacks on the dominant beliefs or paradigm of the organisation are likely to be met with counter-argument and efforts to reinforce the paradigm." Schein (1973) has argued that to overcome such resistance it is necessary to go through processes which closely resemble the events in Fosters at the time. First individuals must be required to question their beliefs and values by requiring them to test them out in reality, much as was done as the members of the Strategic Planning Committee discussed and applied marginally adjusted formulae in the re-fitting of Chester and Cardiff, only to find them ineffective. Second there must be dissatisfaction, pain or discomfort with the status quo, a pronounced feature in the company at the time. And third, there needs to be some sort of "psychological safety" to provide a haven of new beliefs and values. Having raised the level of tension and dissatisfaction, intervention of new shop designs and ways of operating found support because it provided just such "psychological safety".

There are two further observations that can be made on the basis of the processes observed at this time. The first is that the specific impetus for change, that is in terms of advocated changes outside existing strategic frames and formulae, came from an "outsider" to the organisation. Unlike almost all managers within Fosters, Haynes had not been "Fosterised", as he described it, but had joined from the different background of an advertising agency. As was seen with Fallon, the fact that he was not constrained by the organisational recipe permitted a clearer perception of strategic misalignment and this ability to put forward proposals outside that recipe. Further evidence will follow that recipe change is likely to be associated with the intervention of an "outsider" in the sense of an individual or individuals not committed to that recipe.

It is also noticable that, after the abortive attempt by Haynes to convince his colleagues in June at the Stratford meeting of the need for fundamental change based on "rational" argument, activity through political processes which took place almost entirely in terms of discussion at a strategic formulae level and operational action, did make progress. Given previous propositions, this might be expected. The debate in the Committee can be interpreted as an exercise in i) making environmental change relevant by relating its implications to existing frames and formulae, ii) going through the "normal" process of manipulating formulae to search for consonance and attempting action on this basis at Chester and Cardiff, iii) through the relative failure of these branches, raising doubts about and to some extent discrediting those formulae. It is proposed here and again additional evidence will be provided that recipe change results from confronting strategic formulae rather than strategic frames.

#### 3.6.4 Intervention, Resistance and Re-learning

Four design consultants were briefed to present to the company. The design brief, drawn up by Haynes included much of the same marketing background as he had presented at Stratford. The designers were asked to return with presentations to meet the following objectives for Foster Menswear:

- "a) To improve market share profitability in the C2D market.
- b) To be recognised as the leading retailer of modern mens clothes offering up to date styles at the best value for the C2D market.
- c) To create a retail environment where our target market feel comfortable to shop and browse".

The brief was at least nominally on behalf of the Strategic Planning Committee with the blessing of the Board.

The brief required the presentations to concentrate on the following:

- "a. Corporate image
- b. Exterior appearance of our shops
- c. Window displays
- d. Interior design, furnishing and fixturing
- e. Merchandise presentation - ticketing and signing
- f. Customer promotions
- g. The removal of physical or mental barriers to people coming into our shops".

It was essentially a brief to do with the physical appearance of the shops: it did not specify that the designers should address themselves to merchandise mix or staff. Nonetheless, the brief contained sufficient



indication that Fosters were being "left behind" in the high street and clearly stated that customers regarded Fosters as "selling poor quality at cheaper prices". Set against this, the emphasis on style in Haynes's brief indicated a requirement for a substantial change in retail image.

The designers presented to the board and the full Strategic Planning Committee, some forty people in all. It came down to two possibilities, the Peters organisation which had already done work for Adams Childrenswear, and David Saunders Design. Richard Haynes was in hospital at the time with a slipped disc and had to see videos of the presentations. He described what happened:

"Before the presentations were made I know who I wanted to work with, but Barry Davison was very impressed by Peters who did the original Adams Stores. Peters was a very clever man who lobbied Barry Davison behind my back. Barry and I had a meeting at the hospital and we agreed we should appoint the two companies and give them two shops each. I wrote to these two companies saying you're going to get two shops each; and Barry Davison came back and said he had changed his mind he was going to pay Saunders to do two shops but Peters did not agree with my marketing approach and Barry was going to pay him to do a study to come up with his own brief from which he would do a design. It is the only time I have ever put my job on the line and we decided to appoint one consultant. I stood up to Barry - I know what I wanted and stuck out for it".

To Haynes the commitment was to the marketing brief. It was a commitment which, evidently Davison did not share as totally. His idea was that Peters should be allowed to consider if the repositioning inherent within the Haynes brief was wise or necessary. The expression of reserve by Peters on this was enough to raise significant doubts in Davison's mind. Even at this stage, the "radical re-positioning" demanded by the "outsider" Haynes, was difficult for Davison to accept and continued to be difficult for others - notably Norman Phillips - to accept.

Managers at Fosters were at one in praise and admiration for David Saunders. Certainly he took a central part in the events that were to follow. His work was not simply constrained by his brief on design: he conceived of his task as one of persuading the managers to adopt a different approach to the menswear business and that involved him in the politics of change. He explained:

"The first thing I did was to call the Chairman by his first name: I happened to be an equal and he's got to listen to me - that's what he's paying me for".

He detected in his initial research that the company had reached a point where they recognised the need for change: the problem was that they did not know how to change:

"It was great: they had already had their culture shock. Barry Davison had already done his 'it's not true, it's not true', bit. With Fosters it was great because it was not someone planting me in: they were desperate to get someone and suck them into them to learn all they could".

In particular he found a momentum for change amongst the retailers:

"I gave Richard Haynes a programme and said I would like half a day with your sales director, half a day with an area manager and half a day with a shop manager, so I could get three different views from three different levels and find out how far down the line does this long felt want go. And of course what we found was that at manager level there was total frustration. For years they had wanted to change; they had lost heart; they thought it was dirty and tatty .... What we have done is create the pivot which they can relate to, and the fantastic thing is that the retailer has been waiting for it for years. In most towns they looked worse than the local traders so they grabbed it with open arms."



He also believed that he won over Brian Wood very early:

"When I met Brian Wood we had rapport because he was an ex-Hepworths man. It gave him confidence that I knew something about retail - about mens multiple retailing. When I first met him he was giving me his version about the shock as a result of this report. And I think the biggest shock must have been for the Chairman. He was handed the Chair at a peak and it started going down. He had to show profits and everything was geared to making money: so Barry Davison would not spend any money on any maintenance. He had shops where a third of the shop couldn't be used. They were absolutely disgusting shops. The retail side knew that. They said we are trying to sell nice clothes out of shit-heaps"

Saunders early rapport with Wood was significant in that it further broke down the previous alliance between Wood and Phillips.

He was less impressed by the senior retail management at regional director level:

"When I met them they were having a meeting with the display manager in the shop downstairs. They looked exactly like Hepworths managers, an exact vision of a sergeant-major. In three minutes flat you knew they hadn't a clue about what they were doing. They couldn't comment on aesthetics".

This concept of re-positioning of Fosters was based on the need to attract what he saw as a missing age group:

"In the research it comes out quite clearly that they had a big back to school department; that when people got to fourteen although they were spending Mum's money, they had a say in it, and the last place they wanted to go back to was Fosters: they wanted to go somewhere else. So Fosters lost them until they were twenty-five when they were married with two children and had a hole in the seat of their pants and wanted distress



purchase of a pair of trousers".

His designs, in this sense, did not address themselves to the brief: his view was that the under 25 age group could not and should not be ignored, but that the shops did not have to be exclusively for them. He argued that:

"The major change that has taken place in mens retailing is linked to mental change expectations. People are living longer and therefore don't perceive themselves as being middle-aged until much later. Also much younger children see themselves as being adolescent much earlier. Effectively this means that the 8/10 to 35/40 age groups are now buying similar sorts of products".

Haynes's activities had moved the debate on strategy forward through the medium of organisational politics and the apparent concentration on issues relating to strategic formulae. Saunders asked for a significant shift of strategic frame that even Haynes had not asked for. His argument not only ran counter to the creative brief, but was contrary to the perceived wisdom in the industry, where Burtons by this time had led the way in building their business on age segmentation. However, the managers in Fosters do not talk about the activities of Saunders in terms of this shift of emphasis, but rather in terms of the designs he showed them, designs for shop interiors, windows, posters and facias. Saunders did not emphasize the underlying strategic frame rationale behind his proposals; it was the proposals themselves he relied on to convince them. It would be a mistake to interpret the conceptions that Haynes or Saunders had of market position as leading directly to the actual re-positioning that was to follow. They were personalised largely intellectual perceptions of market and environmental conditions: strategic re-positioning on the other hand, took place through organisational mechanisms and activities.

Saunders began in 1982 by testing his proposed shop design in a new store acquired in Peterborough. His initial presentation to the Board and the Strategic Planning Committee, and his implementation of it at Peterborough envisaged, not just shop design, but a change in all aspects of the shopping environment. For example:

"One of the pivotal things we did for them was to insist that it should not be a price orientated shop. In the past shops had been clobbered with notices (showing discount prices) detracting from any quality of the garment anyway".

The staff inside the shop also had to change:

We could see where they should go. They had not got to break any new ground, as Burtons had done it. The one strength of Fosters was that they had traditionally been in casual clothes which is where all the market is at the moment. But as you go down you find that all these people who are selling it are very formal. They are doing casual advertisements but it was very formal."

Shop assistants were to wear casual clothes and they were told they should allow shoppers to browse rather than "sell" to them. Only managers were to wear a suit. In the past all staff had worn suits but Saunders made a discovery here that affected his view of the merchandise:

"We found that all the managers had to wear suits and they were all wearing Burton or Hepworth suits. When we asked why, they said our suits are shitty. You wear them two days and they all screw up or fall apart. So how could they have confidence in selling suits? ... When we tested the first shop we selected the merchandise. They laid all the stock out in the warehouse and we went round and said what we wanted. And we said we are not interested in the 45 year old man: we kept out the stuff that looked terrible. We had three shops to test for a start-off and we had total god-like control which, I insisted from the word go. We wouldn't let anyone change anything for six weeks."

Saunders demanded, and was given, authority over shop design, layout, merchandise, selection, posters, staff and all aspects of trading in the test stores.

The Peterborough shop was an immediate success with sales increases well above expectations. Saunders was retained to extend the "new image" shops. The alliance between him and Haynes became central in changing the company over the next year. Davison appears to have remained somewhat removed from the early stages of the changes whilst giving support to the activities of Haynes and Saunders.

After the success of Peterborough, managers increasingly came to believe that Saunders could effect the sort of changes they admitted they could not perceive. Frank Taylor summed up the way he saw it as follows:

"Self flagellation had been going on around the building and had prevented people taking clear sighted views of what they should do. The only person with a clear sighted view of what should happen was Saunders".

Brian Wood was an early ally in the changeover. It was not, according to Haynes, simply because he liked Saunders or just because he saw money being spent on the shops:

"Brian Wood was easy. Brian is a survivor. If anyone comes along who is useful or brighter than he is, Brian is going to latch on to that guy and use him. And he has done that with me and he has done that with Melvin Taylor. Brian is totally supportive of the Chairman - that is very necessary, whilst Barry Davison is Chairman. So as soon as Brian realised he was running out of ideas and that my ideas were beginning to work Brian became totally supportive".



It was a different view of change from that given by Wood himself. He had felt hurt by his omission from the Strategic Planning Committee: he was also in the middle of the worst sales decline he had ever experienced in the company:

"Barry is a hard task master, as he should be for a group of this size. I mean, I have faced Barry with figures every Saturday night when I could have crawled under the table, so I know just what a rough ride it has been".

From Wood's point of view, he had experienced personally the sort of organisational tension described earlier as a necessary requirement if change is to take place. He saw the new image shops and Saunders as a means of resolving what, was for him, a disturbing period.

If the retail side of the business was ready to change as the shop conversions went ahead, the changes were not so evident in the buying side. There had' always been antipathy between Richard Haynes and Norman Phillips. Richard Haynes said:

"Norman said to my face that he thought the Marketing Department was a complete waste of time and you do not contribute anything to this business".

It was an antipathy that was known to exist by others in the management team. Mike Adams:

"Richard was very anti-Norman and made his comments very openly to BGD".

The situation became worse when Saunders became involved. His view was that, whilst in the past, the shops environment was inadequate, with his new image, it was now the merchandise that was unsuitable:

"The thing we are trying to exhibit, the thing we are trying to sell has got to be the best thing. That shop is a promise: when they go in there the merchandises has got to reflect that promise; it can't be another promise".

His view of the buyers was that they were "pathetic":

'You could send a buyer like Peter Williams to a Burtons shop and he would come back and tell you that we had all the stuff they had got. He was convinced that they were equally as good ... All I knew was that we were going to design shops for a particular slice of the market and their clothes would have to change to be in that market. In the end, we had a big meeting; it was the board of Foster Menswear and myself. And Barry Davison said 'what the hell are we going to do?': and I said that if you like I will go out and show you what I think you ought to have. He spoke to Norman Phillips and said he has offered to help us, what do you think, and Norman said OK, so Barry said give him 25,000. It was the Menswear Exhibition in London: I went down with Tony Gray and he walked round with an order pad. We wrote out orders there and then. The buyers did then actually get roused up: they had got the message by then."

There was initial resistance from the Merchandise Department for two reasons. One was the antipathy between Phillips and Haynes and Saunders and the resentment that Haynes appeared to be dominating the developments at the time. It was a resentment which was made the worse when, at the opening of the re-designed Bull Ring branch in Birmingham, Haynes publicly praised the various departments for their help in the venture but "forgot" to include the buyers in these praises. The other resistance, initially, was from the buyers themselves. Peter Harper

remembered that, although it was the retailers who had been criticized at Stratford:

"...it swung to buying and the buyers took a lot of flak, as it was then said that the merchandise we were buying was staid, not imaginative, there was a lack of co-ordination and cohesion".

It was criticism the buyers resented. Mike Thomas explained the response in the Merchandise Department:

"You're not going to give in and say I've got this completely wrong. That doesn't happen; it's not human nature. there was a period when there was fragmentation. No-one wanted to be held as the prime responsibility for the decline. It took the form of a lot of tension. The lack of morale down this corridor was very bad. People thought that their judgement, their flair, their knowledge of the trade, their ability to buy, was being questioned. They could point to eight or nine years of sustained growth, and most of the buyers at that time had been with the company certainly since the mid-1970s. So a buyer would say he'd done a good job for that time. We were great lads, what turned us into idiots? And the question was being asked are you the right people? To an extent we should have changed. We should have looked forward and said what we are doing now, will it last for ever?"

The same problem, and causes were given by Brian Wood:

"To change them (the buyers) was very difficult: they had so much success in the past. To change was a hell of a move: it was like turning a tanker".

Given that the merchandise managers had, perhaps more so than other managers in 1980, seen the competitive pressures for merchandise re-positioning, the resistance to change from them was of particular



interest: Richard Haynes observed:

"Yes, but they did not know how to do it. One of the difficulties I had when I came into the business was the enormity - to change anything is a huge problem. If you have got a pair of trousers in the range and you are selling 20,000 a year and I say to you drop them, there's a fear that says Christ if I drop those what do I do: I know the styling, cloth, the supplier; if I go somewhere else I am going into unchartered territory. We said to the buyers you are going to spend 50% of your time buying for 490 shops and the other 50% of your time buying for 10 shops. So they found that what we wanted to do was a bloody nuisance. It was taking them into unchartered territory".

Haynes himself was able to take a different stance with responsibility for the new image shops:

"I made a conscious decision when we decided to do something radical to shut myself off. I was just not concerned with what was happening in the grotty old shops. I targetted my thoughts entirely on the new concept. It had 100% of my attention. Other people in the business did not have that and could not have that".

Certainly as far as the buyers were concerned, it was very difficult to change, both because of limited resources and, also because, to them, the direction of change was still not clear. Mike Thomas explained:

"We watched morale slide. They (the buyers) started to question their own judgement. They start to question whether they can ever do anything right. There were also physical limitations: we didn't have many staff to handle a wide range of products. We should have recruited more staff and now we have done, from four buyers up to nine buyers. I would say that Norman (Phillips) failed to keep that morale up and possibly did not define clearly enough the direction in which we should be going. But that could have been because the board were unable to decide. The buyer does not work in a vacuum, I don't think he (Phillips) came down clearly enough on what our market was. They (the buyers) would ask me for advise and I would say that's the way I see the market, but in some cases I would be saying

that unilaterally rather than knowing the policy of the board. But I suspect that for sometime the board had no policy. I did take it up with Norman at the time that I thought morale was appalling. And bearing in mind that the Chairman is a man who wants success today, I felt that he was asking for something that we were not physically able to do. Because of lack of staffing and clear definitions".

The buyers were not just deflated because of the statements and references about their competence: nor was it just because of the animosity between Phillips and Haynes and Saunders. There was also genuine confusion because the changes were being driven by a business conception promoted by Haynes and Saunders which was quite alien to their experience. They had been brought up as buyers over years when there were clear and unambiguous expectations and procedures for buyers. They were now being expected to respond to what they saw as ill-defined, unfounded proposals by people who knew little about Fosters business.

Mike Adams was sympathetic with the problems and attitudes of the merchandise team and pointed out that Richard Haynes did not always appreciate the detailed merchandise planning required to change the mix:

"They now point to the success of the Saunders shops. ..But they forget that the merchandise in those shops was organised during Norman's era. But Norman was stubborn. Richard does not see the problem through, there's a lot of I's not dotted and T's not crossed".

It is not difficult to see why the buyers were resistant to much of what Saunders and Haynes wanted. Not only were many of the demands difficult to implement because of lack of staff and lead times for merchandise, but they challenged strategic formulae. They were being asked to reduce buying quantities to provide for more stylish fashion orientated garments, buy branded merchandise and thus accept lower

margins, look for "good value" rather than low price, and all this for a target market that was different and not clearly defined. Moreover, it was becoming clear in a very practical way that the power of the merchandise department was not what it was; more resources were being channelled into retailing and the objections by Phillips to the demands of Saunders and Haynes were being over-ruled by Davison. The buyers were being asked to change attitudes and behaviour whilst their status and self esteem was being lowered; they found change much more difficult to accept than the retailers whose status and self esteem were being raised.

Dalton (1970, p 248) notes that:

"In instances of successful change, there is a movement toward increased self-regard as the person finds himself capable of making the changes in behaviour. He experiences a sense of accomplishment, a relief from tension, and a re-integration around a new pattern of activity and thought".

It does appear that the acceptance of significant shifts in behaviour linked to changes in the strategic recipes will depend on the extent to which such change enhances or diminishes status.

As for Norman Phillips, he became more and more isolated politically and increasingly antagonistic to Saunders and Haynes. Haynes saw Phillips and the buyers as intransigent and myopic as they resisted change; Phillips saw Haynes as lacking an understanding of the detailed planning needed for merchandise change; and on top of this he saw his power base being eroded. It appears that the more junior members of the Merchandise Department began to change their attitudes due to a combination of influences. Certainly they were facing pressure from Haynes and Saunders



with apparent backing from Davison: by the end of 1982 it also became clear that the new image shops were undeniably successful. Tony Gray, by now New Projects Manager working with Haynes and Saunders on the implementation of refitting, said:

"The success of trade at Christmas last year (1982) which actually proved things were going to work. The best way of crushing doubt is to crush it with success and the thing was more successful than many cynics thought".

He also explained some of the internal difficulties in the Merchandise Department:

"We had a merchandise director who was extremely defensive in supporting what had been done instead of supporting change. He was genuinely looking for help but did not like the answers he was getting. To put it to extremes to make the point. We were providing our - the body cover business - a cheap type of garment which is bought by someone who needs to wear a garment not because he cares about what he wears. I would be advocating that that was not appropriate to our target market. In the early days of the new project the buyers were seeing the market in a very different way from me: there was quite a lot of cynicism involved on the basis of saying we've seen this all before. We had some very stormy episodes. I gave you the impression that Norman would not back me and that is not accurate. He did but he was the most undiplomatic man you've ever come across. But on three occasions last autumn (1982) I could not get the kind of commitment that I felt we should be giving to the new shops and I was forced through an inability to put it right myself to go to Norman Phillips. On three occasions he had the buyers together and made it very, very clear, that their jobs were on the line. That if the thing did not work they would not be involved in the spring. They were saying "no" because they did not think it would sell, they had not got the budget to buy it, you name it. The historical influence of Norman was creating that resistance.

He (Norman) showed signs of tension. He was not very dependable: he was unpredictable. You couldn't predict how he would react and it was very damaging to confidence in the buying team. They were inhibited because of him. Rather than make the wrong decision they would prefer to make no decision. Norman would back me at crisis point but nothing else, not on a day to day basis. You can imagine what the atmosphere was

like, it was absolutely appalling".

The stance taken by Phillips was not seen by his colleagues within his department as suitable in the circumstances either. Peter Harper said:

"He was a buyer rather than a Merchandise Director - not making policies but being involved in range content. It would have been better if he had been director of purchasing rather than director of merchandise. But Norman would never have accepted that because merchandise director with all the foreign travel was always regarded as the more glamorous part of the job".

Phillips was not then, performing the strategic role of translating the changes into merchandise policy. The gradual shift in the allegiance of the managers in the Merchandise Department was, then not just because of the evident success of the new image shops or the backing of Davison for Haynes and Saunders against Phillips; it also seems to be because they did not perceive Phillips giving them the backing and guidance they needed.

Despite the appointment of Norman Phillips to the Group Board, by the beginning of 1983 overcoming his resistance was seen as crucial to company recovery by Davison. Davison set about trying to recruit a new Merchandise Director for Foster Menswear and he did this without the involvement of Norman Phillips, though nominally, at least, a new appointee would have to report to Phillips on the main board. The job was in fact offered to a Burtons merchandiser and a "celebratory" welcome dinner was arranged for him. On the day the dinner was to take place, the new man turned the job down. Mike Adams believed that Barry Davison dealt with Norman Phillips "very badly". Richard Haynes also felt it was handled badly but believed Norman Phillips could easily have circumvented problems:



"Norman had the perfect out. He was on the main board and knew that Barry wanted to bring someone fresh into Foster Menswear. He could have remained on the main board and said OK bring someone in beneath me and then have ridden on someone elses' success just as Brian did with me. But Norman chose not to do that. He believed he had been discredited both within and outside his own department".

In May 1983 Norman Phillips resigned. Tony Gray believed that:

"When he came to realise he was wrong; at that point he thought his position was untenable".

Richard Haynes described how in his leaving speech he said that he did not believe he had "lived up to his own high standards". Mike Adams saw it as a mutual loss of confidence between Davison and Phillips:

"Norman accepted the need for change. Barry had not got the confidence that he could bring about that change therefore it became a lack of confidence, one between the other."

Managers when interviewed in 1983 suggested that Phillips was "silly" and could easily have avoided the difficulties, and over-reacted to the changes being made. Such views from those more able to accept the changes neglects to understand that it is more likely that the intransigence of Norman Phillips was to do with his perception of loss of power than the changes per se. After all he had been advocating the need for merchandise adjustments in 1980. Haynes may have considered that Phillips could have retained status and prestige through his recent appointment to the main board; that it is to assume that Phillips saw status and power as emanating from such positions; as has already been



suggested in this thesis, it is more likely that power is perceived to be a function of association with dominant strategic formulae, and it was these that were under attack and subjected to change from competing coalitions of managers.

### The Role of Barry Davison

John Fallon, who joined the company from Burtons at the beginning of the changes offered this view of Davison:

"This company has one saving grace and that is Barry Davison. He is shrewd and able and all the things that go with being Chairman of a public company. But his greatest asset is that he has the ability to admit that he is wrong. That doesn't mean to say he is humble: he doesn't go around wearing sack cloth and ashes. His attitude over these past two years has been examining his mistakes and coming to terms with them".

Haynes had much the same view:

"If it hadn't have been his ability to metamorphise, to totally change his approach, we would have gone bust. If he had remained as intransigent as the rest of them then we would have gone bust there's no doubt about it. He saw the light".

It was generally accepted that Davison had, more than most of his colleagues, shifted his ground from the position he had taken in the 1970s. It was he who had resisted market re-positioning and branded merchandise and it was he who had placed so much emphasis on margins and the emphasis on a low cost operation. Yet after initial reserve in terms of public commitment, it was he who ensured the rapidity of change in 1982 by backing Saunders and Haynes against the opposition of the more

traditional managers. His colleagues offered reasons for the change. Peter Harper believed that Davison did not see the extent to which the trading image in the shops had been taken for granted in the past: when he did it came as a painful shock:

"He (BGD) didn't think we were trading out of some of the grotty places we were trading out of. It took I don't know how many thousand pounds worth of market research to convince him. I remember him coming back from one market research session and we was absolutely seething. He had sat there before consumers who had absolutely slated us. It was instances like that that convinced him that we really needed to look at ourselves".

Frequently managers talked of the way in which Davison regarded the demise of Fosters as a matter of personal humiliation. It was also, according to Richard Haynes, made the worse because of the progress of Burtons and, at a personal level, the status and esteem of Ralph Halpern:

"Suddenly he had a group on his hands which was a relative failure and his arch rival Ralph Halpern was riding the crest of a wave paying himself £150,000: and Barry was only getting £50,000. He is a very vain man and very concerned about his own image. And he was intelligent enough to realise that he had been wrong. It is the change in him that has been instrumental in allowing these other changes to take place. Ever since he had taken over as Chairman the figures had gone down. He said one day jokingly that things had never been right since we'd had a marketing department: and I said without thinking when did you take over as Chairman? I thought he was going to hit me".

Mike Adams saw a similar situation:

"Barry wants to win. He had a period as the best Chairman - £10 million profit. To come shooting down to 3 is a dramatic thing for a man with his chemistry. You've got to be able to see how you can come out of that valley, and he couldn't and



with the chemistry of the man he couldn't accept that. We had the managers survey (an in-home attitude survey) which was saying the company has changed; its lost its family and its integrity. People (Davison) fly to New York on Concorde and at the same time we are having redundancies in local branches. He wanted it desperately for the AGM, to be able to stand up and say yes, we've had a rough time but we've now got a fabulous shop image. He was desperate and he did say I don't know what to do. It really has got to be personal, because he is an egoist and selfish, with an incredible capacity for work. But the little thing that was grinding him having been patted on the back with £10 million profit. He just didn't know what to do and he was not prepared to lose. He had to have something for the coming AGM".

It is common for a company faced with the degree of change necessary to overcome a decline in performance of this magnitude which had its foundations in strategic misalignment to achieve turnaround based on repositioning by the replacement of its chief executive. Slatter (1984, pp 78-79) asserts that:

"Most, but not all, turnaround situations require new chief executives, since inadequate top management is the single most important factor leading to decline and stagnation. His removal is tangible evidence to bankers, investors and employees that something positive is being done to improve the firm's performance. The appointment of a new chief executive has symbolic importance ....". The recovery of Fosters was not perhaps from the very low performance of some other companies, but it is nonetheless noteworthy that not only did the chief executive remain but that he was seen by those at the forefront of the changes to be vital to their success.

The propositions already made that a) the impetus for change requires tension and b) that the accomplishment of change requires heightened status, help understand Davison's behaviour. Davison openly admitted that he did not know what to do in 1981. He recognised the need for change, and his commitment to this might well be explained by the personal "pain" and threat to his pride that he felt; but he could not lead recovery through the change in strategy that was necessary by the policy intervention he was accustomed to because he had no answers. Whether by design or by chance, his role became essentially political; many of the managers comment on the way in which he "took a back seat" on many of the activities of the Strategic Planning Committee and during the early



days of Saunders involvement, intervening only to support those taking the action rather than specifically guiding their actions. One interpretation of this would be to suggest that he did not wish to be too openly associated with the chain of events until it was shown to be effective: that may be so, but whatever the reason, his "back seat" role facilitated the re-configuration of power in the organisation that was necessary to see through change and removed in himself a potential focus for the conservation of the familiar and proven formulae.

### 3.6.5 Recovery and Beyond

In 1983 Fosters made over £8 million profit with only 150 of their shops converted. The extent to which Fosters had changed according to its managers was well mirrored in the contrasting views of Mike Thomas from the merchandising side and Richard Haynes. Mike Thomas's view was:

"At the end of the day, I would say we haven't changed our stance that much on merchandise. Those main threads, those middle of the road, pitching at 30-45 year old still run through and still sell. We have fine-tuned I would suggest".

He did however admit that the method of buying had changed. There weren't so many long run purchasers: to keep more up-to-date they had to accept shorter commitments and, consequently the use of middlemen as importers particularly of branded merchandise:

"At one time we didn't want to know him but now we say they have got something to offer in the way of design".

Richard Haynes's view was radically different: he catalogued a whole set of "sacred cows" that had been done away with. On margins:

"Gross margin as a percentage became an absolute tablet of stone. If you weren't naming 164% mark-up - it got as high as that - if you weren't making that margin then you were breaking the tablet of stone. I had a hell of a battle with Norman Phillips: he seemed totally incapable of understanding what actually mattered was margin times volume, not margin on its own; that it was pointless making 160% on something and selling two when you could make 140% on something and sell them. Although they strenuously denied this, it was one of the reasons why it took so long to get branded merchandise into the shops. And the Chairman can say what he bloody well likes but he was one of the ones defending it most".

On cost reduction and control:

"It is an accountant dominated company. As I jokingly say, you open a door and they have cloned another one. It has been very significant; when times were tough it kept our heads above water. People like me were always getting slated but I say that if you spend little bits of money you get little return. You have to be prepared to spend chunks of money out to get big returns".

On selling rather than marketing:

"In 1981, we had something called the year of the salesman, which meant we were training people to come swinging down from the ceiling, grab people by the throats and not let them out of the shop until they'd sold them everything. The last thing you want to happen to you is for someone to do that to you when you walk into a shop. We never thought of it through the eyes of the customer, we only thought about putting money in the till".

The view he emphasised most, however, was that the Fosters operational interpretation of their target market had changed:

"The most sad thing I saw when I first came here was that we totally looked down on our customers. When I first came here



the Chairman said we were in the yobo uniform business. We thought our customers were tasteless, sub-human morons. Although a shirt might have been 100% nylon and printed, I mean you and I would not have worn it, to the bloke who bought it it was his idea of fashion. The advertising agency I used to run I think encapsulated what we should have been saying. 'Your idea of style - your idea of value'. All the buyers could think of was talking down to our customers. I used to say to them why aren't you wearing our merchandise. We did a press conference in Birmingham and I suggested that everyone there should be wearing Fosters suits: the reaction was, 'you must be joking'. This was the problem; the buyers had not got confidence in what they were buying. They thought it was for a sub-human strata and the reason we nearly went down the plug-hole was because it took us so long to convince them we were not in the body cover business. That they were in - I used to be laughed at - the personal adornment business. It was the change to realising we were not in the commodity clothing business, going out and buying six months stock which would last us through the whole season, and realising that it was a mistake to think that you can do just two six month buys".

David Saunders was convinced that, in trading terms they had changed but was less convinced that the underlying approach to the financing of the business and the paring of costs had:

"They are beginning to get more greedy, the finance people are beginning to say we are making a lot of money now lets make it more profitable. They are coming and saying that shop there, we reckon out of 2,000 square feet we can do half a million pounds of business so you have got £120,000 to spend. That's irrespective of whether the shop has got a side road with miles of windows. They have made a very rigid decision so it's coming back because they have all assimilated it and they think it's theirs and are beginning to tinker with the bits. Now Barry Davison wants to make more money to show the City. One of the demotivating factors in retail is that they are moving the goal posts. They set him (the shop manager) a target and when he looks as if he is going to reach it, they move it. I thought we were working on a 40% increase as a target: I now get the figures and find that some stores are 200% up and people are going around saying we are below target. So I've started fighting the finance people. We will do our absolute best to make it work (within the finances) but they will find some that do not work: it's an absolute false economy".

He also described how the architects department (the property division) take his designs and try to pare costs by for example:



"Knocking out spotlights. Every shop we go to they have closed down something. It's all the old disciplines coming back. The head of Marshall Lake Properties said we are brilliant designers but they don't know how to manage shops".

By 1983 Saunders was less central to the development of the Menswear business. There had been a time when he had a veto on all merchandise going into the shops and specified shop layout in detail. That had now ceased according to Tony Gray:

"He is extremely good at what he's good at but what he's bad at he's bloody awful. He is a very good designer; he is a very poor merchandiser. A merchandiser is someone who lays out a shop in a way in which the customers will buy it. His ideas on that are shown to be incorrect, they don't work. When he was given Peterborough he was the only influence in the first four months of its life. I then took that branch over and we turned it around in the way we ran it and improved its performance. In Peterborough the turnover then went up by just over ten per cent".

John Fallon explained David Saunders' continuing involvement as follows:

"He's on a regular review committee and he comes back and reviews the progress. He has executive responsibility for all plans and some of the sites he does himself".

#### Organisation and Control Re-Design

The changes in the Foster Group and in Menswear were not limited to trading changes. By 1982 and 1983 major changes in organisation design and systems of planning and control were in hand. Following the impact that Haynes and Fallon had on changing the company, there was an influx

of new managers at senior and middle levels from 1982 onwards. This included new directors at Adams, additional middle management in the accounting and buying functions in Menswear and, most significantly early in 1984, a new Merchandise Director, who had been with Burtons and brought with him what Fallon described as "a whole football team from Burtons, Top Shop and Harry Fenton". Haynes was insistent that: "The new people are to make sure we do not get complacent again". It was a deliberate attempt to break down ..... adherence to the recipe on which the company had been reliant.

In 1983 the company set up a Management Board consisting of the managing director of each subsidiary together with certain senior managers representing central functions such as personnel and finance. This was seen by senior management as a means of achieving two changes. First, there was the need for better planning and strategic control. John Fallon was given the additional responsibility of "Corporate Planning" and described how he envisaged the system of planning would work through the Management Board:

"Once a year we have a fairly extensive planning review whereby subsidiaries submit a standard accounting package for three years. Having done that we have for the major subsidiaries a day's review with myself, the Chairman, and their management team. In looking at their financial plan they outline their proposals in terms of their strategy. Before they get to that stage they have had independent reviews internally: so you would have a merchandise team giving the merchandise thrust and a retail team giving the retail thrust and so on. Having done all that it is all pulled together into a Group strategy. Having done that the Management Board get together to thrash out where we are and what we want to do".

The second purpose of the introduction of the Management Board was to achieve greater decentralisation of strategic responsibility. Tony Gray



expressed the view of many of the middle and senior management in Fosters:

"You could argue that, given a proper executive structure we could never have got into the mess we did get in. Middle management of our business knew many of the problems before the senior management. I believe our management structure is one which perpetuated what we have been doing rather than initiated. Perhaps the problem is we have not had a board strong enough to stand up to the Chairman. Subsidiary boards do not have control, even at Foster Menswear, of their company. Investment is controlled by the main board. Now we've set up a Group Management Board between the main and subsidiary boards. That may be the answer".

According to Fosters managers there was, by 1983, a real attempt by Davison to change the previous centralised decision making mode of operation: for example Melvin Taylor claimed:

"He is trying very hard to step back and let middle management take decisions, which was not the case in 1980: he was very much trying to make every decision".

It was not a view which Davison himself held about his own role. He believed that, in the past he had seen much of the inertia but had failed to insist on sufficient movement because he had been persuaded that the way things were done was sensible.

"I believe I saw a lot of the things that were going to take place. I tried to encourage people in the organisation to do what was necessary but I am not a retailer in the sense of Conran or Halpern and was unable to totally influence it myself. I'm not a confident enough retailer in my own ability to say you will do it this way, when people who I have accepted as experts said it's not the way to do it".



He implies that his "interference" was within the bounds of the formulae current at the time: now managers must be required to break away from them. His view of the Management Board and the planning role of the subsidiaries was that they should be required to go right back to basic questions of strategy and have this questioned by the Board.

"The Board really says to the subsidiaries, we want you to grow: it's as broad as that. Then annually we go round and see what their plans are. This year we've tried to go right back to base and say what business are you in; where are you intending to be; what's the future? It's the Board that makes the plans".

Melvin Taylor described how he saw a more de-centralised Foster Brothers working: he did not see a laissez faire attitude to decision making:

"Most companies that are successful are worked from very tight rules or very tight control, not on everything but certainly on the financial criteria which would include returns, costs and so on".

It was on the operational side that he envisaged decentralising:

"If the businesses are different you've got to allow it in terms of marketing policy. Having said that the company has to identify who it is, where it is and where it is going, and that has to be agreed as a policy directive by the group. The subsidiaries then have to go off and do that".

It was a view very similar to that of John Fallon's who claimed that

"genuine responsibility is being passed down with parameters to let them know just how far they can go".

Fallon's view on the mechanism of the Management Board is worth noting:

"It could be seen for many organisations as a retrograde step because it imposes a rigid structure. I do believe that somewhere you have to have some form of rigid structure that in itself can become flexible and malleable. Our problem was that we did not have that to start off with".

By this he means that in the past there had been no mechanism by which any decisions of consequence were challenged. The main board was far removed from the operating companies which were run by power elites rarely required to justify actions other than to Davison.

The decentralisation to subsidiaries went hand in hand with an attempt to introduce a more participative style of management within the subsidiaries.

John Fallon again:

"In order to make the whole of this process interactive, we had to involve the managers at the bottom and every level. There are several key things that have happened. We now call area sales managers, area managers. We are saying to these people your prime function is not to sell but to manage your area in the broadest sense. In doing that one of my introductions was to create a set up called retail accountants. Their purpose in life is to act as advisors to area managers. They go out and review the performance of shops. We have undertaken financial training courses for our main board directors, our second tier of management and our third tier; we have not yet got down to our area managers. We get our accountant to go out on site and visit the area manager and talk through his problems. To follow on from that: as an example, until this year we did not have any opportunity for retail sales planning. If you think we have 500 shops in Fosters with two floors in a lot of them perhaps with 750 trading slots; and we have something like 16 departmental breakdowns in merchandise; that's a hell of a lot of departments. What used to happen was the sales director used to say, this is what the sales budget will be for next year and the merchandise people would add up the merchandise they sold last year and say this is what we will sell next year. There was no involvement from anyone else. You would then breakdown the sales budget targets for each shop; that was the end of it. We have introduced a new sales planning mechanism whereby we can

actually plan the sales of every shop or every department within that shop by week of the year. The way we did that was to get area managers here and they sat down at the terminal with our accountant and they went through and did a full retail branch plan for every shop. We built up the plans from bottom up. We also had the top down figure coming in. They met in the middle. The area managers now have plans which they have worked on themselves. There are people now in the business who are able to challenge the Chairman's view and who the Chairman himself is prepared to listen to".

It was an involvement borne out by Ken Priest:

"I, in my job level, am more involved in the running of the business than ever before".

In short, the systems described here by Fallon were not simply to do with flows of information for control purposes but also a means of "educating" managers so that they might be more critical of their own operations and of management decisions.

### 3.6.6 A Theoretical Interpretation of the Process of Recovery

The processes which comprised the recovery of Fosters from 1981 to 1983 throw further light on many of the propositions already made. They are now reviewed in this light. It has been argued that much of the process of strategic change can be understood by considering the interplay between strategic frames and formulae within a political context. Such interplay is amply illustrated over the period.

This will be discussed fully in the last part of the thesis but a number of summary points can be made here:-

- i) Strategic frames were changing at differential rates in the firm:



Davison had come to the conclusion by 1981 that Fosters was becoming uncompetitive and the arrival of Haynes had begun to influence the perception of competitive posture by others. However, it is clear that there was little strategic action beyond the tightening of controls and assertion of activity linked to strategic formulae, which were much more resilient to change than strategic frame changes. Managers in Fosters were able to accept the notion at Stratford that Burtons were outperforming them and eroding their position in the market, but they were not able to accept that this was because their approach to buying, retailing or control was in need of change.

- ii) The importance and resilience of strategic formulae is well emphasised during the early stages of the Saunders intervention. It has been proposed that strategic formulae are likely to configure strategic solutions and it was noticeable that progress was made by both Haynes on the Strategic Planning Committee and by Saunders with his proposals by addressing and explaining strategic change at an operational level, that is by confronting issues at a strategic formulae level.
  
- iii) It was also seen how this resulted in a significant threat to the power of those who derived their status from their association with the strategic formulae and who, in consequence resisted such changes. It is proposed that this is in general likely to be the case and that one of the problems with the implementation of strategic plans is that managers and consultants assume that because the necessity for change is accepted in terms of market and competitive need, that its implementation will be accepted.

Resistance becomes apparent only when the implications in terms of strategic formulae become apparent. In Fosters case the recovery was relatively speedy and effective because the problems were tackled primarily by confronting strategic formulae through political machinery.

- iv) Further it has to be emphasized that the changes did not come about directly because of planned implementation of clear market re-positioning. Even by 1984 Fosters were re-adjusting their ideas about market position. Saunders's re-interpretation of Haynes's brief was followed by a new merchandise director in 1984 re-defining the target market by reducing the target age segment. The changes were not strategic frame led but strategic formulae led. The outcome by 1983 was an operation with much changed strategic formulae but strategic frames being re-defined through experience.
  
- v) Exhibit 41 summarises the strategic recipe as it can be discerned in 1983. It was a good deal different from three years before. The view that Fosters was in some way unique because of its history and the historical differences of the tailors, had disappeared. There was still the view that socio-economic market targetting was relevant and that Fosters' market was the "C2D" market, but there was less concensus on what the characteristics of the target market should be other than that. What had changed dramatically were the strategic formulae. For most managers, the "old ideas" of basing success on what was called "commodity purchasing" were no longer accepted. The need was to respond to market needs. Also the importance of the retail environment was accepted as

## FOSTERS STRATEGIC RECIPE IN 1983

## STRATEGIC FRAMES

The nature of the competitive environment and Fosters position in it was perceived as:

- General agreement that it was necessary to compete with other national menswear retailers (and Burtons/Top Shop in particular). Fosters was not unique as a menswear retailer.
- Fosters was gaining credibility as able to provide attractive merchandise to its "C2D" customer base.
- There was less of an agreement on just what other characteristics (eg age profile) within their target market were relevant.

## STRATEGIC FORMULAE

Fosters competitive success was seen to be because:

- Merchandise could be provided which met the expectations of fashion and quality of customers yet was very competitively priced.
- The shopping environment was colourful and exciting: it was the sort of place that was attractive to buy modern clothes in.
- The centralised systems of control not only ensured low operating costs but could be used for the provision of management information and decision making.
- Decision making and responsibility were passed down to operating sub-units.
- Managers must be appointed on merit, not loyalty.



vital. There had been a widespread acceptance of the need for more acceptance of responsibility by middle management who were also being provided with management information they had never had. This responsibility went hand in hand with the view that promotions must be made on results and, without suitable internal candidates, new managers must be brought in. What is important to point out is the extent of change in the recipe from 1980 (see Exhibit 37) and the absence of constructs which had hitherto been rooted in decades of company evolution. The change was fundamental and the level of management experience, activity and perceived best practice.

vi) It has further been seen that strategic change outside the confines of the strategic formulae requires a number of mechanisms:

- its design by an "outsider", by which is meant someone with little commitment to dominant strategic formulae;
- the reconfiguration of power bases by the manipulation of organisational and individual tension, the diminution of existing power bases by the splitting of existing alliances and the support of powerful advocacy, and the raising of status and self esteem of some new power grouping: these are mechanisms which, in effect, loosen the restraints of the recipe.

### 3.7

#### FOSTERS STRATEGIC HISTORY AS INTERPRETED BY THE MANAGERS

The interpretation of the developments at Fosters over the years has not

been on the basis of the evidence of the incidents themselves, and the accounts of these by managers alone. The managers themselves claim to have learned from their experiences and this section sets out some of these "lessons" as described by the managers.

By 1983 a common view was that managers had been far too insular in the past, failing to see or interpret forces at work outside the business which would affect them. John Wilson expressed the view as follows about the 1970s:

"We were looking at facts and figures (of performance) without having any other input from outside. We weren't finding out why people were not coming into the shops: we knew they weren't but we didn't find out. We would ask the local manager or the area sales manager. But we didn't go away from the company to find out what was going wrong".

Managers commented on the way the internalisation of the business took effect in practical terms. For example they believed one of the reasons for the failure of Blue Movers was the disregard of the importance of shops being competitively sited: property was available within the group, so it was used. Melvin Taylor:

"It (Blue Movers) got landed with sites that Fosters didn't want rather than picking its own sites; which is a danger with everything; we should start from scratch; we've always got some surplus property. And that is not the way really to start a new venture".

By 1983 all the executives who discussed Blue Movers saw this as a problem together with the fact - as Adams had argued in 1980 - that they had failed to see the trends in the jean market. Tony Gray explained:

"It was a decision taken too late. By the time we had got ten Blue Movers shops open we were firmly involved in a price war".

The reasons for such insularity were seen as being several. First as explained by Mike Adams that the overall success of the business masked areas of weakness: Mike Adams:

"When things are good you actually don't see the parts of the business that are bad. You don't worry so much about this or that. In overall terms you are doing well. It was the decline in trade that made people realise things were wrong".

Also that many of the decisions were taken on the basis of the current recipe. Managers did not take on the basis of the current recipe. Managers did not use the words "recipe", "strategic frames" or "strategic formulae", but there were examples from almost every manager of decisions which had been taken because of Foster's view of their position in the market or, particularly, because Fosters believed that their ways of operating could be applied successfully elsewhere. Some examples help make the point. Tony Gray believed that one reason for the Stone Dri acquisition was that it was seen as compatible in terms of perceived market logic with the Fosters operation:

"Stone Dri was the body cover market, basically cheap awful crap. You could see the logic in the acquisition".

The problem was, in his view, that that perception dominated the acquisition and prevented clear thinking about other considerations.



"As far as I could see inadequate research had gone into the purchase. We didn't review the properties or the kind of stock in those shops; we acquired a massive amount of stock which was only fit to burn. The properties I saw in the natural state were horrendous; badly sited and in poor state of repair".

In particular managers held the view that what has been called here "strategic formulae" dominated decision making and constrained strategic change which, with hindsight was required given market requirements. For example, Tony Gray, again, cites the dominant influence of the centrality of merchandise mix and choice in the 1970s:

"We did have the belief in this company in the 1970s that the critical factor in successful Menswear retailing was not the (shop) environment but was the product; and that was certainly the Chairman's view".

He claimed that this belief, held by those with most power in the business, was not held throughout the company, but those that differed in their views had little influence:

"I did not hold that view. I and some of my colleagues in the small subsidiaries were only too aware of the (shop) environment requirement from first hand experience; we were that much closer to the shop floor. In the days I had with Dormie we were still trying to develop Mr Christopher. I remember one particularly painful scene when Mrs Lawrence (a Dormie director) and Edward Pearce who was Chairman (of Dormie) in those days were arguing for environment to create a satisfactory platform for selling fashion clothes. And the Chairman's view was totally and absolutely against it, although he was only one director on a board it was his view that was carried".

Much the same comment was made by Frank Taylor as to why the shops re-designed by Fitch failed in the late 1970s:

"There wasn't a commitment to change the branch environment at that stage. We were going through Fitch and other designers to try and get new designs for shops without any real success because they were coming up with designs that had to take into account our merchandise".

Barry Davison related the same lesson about neglect of the shop environment to the total decline of the business:

"Fosters made improvements in their shops over the past 10 years but only in line with their sector of the market; we did not really do anything new to bring people into the shops. Now Burtons took a very different stance. They said there is a very big market available to make shops extremely attractive".

The dominance of the merchandise mix as a defining influence in perceived market position and as an assumed central factor in generating demand, was not the only reason for the neglect of the shop environment. Managers now see that another element in the strategic formulae which worked against shop re-design was the perceived importance of cost control and minimisation. Barry Davison:

"What was happening was that we were doing very cheap jobs and getting enormous increases by making very nominal changes. We laughed at all this money Burtons were spending because spending £2,000 on a shop brought us an increase in trade".

So whilst success, measured in financial terms, continued, it re-inforced the strategic formulae and frames. When things started to go wrong in terms of branch turnover, expenditure on branch re-fits through the Fitch re-design programme, had little effect. This was again initially interpreted as meaning that expenditure on the shops environment was unimportant. Frank Taylor:

"We were not modernising our shops and the image because we hadn't got any success out of modernising shops. Success was coming in fact because we were not modernising shops".

In such circumstances of decline, concentration on "proven" formulae for success were seen as more sensible.

The influence of strategic formulae on decisions was seen by managers in 1983 as much wider than this however: it was one of the reasons, they felt, for the relative failure of the diversification attempts. For example managers in 1983 recognised that the attempts to move into womenswear in the 1970s failed largely because it had been assumed that the perceived excellence of Foster Menswear buyers was applicable to womenswear. Brian Lloyd explained:

"Fosters put their own managers into those companies with the hope that their expertise from clothing would bear fruit on the other side".

And Ken Priest explained why this was not appropriate:

"I know very little about womens fashion but I would guess its more fickle even than mens fashion: so if they adapted the same methods to Stone Dri as they did for Menswear, such as buying in bulk in massive quantities they would get their fingers burnt because women do not buy like that. They do not want the same dress as the lady next door they want fashion that is more individual. So it has to be bought in smaller quantities".

Small quantity fashion buying was not what Fosters' success was built on. Nor was it high volume, low margin buying, which is why according to



Melvin Taylor, the assumed transferability of Fosters buying formulae and skills to the drugs and cosmetics business was inappropriate there too:

"Discount for Beauty was a low margin high volume business which again is totally different from high margin low volume. You're into a supermarket environment there: it is totally alien to what we are in. In our business there is still an element of service".

It was not just the assumed transferability of the buying formulae which caused problems. Fosters also valued the principle of internal promotion and the acquisitions were normally staffed by Menswear managers both as a reward and also because there was the real belief that the way Fosters operated was worth transposing and could best be done by the transfer of people. By 1983 managers claimed that this was not so. Nor was it just people. Fosters valued high degrees of central control on merchandise selection and distribution, and had evolved systems which had proved to be successful for Menswear over the years. These too were transferred to the acquisitions. By 1983 this too was held to be inappropriate. Richard Haynes:

"Millets in Sutton will make half a million this year but we haven't had time to interfere with that yet. We went into businesses that were making money and said we can do it a damn site better. With Millets of Bristol we put all their stock onto a computerised stock feed. Now the difference between Millets Bristol and Millets Sutton is that at Bristol they have computerised stock feed and at Sutton they do not. Computerised stock feed is a very good thing when you get over a certain size but at Millets of Sutton the managers are so fleet of foot. Our most successful shop in Foster Menswear is where the manager is able to buy the stock himself - our shop at Barnstable. The centralised control at Fosters is not appropriate to acquisitions when there are small numbers of shops. We would be much better to help where we can with economies of scale - with the buying of jeans - but I don't care what anyone says, a shop run by an "owner driver" - a good owner driver will make more money than a shop run by a manager on behalf of a

big organisation. There comes a time when you switch a small organisation over and you try and put the system in but unless it's over a certain size it won't do any better: in fact it will probably do a lot worse".

Frank Taylor related the imposition of people and systems to the acquisition:

"We thought we knew enough about retailing to retail anything. It shows how foolish you can be. Where you've got a person running his own business he is totally motivated. The people in Discount for Beauty were totally motivated to produce their own profit. It went straight into their pockets. We take over and we've got a big group concept and there isn't the same pot of gold for the man at the end. Switching to current situations, a very live situation is Millets. Millets in Bristol is being run very much like Fosters - all computer systems - and it's run by ex-Fosters people so it's got a very similar logic to the way we run here. It doesn't make a lot of profit. We then have Millets at Sutton which is really run in the same way as Discount for Beauty was by people who are totally motivated in their own little enterprise for their own ends and it shows. There is a difficulty within a group to have the corporate logic but allow the entrepreneurial drive to materialise".

The implication running through what the managers say is not that such action was simply bad implementation, not that the decision to impose Fosters' people and systems was an operational decision following a strategic decision to acquire: rather that the decision to acquire was strongly influenced by the belief that how Fosters conducted their business would improve the performance of the potential acquisition. What Frank Taylor calls the "corporate logic" and is here called "strategic formulae" is not so much an outcome of decisions as a determinant of decisions.

Managers quite explicitly recognised that Fosters had managed incrementally. In 1980 they saw this as a strength and virtue. By 1983, they were less happy with it. Mike Thomas saw the success of the 1970s, built on incremental changes, as the creator of myopia:



"It was not necessary to make changes to fashion because we were doing very well as we were, mainly on price first. We are able to sell everything we buy ... If you don't need it your not going to say - fine as it is but where are we in ten years time? We didn't ask ourselves those questions in the 1970s because every year was a record".

Frank Taylor argued that they deluded themselves with Fashionpoint because, as a marginal adjustment, it disguised the need for more fundamental change:

"There were two themes running along at the same time. One was let's have a Fashionpoint area of the shop and just try with a bit of tinsel or paper to create an image. But the rest of the shop was still the working men's outfitters. So there wasn't a clear dedication to follow through the fashion logic as there is now".

Barry Davison explained how, in such circumstances, they had done well in the 1970s.

"Not because of planning I don't think. Cynically, I think it was because we ended up in a position to take advantage of the situation rather than anticipating the situation. As a menswear business we were a total menswear business when the others were not, that is shirts, knitwear and so on - and there was a movement towards that. Fosters had traditionally sold workwear: that meant the movement into jeans was not a very large movement; and we made it and the others did not make it. We had a base to build on and an expertise in that area that the others did not have".

He presents this view that Fosters did well because the conditions of market need moved towards what Fosters could do rather than Fosters changing to the needs of the market. Strategic opportunity becomes defined in terms of how incremental adjustments of strategic formulae can take advantage of environmental shifts that move market conditions to a position more adjacent to what the company does.



It does appear that managers perceive much of what has been put forward in the propositions arising from the analysis of the historical events in Fosters. Much of what they say concentrates on a critique of, or action designed to prevent a repetition of, the dangerous features of incremental strategic change based on the application of what has here been called strategic formulae. They see that their ability to perceive and respond to environmental changes was impaired by their reliance on such formulae and the power that built up around their protection and belief that they have designed systems of control and organisation which will remedy this.

### 3.8 SUMMARY TO PART 3

This part of the thesis has attempted to provide a history of the development of Fosters as seen and understood by the managers involved in its major subsidiary, Foster Menswear. This account has been used as a basis for an interpretative analysis of the processes of strategic change over some fifteen years, but particularly from 1980 to 1983 when the business faced severe threats and experienced a dramatic decline in its fortunes.

Arising from the analysis have been a series of theoretical propositions which centre on the dynamic influence on decision making of constructs of the strategic recipe which have been labelled strategic frames and strategic formulae. In particular the role of management perceptions of competitive position (frames) and best practice (formulae) have been shown to influence decision making differently in periods of adaptive change and periods of more fundamental strategic change. The ways in which these influences occur have been seen to be bound up with the political and

cultural processes in the business.

By necessity, an account of so many years of history told in this way by drawing on the verbatim statements of managers, has been lengthy. Whilst attempts have been made to link together the emerging propositions throughout, the theoretical findings must suffer in coherence because of the lengthy narrative approach. The final part of the thesis therefore brings together a synthesis of both past research and the findings of this study to provide an overall theoretical interpretation of the process of strategic management.

## PART 4

### SYTHESIS, COMPARISON AND MANAGEMENT IMPLICATIONS

4.1 INTRODUCTION

4.2 BACKGROUND

4.3 A THEORETICAL SYNTHESIS OF THE STRATEGIC  
MANAGEMENT PROCESS

4.4 GENERALISATION THROUGH COMPARISON

4.5 IMPLICATIONS OF THE FINDINGS



#### 4.1 INTRODUCTION

This final part of the thesis draws together the discussion and advances it by setting out the findings within the context of relevant work on organisational decision making and change. In so doing the argument is advanced that strategic change in organisations can usefully be conceived of as taking place through essentially cultural and political mechanisms of which an important part are belief systems which bind managers together. The structure of this final section is as follows:

- First there is an introduction which briefly discusses the ontological and epistemological context of the work and broadens the background to the findings by placing them in the context of ideas about organisational learning which provide foundations for interpretation of the findings.
- This is followed by a synthesis of the process of strategic management in terms of the findings of this research. The process is seen to be essentially adaptive, incremental and conformist with a predisposition to what has been termed 'strategic drift'. It is argued that the reasons for this can be seen to exist within the nature of the decision processes themselves which are bounded by the belief systems of the managers.
- The next section addresses itself to the problem of how an organisation, having experienced the sort of drift that is likely within an adaptive, conformist mode of strategic management, copes with the situation. It is found that the management processes here can usefully be understood from the point of view of how the same belief systems

are changed or manipulated through the cultural and political systems of the organisation.

- Whilst the study has taken the form of a single longitudinal case, there has been the opportunity to examine the findings in terms of the strategic developments of two other major companies in the same industry. In the section that follows it is shown that the findings of the main study are generalisable in that context.
  
- The final section of this part of the thesis is concerned with the implications of the findings of the research for both teachers and practitioners in the field of management and in particular strategic management.

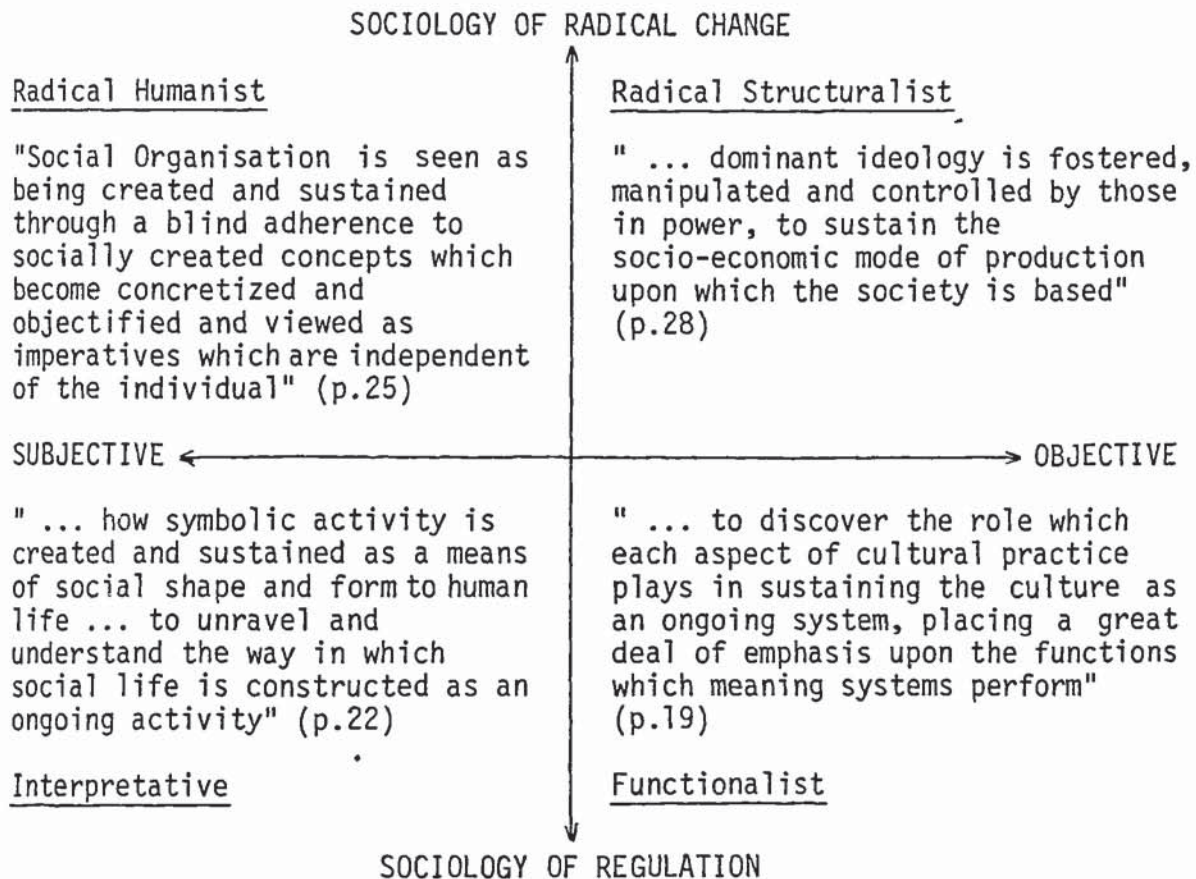
## 4.2 BACKGROUND

### 4.2.1 The Interpretative Perspective

Burrell and Morgan (1979) have shown that approaches to research and the understanding of social phenomena will inevitably differ according to the ontological and epistemological stance of the researcher. More specifically, and in the context of this research, Morgan, Frost and Pondy (1983) have shown how, using Burrell and Morgan's framework, it is likely that there will be different interpretations of the idea of organisational "culture" and within that the notion of "symbols". Specifically they argue that different paradigms usefully yield different interpretations of the same phenomena. Exhibit 42 summarises the four different basic perspectives on culture they suggest are yielded by different paradigms. Before proceeding into the discussion of the various findings of this research, it is important to be clear as to which perspective is being taken here for the purposes of

EXHIBIT 42

SYMBOLS AND CULTURE - INTERPRETATIONS ACCORDING  
TO DIFFERENT PARADIGMS



Adapted from G. Morgan, P.J. Frost and L.R. Pandy "Organisational Symbolism" JAI Press, 1983



.....  
interpretation. However, it should be stressed that in so doing it is not being inferred that there is no value in other perspectives. On the contrary, the view is that different perspectives on the data are to be welcomed and readers of Part 3 may well undertake this.

This work began with doubts about "rational" models of strategic decision making. Specifically that such rational models assume that decision making is an essentially analytical process in which a "real" environment could be understood in terms of an objective view of organisational resource, so that the "organisation" could make decisions designed to achieve some more or less explicit aim. This model, or variations of it, has been shown to have many weaknesses, most of which are dealt with in the account of different schools of thought on processes of strategic management dealt with in Section 1.2 of this thesis, but are worth restating here briefly.

First, it has to be considered as problematic what is meant by the "environment" as far as decision making is concerned. There is no denial here that actual events occur. For example, in the context of this research there is no denying that in the late 1960s there was an increasing proportion of imported menswear which continued for much of the 1970s. This, and similar phenomena, are regarded as empirical facts. What is more problematic is that as "raw data" (Weick, 1977) such facts are of little consequence in terms of decision making. What is more important is what is understood by such facts or, indeed, if they are recognised or not. In this sense rational models of decision making are weak in so far as they undervalue interpretative and subjective interpretations of events.

Second is the idea of "the organisation": that decisions are made for or by

an organisation. The difficulty here is that there is little explanation of what an organisation is when it comes to decision making. Again in this work there is no attempt to deny that organisations exist in the sense that they have a public face and, it is argued here, a reality unto themselves. They have systems and institutions which identify them as operating and cultural units. However, the perspective here is that these systems and institutions are not fixed and given but are themselves the output of decisions and actions of individuals, and therefore change over time and are fluid in their nature. What is important in terms of understanding decision making, therefore, is to understand the relevance of the dynamics of organisational structures, beliefs, norms, history and so on, as they contribute to the decisions. Implicit within this view of the organisation is that it is not defined or bounded by one or even a set of explicit aims but, rather, is conceived of, not only by the researcher, but also by stakeholders as a vehicle for fulfilling many and therefore potentially conflicting goals. In this sense the organisation is an essentially political arena and decisions essentially the outcomes of political negotiation and bargaining. This brief review of doubts about rational views of decision making should serve to fix one view of the perspective adopted in this research. This work is essentially subjective in nature. It seeks to explore the complexity of strategic decision making by understanding the way in which those involved in it make sense of it. In this sense it is important to understand that the nature of the findings and in particular the explanation of decision processes are essentially hypothetical.

In terms of the Burrell and Morgan (1979) model, as interpreted by Morgan, Frost and Pondy (1983) and in Exhibit 42, there is no difficulty in locating this work within the field of the sociology of regulation. The perspective is that the sorts of belief systems which form a core of the



findings do contribute to regulation and conformity, and it will be argued later that, within this, organisations can be thought of as devices for regulating potentially divergent thinkings.

Given the admission of this perspective, it follows that the paradigm is defined as essentially "interpretative" and, indeed, there is no objection to such a label being placed on this work. However, it is important to comment on the extent to which limitations are therefore accepted here as to the findings of the study. Certainly there is no attempt in this research or in this final part to enter into debate on the wider sociological aspects of organisational theory that change theorists would quite properly be concerned with. The data here presented and some of the findings might lend themselves to such interpretation - for example a Marxist might find of interest the notion of strategic drift - but this is not the focus here adopted. Nor is it the aim to build prescriptive models about organisational change which the positivist might claim were possible given his approach to a study with this theme. It is accepted that this study cannot be over-ambitious in terms of claims of generality. Nonetheless it is asserted that the findings do have a relevance outside the particular confines of the situation studied and allow generalisation. The findings illuminate processes of decision making and can be seen to support and advance other research as well as being compatible with processes observed in other organisational situations.

Of more fundamental concern is the notion, implicit within Burrell and Morgan's (1979) classificatory scheme of the polarisation of "objectivity" and "subjectivity". The concern here is that it is a fundamentally artificial distinction. It leads to questions about the "factual" nature of observations which are misleading. For example, the question could be



raised for this research as to the legitimacy of reconstructing events largely on the basis of verbal post hoc accounts of managers. The assumption underlying such a query would be that there is some more "objective" way of doing it, and that managers accounts are mere personalised rationalisations of past events. Methodologically, this has already been discussed in Section 1.3 of the thesis; but since the findings in this section build on the research approach, it is worthwhile pointing out, not only the point made in Section 1.3 that, through triangulation, it is possible to obtain a relatively good picture of events, but that relativity must be accepted as inevitable. There is no means of obtaining an objective account of process. It can be established virtually factually the date when the first Foster's new image shop was opened in Peterborough, but that tells us nothing about the process of how the decision was taken. An examination of the minutes of meetings, were they to exist, would yield no more than a cryptic interpretation of a formalised part of the process. Participant observation does not provide objectivity in terms of the contribution of the beliefs of managers because they may not be made explicit and, as are the events observed, a matter of the subjective interpretation and account by the observer. The point is that when it comes to the study of processes, there is no such thing as objectivity: in the context of this research the distinction between subjectivity and objectivity has little practical relevance.

#### 4.2.2 Research on Strategic Management Processes: Problems and Issues

At the beginning of this thesis in Section 1.2, some of the schools of thought about the process of strategy making were reviewed. In order to facilitate the exposition of the findings of this research so as to make a useful contribution to the field of study, it is necessary to identify the

particular themes that the findings address.

It is now generally accepted that organisations change their strategies in an incremental fashion (Quinn, 1980), over fairly long periods of time (Mintzberg, 1978) with occasional bursts of energetic and often turbulent, disrupting periods of more fundamental and rapid change (Mintzberg, 1978; Greiner, 1972; Chandler, 1962) to remedy deteriorating performance as a result of a failure to adjust to the environment it faces. Within this pattern there has been work to identify decision processes which has pointed to the role of individuals or sub-groups in problem awareness (Lyles, 1981; Pettigrew, 1984), of bargaining processes and diplomacy in problem diagnosis (March and Simon, 1958; Fuller and Myers, 1977) and of the application of the familiar and the experienced in the adoption of solutions (Mintzberg et al, 1976; Spender, 1980; Pettigrew, 1984). So much is becoming accepted wisdom. There are, however, problematic issues which arise from these findings and which are not well resolved.

First, there have been no longitudinal studies of the processes of strategic change, with the exception of that recently completed by Pettigrew (1984) and as yet available only in a summary paper. In consequence there has been no examination of the interrelationship of the decision making routines and the incremental nature of change. Specifically how do the decision routines contribute to the incremental patterns that can be observed? Similarly, since there have been no such longitudinal studies, it is not clear why organisations appear, over time, to reach points at which more radical change is required. It has been suggested that incremental strategic change can, indeed is, a logical and beneficial mode of strategic management (Quinn, 1980; Pondy, 1983); yet the evidence is that, over time, this mode of management is insufficient to prevent decline. Why is

this? Arising from this are questions as to how organisations can adjust strategy given decline; there are few empirical studies of the processes of the management of more fundamental strategic change over time. This study allows questions to be asked about the differences in processual detail between different modes of strategic adjustment.

It is perhaps surprising that within a developing body of research which points to strategy as evolving from the interplay of individuals, there are so few systematic studies of the way in which the interaction of individuals contributes to strategic decision making. There has, therefore, been no basis for examining the relationships between the observed characteristics of strategic decision making modes and routines and the more detailed characteristics of interaction at a personal level. This research begins at the level of interaction and seeks to understand process specifically from this point of view.

A third area in which research into the processes of strategy formulation is lacking arises from the aggregate nature of the interaction of individuals in an organisational context. It is clear that strategic decisions have outcomes which infer some sort of reconciliation of divergent views and beliefs, or conversely that organisations must exist in a perpetual state of "ideological turmoil". This research examines the way in which divergent managerial beliefs are reconciled sufficiently to allow for the formulation of strategy; in particular this is examined both within the context of the incremental processes of change that typify strategic change and within the context of more fundamental shifts in strategy.

The notion of strategic change suggests learning in so far as "learning can be defined as a change in behaviour as a result of experience" (Jabes,



EXHIBIT 43

A RESTATEMENT OF PROPOSITIONS IN PART 3

- \*Strategic frames are the set of beliefs about the organisations external environment and the organisations competitive position within it.
- \*Strategic formulae are the set of beliefs about the modes of operation of the organisation bestowing beneficial strategic competences and capabilities on the firm; in this sense, they are perceived best practice.
- \*Power in an organisation is derived from association with dominant strategic formulae.
- \*Incremental processes of strategic change are likely to be a manifestation of responses to partial strategic frame changes within the constraints of strategic formulae.
- \*Strategic frames change differentially within the organisation.
- \*Disruption of strategic frames are likely to be a threat to managers or groups of managers whose power is derived from strategic formulae associated with past success.
- \*Strategic formulae are likely to be more persistent and resilient than strategic frames.
- \*Strategic change requires a facilitating power configuration and that is one which does not perceive such change as incompatible with strategic formulae.
- \*Partially diagnosed frame problems are likely to be defined/resolved through the mechanism of incremental action.
- \*A strategic solution is likely to be configured primarily in terms of dominant strategic formulae.
- \*Strategic change will occur within the bounds of strategic formulae, providing there is perceived evidence of improved performance.
- \*Strategic action depends on change which is perceived to threaten, or enhance power or status derived from association with strategic formulae.
- \*Relevant environmental change is defined in terms of consonance or dissonance with the strategic recipe.
- \*The possibility of consonance is identified in terms of acceptable adaptability of strategic formulae.
- \*Strategic formulae are marginally adjusted to provide consonance if necessary.
- \*Strategic action is taken on the basis of the adjusted formulae.

- \*Strategic frames are adjusted to the adjusted strategic formulae.
- \*Strategic drift is the gradually widening gap between an organisation's environment and its enacted environment
- \*Faced with decline, management is likely to seek greater productivity through both tighter controls and the concentration on the strategic formulae.
- \*Tension and disunity may well be necessary if resistance to change rooted in strategic formulae is to be overcome.
- \*Impetus for strategic change needs a powerful advocate.
- \*Recipe change is likely to be associated with the intervention of an outsider in the sense of an individual(s) not committed to that recipe.
- \*Recipe change results from confronting strategic formulae rather than strategic frames.
- \*Designed strategy reformulation is likely to be individually conceived and led.
- \*Acceptance of significant shifts in behaviour linked to changes in the strategic recipes will depend on the extent to which such change enhances or diminishes status.

1978, p. 1). It can be said that organisations "learn" from their history and change. However, this begs the question of what learning in an organisational sense means; we have already agreed that organisations cannot be thought of, in process terms, as entities defined other than by the individuals comprising them and the interaction between those individuals. Such a view might infer that "organisational learning" is no more than the sum of the learning of individuals; yet this implies either a consistency of individual learning or a randomness in strategic change. Since this research examines both individual views on strategy and the interaction between those individuals, it is possible to make observations about the way in which organisational learning occurs.

#### 4.2.3 Foundations of a Theoretical Interpretation of Process

Part 3 of the thesis has yielded a series of propositions about the nature of strategic management as an interactive process. These are summarised in Exhibit 43. However, it is recognised that whilst they have a meaning as individual propositions in the specific context in which they are grounded, as individual propositions they are limited in the extent to which they advance our understanding of the process of strategic management. In order to achieve such an advance it is necessary to examine their relevance and utility a) in terms of their internal consistency, that is the extent to which as a whole they form a meaningful explanation of process; and b) the extent to which they are compatible with the body of knowledge on strategic decision making processes from existing research. What follows utilises these propositions to generate a theoretical interpretation of strategic management as an interactive process.



### Incrementalism, Ideology and Learning

If reference is made to the earlier discussion on the schools of thought and scholarship on the processes of strategic management (Section 1.2), it will be recalled that distinction was made between what was described as the incrementalist view and the "behaviouralist" view. This study brings together both schools of thought. The incrementalist approach has sought to explain decision processes as a sequence of events or actions and has emphasised the importance of the interaction of individuals in defining and resolving problem situations, of the political systems in the organisation, and of the importance of viewing decision processes as organic activities rather than purely intellectual and rational. It is on this last point that the approach most clearly shows the need to understand the way in which the behaviour and perception of individuals affects the decision process. The evidence is that, typically, organisations change in a step by step, adaptive way through the interaction of managers and stakeholders in organisations resolving their perceptions of problems through a bargaining and solicitation process.

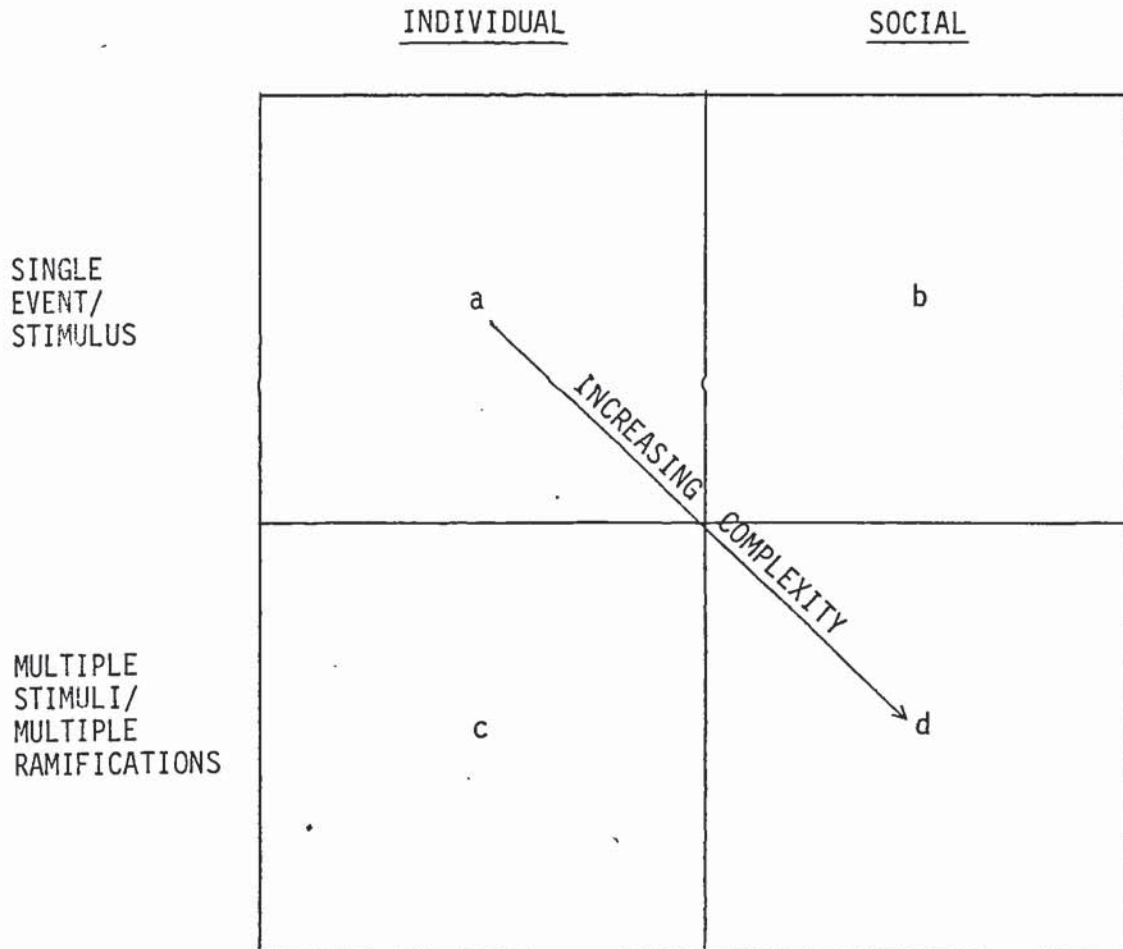
In this section of the thesis the basis for understanding this process in terms of social interaction and social psychology is examined in more detail so as to provide a basis for demonstrating the explanatory power of the model of adaptive strategy formulation proposed in this thesis. Later the same background discussion will also provide a basis for developing the model to explain changes in strategy of a less adaptive, more fundamental nature.

A problem in the literature on strategic decision making is that at the level of psychological explanation, explanatory models are in almost every case individually based and devoid of social specificity. The social context

of decisions is often seen as "background noise" rather than an essential part of the problem. It is clear why this is the case: psychologists and decision theorists have found it difficult enough to explain how individuals go about taking decisions; it is the more difficult when the individual is interacting in a social setting in which other individuals are also tackling the same problem or one that is related. As Exhibit 44 demonstrates, there are different degrees of complexity in decision making, and when we consider strategic decisions, we are dealing with high orders of complexity. The most simple decision routine to account for <sup>is</sup> represented by (a) in which an individual is faced with a new situation and has to decide what to do. Complexity increases if either the numbers of individuals involved increases (b) or the problem is more complicated itself, perhaps because of the multi-faceted nature of the events or the ramifications of decisions when made (c). Strategic decisions, by their nature are of a high order of complexity because they usually involve numbers of people in taking a decision or contributing to a decision and because they are concerned with complex issues. (d) The difficulty with the models at our disposal for understanding how strategic decisions are taken is that, when it comes to explaining how decision making occurs in the sense of re-learning, the models concentrate on individual rather than social re-learning. It is perhaps for this reason that, when it comes to strategic decision making, there has been such reliance on the so-called rational models of decision making. It is an approach which at least has the merit of simplicity. The view taken here is that it is inadequate to explain strategic decisions either in terms of this rational model or in terms of models of individual learning, since both deal with complexity by reducing it to such an extent that the explanatory powers of the models trivialise the issue. It is much the same view as that of Pettigrew (1973, p. 195) who argues that in March and Simon's (1958) "Organisations":

EXHIBIT 44

LEVELS OF COMPLEXITY IN DECISION MAKING





"There is an over-emphasis on attempting to reconstruct the world from the perspective of the decision maker, and not enough attention given to how the world impinges on the decision makers' perspective ... The view adopted in the present work is that an adequate theory of organisational decision making must assume that decisions are made not by individuals or by role occupants, but via processes that are affected by properties of the unit or units in which the decision is to be made. Decision making in organisations is not merely a thought process that balances goals and means, or a choice process in which the environment is discriminated as a limit to choice only through the mind of the decision maker. Rather it may be understood as a political process that balances various power vectors."

In order to progress, however, it is necessary to understand the limitations, but also the value of models and concepts which have attempted to account for individual and organisational change and "re-learning".

#### Individual Cognition and Learning

It has been found that the two hemispheres of the brain have different functions (Ornstein, 1975). The left hemisphere is concerned with conscious thought processes-that can be articulated. The right hemisphere with the more subconscious and esoteric. There is little research to inform us of the nature of the workings of the right hemisphere but it seems likely that, whilst there is a great deal of "knowledge" within it, the processes of retrieval in an explicit, intellectual form are limited. The ordered, consciousness of the left cannot bring to bear and process the vast array of information of the right, which is likely to take outward shape in intuitive, creative behaviour. It is a view similar to that of Hyman and Anderson (1974) who argue that the brain's capacity to store information vastly exceeds its capacity to process that information. The result is that there is a need for some sort of patterning of the information - Hyman and Anderson talk about "chunking" information into larger units so that it can be managed. Moreover, when faced with new

situations the individuals seeks to allocate that experience to an existing pattern or "chunk". There is not a search amongst the vast store of latent information, at least not at a conscious level, to relate all possible previous experience and knowledge to the new experience.

This is a view of problem solving which derives its arguments from clinical psychology but which comes to conclusions which closely resemble other psychologists and management theorists who have addressed the problem or observed how complex patterns of information are retained and the consequences of such retention.

Kelly's (1955) construct theory and Tolman's (1949) "field expectations" within the field of cognitive psychology are both models of cognition which argue that individuals have a coded perception of their world to which they relate new experiences. They are both similar to the idea of the "scripts", a psychological concept which is a "hypothesised cognitive structure that, when activated, organises comprehension of event-based situations" (Abelson, 1981, p. 717). Indeed it is an underlying concept within Gestalt psychology that there exist cognitive structures or cognitive maps by which individuals make sense of their existence.

An illuminating view of how managers learn given cognitive structures is provided by Kolb (1974, 1983). He develops a model of learning as shown in Exhibit 45 which posits four stages in a learning process. First, some concrete experience; second, a stage of "reflective observation" in which the nature of the problem is determined; third, the generation, through abstraction and generalisation, of some solution and finally, the testing (later he calls it "implementation analysis") of the solution. Kolb makes the point that there has been over-much emphasis by management and

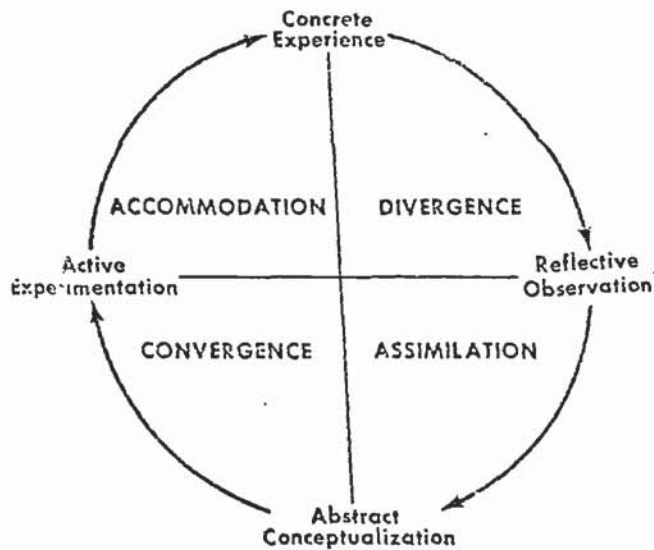


EXHIBIT 45

KOLB'S EXPERIENTIAL LEARNING MODEL

(after D.A.Kolb: "On Management and the Learning Process" in D.A.Kolb, I.M.Rubin and J.M.McIntyre(eds) "Organisational Psychology", Prentice Hall; 1974)



cognitive theorists alike on the reflective and abstract second and third stages whereas his research shows that "managers on the whole are distinguished by very strong active experimentation skills and are very weak on reflective observation skills" (Kolb, 1974, p. 33). Managers do not tend to consider in abstract cognitive form the responses to perceived problems; rather they seek to enter active stages of problem resolution and implementation. The implication is the same as in our previous discussion. It is that they are likely to lean on some other means of explanation of the problems they encounter: Kolb suggests that they will be heavily influenced by the previous actions that have been taken, that is by their past experience, and are likely to take decisions through active experimentation. It is a view of individual learning which refers us back to the observed phenomena of adaptive change - that is the taking of strategic decision based on adjustment from the status quo - and to incrementalism.

The emphasis on past experience and the inclination to build new decisions on past understanding through that experience is also demonstrated by Argyris and Schon (1974, 1978). Central to their argument is that, whilst managers may possess "theories of action", that is espoused theories of how they would behave in a situation, they tend not to act according to those theories but according to discernible "theories in use". Decisions are typically made by individuals seeking to relate new experience to such theories in use: in effect by interpreting new experience according to pre-determined patterns. The result is what they call "single loop learning"; that is the active search for solutions which preserve the consistency of theories in use.

These are, however, theories of learning which are to do with the

individual in an organisation setting. Such an approach is helpful if the focus of concern is individual decision making in organisations; but if the focus is on how more complex decisions are made which tend to be characterised by the involvement of many individuals, and take form in changes which manifest themselves as "organisational change", then it must be assumed that in some senses a collectivity of individuals has to make sense of new experience. How, at this organisational level does "learning" take place?

### Organisational Learning and Ideology

Both Kolb and Argyris and Schon argue that the learning processes they observe for the individual also relate to organisations. Kolb (1974) argues that managers have differing learning styles which correspond to the stages in his learning cycle (see Exhibit 5). There are "divergers" who are good at identifying problems and opportunities; there are "assimilators" who are good at conceiving "the abstract model building that is necessary to choose a priority problem and alternative solutions" (1974, pp. 34-35). There are "convergers" who are good at evaluating the consequences of solutions. And there are "accommodators" who are good at the practical activities of implementing and initiating problem solving. Kolb sees the organisation as a grouping of these different styles in which individuals in different management functions tend to have different learning skills; since one function will tend to dominate others, then one learning skill will tend to dominate the organisation. And as has been said before, he found that managers on the whole tended to be more prone towards the active (accommodator) mode of learning: by extension the organisation's dominant learning style is likely to be one of experimentation.

The extension of individual models of learning to organisations also applies

to Argyris and Schon (1978). They argue that there exist organisational "theories in use" of which each individual member of the organisation has their own image or map. "Organisational learning occurs when individuals, acting from their images and maps, direct a match or mismatch of outcome to expectation which confirms or disconfirms organisational theory in use" (Argyris and Schon, 1978, p. 19). The same phenomenon of single loop learning will then occur but at an organisational level.

What Argyris and Schon claim, which Kolb does not, is that there exists some sort of dominant organisational pattern or code which is an interpretation of reality beyond the purely individual level. Individuals have a view of this pattern, may diverge from it to a greater or lesser extent, but are heavily influenced by it. However, Argyris and Schon do not make clear the nature of these patterns.

Other organisation theorists have studied decision making, not by starting at the individual level but at the level of the organisation. They too have observed patterns of explanation of reality which are not just the property of individuals but of collectivities of individuals. There is nothing new in the idea that there exists a bridge between individual cognition and action and social or organisational norms and systems. From the point of view of the individual the idea of "purposive behaviourism" as expounded by Tolman (1932, 1949) argues for cognitive maps as intervening variables which make sense of external stimuli. The notion has been developed so as to recognise that such cognitive maps are likely to be subjected to pressures for socialisation (Schein, 1974) according to the ideologies which prevail in organisations and provide the mechanism for both binding members of a society together as well as interpreting the world in a socially normative sense (Apter, 1964). Organisational "ideologies" according to Beyer (1981,



p. 177) "can be defined as relatively coherent sets of beliefs that bind some people together and that explain their worlds in terms of cause and effect relations". Hedberg and Jonsson (1977) use the word "myth" to describe the same sort of phenomenon - an organisational view of the world which helps interpret the changes the organisation and the individuals within it meet. Meyer (1982) argues that such ideologies are a more powerful explanation of strategy and a greater influence on decision making than the structure of organisations, that they are discernible through the language rituals and stories within the organisation and, using Miles and Snow (1978) classificatory nomenclature of "defenders" and "prospectors", that the ideologies take public form in different strategies, structures and mechanisms of control.

Ideologies, as bonding and interpretative mechanisms, appear to be particularly important the greater the degree of ambiguity or uncertainty in the organisation where formal structures and bureaucratic procedures cope less well (Beyer, 1981; Ouchi, 1980) and where there are less formal, more organic structures but long serving and stable membership (Wilkins and Ouchi, 1983). Such ideologies are seen as central to decision making not least because they appear to be particularly resistant to change in the face of potentially disconfirming evidence. Managers "need" a pattern of beliefs through which to interpret occurrences and are likely to preserve such a pattern through a number of mechanisms; for example, according to Kiesler and Sproull (1982) by:

- overestimating facilitating reasons to utilise the ideology and diminishing inhibiting reasons (also Tversky and Kahneman, 1974; Smith, 1963);

- discounting disconfirming reasons and focussing on powerful facilitating reasons (also Kozielski, 1981);
- "perceiving or inferring events as correlated due to their fortuitous associative pairing or their mutual infrequent occurrence" (Kiesler and Sproull, 1982, p. 553);
- the false inference of causality.

They go on to point out that since the relevance of any evidence of events is likely to be defined in terms of the patterns of beliefs which exist, it is not likely that such patterns will be easily changed since disconfirming evidence is likely to be deemed irrelevant. It is also likely that, since previous decisions are based on or associated with dominant ideologies, resources have already been committed to decisions which bolster the ideology. There is evidence that "sunk" resources are likely to mean that further resources will follow and evidence disconfirming the dominant ideology ignored or "misconstrued" (Staw, 1981; Fox and Staw, 1979; Staw and Ross, 1978).

The point is that not only do ideologies play an important part in decision making but that they are also highly resistant to change. It is a point made by a number of writers on strategic change. Grinyer and Spender (1979b) have argued that the most resistant aspect to change in a firm is its recipe, a term which is similar in meaning to the notion of ideology. Firms facing a decline in performance will go through a cycle of tightening operating control according to existing strategy before they question that strategy, and will adjust strategy in terms of the prevailing recipe before they question the recipe itself (see Exhibit 3). It is a

phenomenon which Greiner (1972) argues leads to phases in a company's development characterised by periods of growth followed by periods of crisis as the company resists the impact of new environmental conditions and fails to adjust its strategy or operating or management practices. Chandler (1962) noted a similar pattern of points of crisis as organisations either delayed 'strategic re-alignment or, given strategic change, clung to modes of operation and structure which were based on past strategies. Friedlander (1983) also observes that the natural tendency in organisations in which there is a dominant culture or ideology is towards conformity and low levels of "learning".

If Meyer's (1982) argument is accepted then the reason that one organisation is more likely to adopt strategies more divergent from its previous strategies than another organisation is because it has less homogeneity of ideology within it; "defenders" are characterised by homogeneous ideologies and "prospectors" by a greater heterogeneity of ideology. It is a view supported by Friedlander who also argues that organisational learning in a re-constructive (or fundamental) rather than adaptive mode takes place more readily where there is such heterogeneity.

However, the overwhelming view is that, typically, organisational ideology is a pull towards conformity. The ideology is, in effect, the preferred approach to perceiving and dealing with problems. It is equivalent to the "perceptual sets" which Weick (1969) explains as stable characteristics constituted on the basis of past experience and which are "ready-made explanations that the actor carries from situation to situation" (p. 38). Managers use these perceptual sets to interpret environmental change; they do this not by reacting to such change but enacting it, that is by creating



meaning in terms of the view of such change in terms of the perceptual set. Here is one way in which the dominant ideology can be preserved, that is by interpreting the environment in terms of the ideology.

The ideology also provides preferred solutions. Pettigrew (1973, p. 195) quotes Allen (1965) in saying that "when a technical approach to a problem becomes preferred over any other, it is not easily rejected; and the longer it is in a dominant position the more difficult it becomes to reject". As Cohen, March and Olsen (1972, p. 2) argue, organisations:

"Provide sets of procedures through which participants arrive at an interpretation of what they are doing ... From this point of view, an organisation is a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer ..."

They call this a "garbage can" model of organisational decision making. It tallies well with incremental and adaptive notions because it predicts that organisations will actively seek definitions of problems and opportunities in line with their view of the world and what they know how to do.

#### The Role of this Research

Whilst existing research and theoretical models illuminate much that is useful in understanding strategic decision making, there are two main areas of inadequacy that this research tackles. First, it is not clear what the detailed mechanisms for change within an adaptive strategy making process are. Specifically, whilst it is evident in general terms why organisations tend to adopt incremental and adaptive modes of strategic change, it is not clear how the interaction of individuals contributes to this. In the literature there is a sort of conceptual leap from individual cognition and learning to organisational ideology and learning; writers emphasise the

importance of individuals and the interaction of individuals but there are few studies which examine in any detail what form this takes and seek to explain strategic change in these terms.

Second, as has been seen, existing research bears out the ideas of incremental and adaptive strategic change, and, indeed, predicts the likelihood of such change. Yet it is clear that other modes of strategic change do occur: it is argued in this thesis and elsewhere (Greiner, 1972; Grinyer and Spender, 1979(b); Mintzberg, 1978) that given such gradualism, organisations will most likely reach points in their development when more radical, fundamental change is essential. There are, however, few studies and little in the way of models of explanation as to the relationship, if any, between typical incremental modes of strategic management and the rarer management of more fundamental change. There has been the fortunate opportunity in this research to be able to study just such change.

#### 4.3 A SYNTHESIS OF THE STRATEGIC MANAGEMENT PROCESS

##### 4.3.1 Strategic Recipes, Frames and Formulae: Definitions, Meaning and Relevance

Central to the thesis that will be developed here is the idea of constructs of beliefs, values, norms and perceptions which exist and are discernible at an "organisational" level, and which are held in common across a wide grouping of decision makers in the enterprise. This set of constructs has been called a recipe, and, insofar as its constructs have a bearing on strategic decisions, the words "strategic recipe" have been used. It is argued that the strategies being followed by the enterprise can be seen to be compatible with its recipe and the process of strategy formulation can be seen as one in which strategy a) develops as a product of the recipe, b)

in turn reinforces the constructs of the recipe and c) is changed through the interaction of individual's cognition and perception which amends the recipe. Moreover, that the processes associated with this can be observed and analysed.

It should be clear from the earlier discussion on ideology that there is a similarity between the notions of "recipe" and "ideology". It is not a similarity which is disputed here; the word "recipe" is used, however, for two main reasons. First, as used by Spender (1980) it denotes more than a set of beliefs about cause and effect as they relate to the organisational world: it also denotes "how to" type beliefs, that is beliefs about ways of dealing with issues which are defined or identified through the mechanisms of ideologies. The second reason for using the word is that this research, in its origins, is derived from the stimulus of Spender's work insofar as his research goes further than most in elucidating the mechanisms of strategic change using the notion of the recipe.

It has been said that the constructs of the recipe are discernible. This does not mean that they are written down for observation or necessarily uttered in the form stated in this thesis. It does mean that they are discernible in the discussion with managers, in the stories they tell, or their accounts of events, and in the way the systems of the organisation are described. They are expressed in an essentially symbolic manner. Indeed, it is accepted in this thesis that the recipe is an interpretation of the symbolic world of the managers.

Central to the argument and propositions is that within the recipe are discernably different constructs. There are constructs which are beliefs about the competitive environment and the position of the enterprise



within that environment; these have been called "strategic frames". There are also constructs which are beliefs and norms about the modes of operation of the enterprise which bestow beneficial strategic competences and capabilities on the enterprise - which are, in effect, perceived best practice. These have been termed "strategic formulae".

In order to define and explain the terms "recipe", "frames" and "formulae", it has been necessary to place them in an essentially cultural framework. The recipe is seen as one of the cultural bonds that transform a mere collectivity of individuals into the observable functioning entity we call an "organisation". In saying this it therefore has to be acknowledge that this same system is capable of being changed by individuals or groups who make up the organisation. What exist are systems of social influence established over time which provide a pull towards social (organisational) conformity within a context in which there are individual tendencies to greater or lesser extents to amend, develop or change such systems. The constructs of the recipe, which can be categorised as strategic frames and strategic formulae, are part of the cultural systems of organisations and as such constitute an organisational tendency or pressure towards conformity with the possibility of individual or group amendment and divergence.

The emphasis on the cultural definition of the organisation is important because it provides the basis for the framework of analysis that follows. The assertion is that strategic change can be conceived of, discerned and analysed in terms of the inherent and inevitable tension that must exist - to a greater or lesser extent - in organisations between individual cognition and perception and organisational recipes which are preserved and maintained through the culture of the organisation. What follows is an exposition of this assertion in terms of the propositions arising from the

analysis in Part 3 of the thesis.

#### 4.3.2 Incremental Strategic Change: A Frames and Formulae Approach

It is now possible to use the propositions generated in Part 3 of the thesis to examine and re-interpret the processes of strategic change. This will be done in two stages: first, the phenomenon that has come to be known as "incremental" strategic change will be examined; this will be followed by an examination of the dynamics of the more fundamental strategic change which is likely to be necessary following the "strategic drift" that is an inherent risk in the sort of adaptive approach to strategic change that characterises incrementalism.

#### Relevance and the Search for Consonance

"While the categories external/internal or outside/inside exist logically, they do not exist empirically. The "outside" or "external" world cannot be known. There is no methodological process by which we can confirm the existence of an object independent of the confirmatory process involving oneself". (Weick, 1977, p. 273).

Weick goes on to argue that individuals have "causal maps" which suggest which variables are relevant or not relevant out of what amounts to a flow of experience; these causal maps cannot be simply individually-based because that would result in "equivocality", and the inability to reconcile individuals' understanding of their world. It is therefore necessary for the individuals to "negotiate a consensus". It is a description of a process which bears strong resemblance to the first proposition used here to explain the adaptive mode of strategic decision making, which is that relevant environmental change is defined in terms of the consonance or dissonance with the strategic recipe. The argument is that, logically, environmental changes do indeed take place which may, indeed will, have

an effect on the enterprise; however, they will only be seen as relevant and will only become an input to strategic decisions, if they have an impact on the strategic recipe in terms of either confirming it or challenging it. In the event of environmental change taking place which neither confirms or challenges the recipe, it is likely to be ignored, though, of course, with hindsight it may prove to be of major relevance. For example, in the study of Fosters, there are examples which make the point. There were environmental changes which proved to be important, but which were not considered to be so though they were perfectly visible. A revolution in men's fashion was taking place in the mid to late 1960s which was seen as of no relevance to the company for ten years because the recipe emphasised the working man's market which was not seen to be much to do with fashion, and a mode of operation which stressed bulk cheap buying. Again in the late 1970s it was evident that the traditional men's tailors, and in particular Burtons, had fundamentally changed their strategies and operations; but the relevance of this was lost on managers whose recipe classified Fosters as in a different market sector with different sorts of merchandise. It is not claimed that the managers did not know that such changes were occurring; they most certainly did. The changes were simply not admitted to the arena of relevance to decision making that was defined by the recipe.

There were environmental changes, on the other hand which were seen as relevant because they were dissonant with or challenged the recipe. The advent of importing from the Far East in the 1960s is an example. Fosters had built its trading base on providing low cost menswear for the working man; low cost imports from the Far East enabled other retailers to compete on the same footing unless something was done. The threat was clear and remedial action resulted. The reason for the clarity was



that the change took the form of an effect on performance in terms of recognised organisational measures such as turnover or margins. In time, therefore, environmental changes which were not seen as relevant may become so if their impact becomes undeniable in terms of effect on performance, as was the case with both the changes in men's fashion and the changed strategy of Burtons. What is being said is that it was perfectly possible to deduce analytically the likely impact of both these changes over time but such analysis did not take place.

There were also environmental changes that were perceived to be consonant with the recipe and which, in consequence, were acted upon. For example, the evident buoyancy of the womenswear market in the 1970s led to several attempts to enter the market precisely because the market was seen to be capable of exploitation in terms of the recipe - and particularly the buying and control formulae - of the time.

In fact there is a predisposition to achieve consonance with the environmental changes that are occurring. If the initial stimulus is on the basis of consonance this is not a problem; but it is likely that this may not be the case; the initial stimulus is likely to be perceived dissonance with the constructs of the recipe. This will now be considered.

It has already been asserted that whilst the constructs of the recipe are discernible at an organisational level, there is the possibility of individual divergence from the recipe. It is, indeed, likely that the perceived dissonance will arise at an individual or sub-group level. For example, it was retailers in the mid 1970s who were arguing for a move to more fashionable merchandise and again it was Brian Wood, alone, in 1980 who was advocating a shift in target market. Later it was Richard Haynes

who was advocating "radical repositioning". On all occasions the response was similar and can be generalised as follows.

It is likely that divergence from the prevailing recipe will occur at an individual or sub-group level in terms of the perceived need for change of competitive position of the organisation - in effect constituting a challenge to strategic frames. As far as the constructs of the recipe are concerned, the strategic frames are likely to be more prone to challenge than the strategic formulae. This is so for two main reasons. The first is that sub-groupings are specifically set up within the organisation to handle different aspects of the environment; it is the well understood principle of differentiation (Lawrence and Lorsch, 1969). In consequence, since the task of sub-groups is to make sense of environmental stimuli, it is likely that sub-groups, or members of them, will at particular times have views of "their part" of the environment which differ from those which generally prevail in the organisation. This has been stated previously in terms of the proposition that strategic frames change differentially within the organisation.

The second reason why the perceived need for change of recipe will occur at a strategic frame level is that the strategic formulae, concerned with modes of operation as they are, are specifically concerned with internal conceptions of best practice and are likely to be institutionalised in organisational systems, ritualised as norms of behaviour and be the source of power in the organisation. For example, persisting through the period of study of Fosters was the buying formula, emphasising centralised bulk buying from overseas. This was institutionalised in the centralised systems of stock control and distribution which in turn was part of the strategic formulae of centralised control and tight control over current assets and

expenditure. Not only was the buying formula institutionalised in terms of control systems, it was also firmly grounded in the mythology and rituals of the organisation. The merchandise director in particular was seen, in the personages of both Jacks and later Phillips, as something of a maverick, not subject to the normal controls - systematic or social - within the organisation, who was liable to involve himself in roles outside the buying function which demonstrated the power and influence of his department. It was generally accepted that Jacks "had the ear of Mr. High" although, nominally, he was more junior on the board than other directors. It was seen that, whilst Davison would directly and forcefully involve himself with all aspects of the business, this was much less so with buying. It was accepted that the merchanside director historically involved himself in the design of shop windows. And there was licence to travel which was preserved and cultivated by the buyers; they operated around the world and were seen by themselves as well as others to take decisions outside the normal constraints in the business, for example in terms of latitude on commitment to expenditure.

The point is that the strategic formulae are cemented in the systems and culture of the organisation to a greater extent than strategic frames. Significantly, the strategic formulae that dominate in particular are also likely to be associated with individuals or groups with especial influence or power in the organisation; it is a phenomenon which has been previously stated as the proposition that power in the organisation is derived from association with dominant strategic formulae and acknowledged that this is likely to be because of the perceived ability of the power holders to reduce uncertainty (Hickson et al, 1971; Thompson, 1967) and provide important resources (Pfeffer and Salancik, 1974, 1978).



The final point that needs to be made about the likelihood that perceived need for change will arise at a frame level is that the overt rationale for formulae is that they are best practice in terms of the environment as it is perceived to be; in other words that the formulae are, at least apparently, supportive of the frames. (The word 'apparently' is used because implicit in the argument here is that the formulae became separately endowed with a logic and persistence of their own).

The sum of these points is that the perceived necessity for strategic change which implies the perceived need for recipe change is likely to arise at an individual or sub-group level. It is a phenomenon which has been noted elsewhere (Lyles, 1981; Norburn and Grinyer, 1973/4). What the discussion of the nature of frames and formulae allows is a greater understanding of how the organisation, in terms of other individuals and sub-groups, are likely to respond to such a stimulus.

An advocated change in strategic frame is, by implication, demanding a change in the competitive position of the organisation; more specifically it is likely to imply that the organisation should change how it behaves in order to compete, in other words, that the strategic formulae should change. The advocated frame change may not be expressed in such terms nor may those proposing it conceive of it in such terms, but that is the effect. Not only are proposed frame changes therefore a challenge to the inertia which exists but also, as previously proposed, disruption of strategic frames are likely to be a threat to managers or groups of managers whose power is derived from strategic formulae associated with past success. There will then be resistance to advocated frame change quite likely from powerful forces in the organisation. There were examples of this throughout the period under study in Fosters, mostly as differing views of

competitive position implied changes to the buying or control formulae. For example, Jacks resisted strongly the advocacy of more fashionable merchandise in the mid 1970s because it implied a threat to the bulk buying of basic outfitting and therefore threatened the ability to achieve the sorts of margins that were seen to be fundamental to the success of the company.

However, challenges to strategic frames may result in recipe change and therefore in strategic change. It is argued here, however, that the dynamics of recipe change typically result in adaptive strategic change and that the reason for this is the predisposition to search for consonance between frame change and dominant formulae. It is worth emphasising again that so-called rational schools of thought about strategy formulation would have it that, given perceived - or analysed - environmental change, the strategist conceives of the strategic options open to him and evaluates these. In other words that strategic change is driven by and configured in terms of environmental change. This is not at all the proposition that is made here. Rather it is proposed that the nature of strategic change is formed in terms of the strategic formulae that dominate the organisation. This process is now discussed.

#### Strategic Response through Formula Adjustment

The first step in response to challenges to strategic frames has already been discussed. There will be resistance, and this resistance may well, at least temporarily, subdue such advocacy. However, it is possible that the advocacy will continue and may gain support. For example, the advocacy of the retailers for more fashionable merchandise in the 1970s began to win over senior management and, in particular, Barry Davison. The evidence in this study is that the response is, as previously proposed,

fourfold:

- First, that the possibility of consonance (with the recipe) is identified in terms of the adaptability of the strategic formulae.
- Second, that strategic formulae are marginally adjusted to provide consonance if necessary.
- Third, that, therefore, a strategic solution is likely to be developed primarily in terms of dominant strategic formulae.
- And fourth, that strategic action is taken on the basis of the adjusted formulae.

It is this process that is quite fundamentally different from that which is conceived in rational models and also is different from that described previously by those who have studied more incremental and adaptive processes. Certainly Mintzberg et al (1976) commented on the prevalence of "search" processes in strategy formulation but they were unsure as to what form this took. What is being proposed here is a specific model for understanding the prevalence of what has been observed as adaptive strategic change. It is important to be specific as to what this process entails, and this is best achieved by discussing in the context of a particular decision routine. The example used here will be the Fashionpoint exercise for Fosters.

If we move beyond the early resistance to the advocacy by the retailers for the acceptance of more fashionable merchandise and the resistance on the grounds that this would jeopardise the basis of competitive advantage



of the company, then it is possible to summarise the way in which the resolution of the problem came about by formulae adjustment.

The possibilities of consonance with the existing formulae were perceived to be that there were shops that could conceivably generate substantial volume sales of more fashionable goods; if the nature of the merchandise sold could be prevented from being too diverse, there was then the opportunity to achieve volume buying of fashionable items and achieve the sort of quantities necessary for the margins on which the company operated. Moreover, the control systems in the organisation could ensure that any exercise or test would not be too costly or risky; the management were good at cost control after all. And it was the job of the retailers to make sure that merchandise, having been selected, was aggressively promoted and sold. In short, there was little risk if the exercise was controlled and carried out within the parameters of what the company knew how to do. There was, however, the need slightly to re-define what the company was good at doing, i.e. to marginally re-define strategic formulae. Historically, the buying department's particular strength had been seen as negotiation of price on bulk buying of commodity merchandise. Whilst there was no question of moving away from the perception of the strength of buying in terms of the strategic formula, there was the need to re-define the strength, not just in terms of negotiating skills but also in terms of selection skills. The buyers were good at choosing merchandise which would appeal to the target market and would sell in volume; they had 'flair'.

The solution to the advocacy that there was a need for more fashionable merchandise was therefore developed in general as a buying and control issue; it was not, for example, conceived of as anything to do with the

retail environment. As Brian Wood later observed, the view was that if you got the merchandise right "you could sell it out of fish barrels".

The specific action taken reflected this view and the marginally revised strategic formulae that evolved. Shops were selected to be included in the exercise provided that volume could be guaranteed, there was a careful roll out of the number of shops included and careful monitoring of performance. There was minimal expenditure on changes in shop layout to accommodate the merchandise. The merchandise itself began as a limited range of three piece suits, a range which the company had not sold before but which was not so diverse in range content that it posed control problems, and was 'known' to be in demand. Later range extensions took the form of the selection of fashionable type merchandise that could be re-designed and standardised overseas to achieve costs and margins.

Strategic adjustment therefore appears to take the form of adaptation according to or within the sphere of influence of strategic formulae. This does not mean that there was no perception of environmental change by anyone in the organisation but rather that the mechanism for strategic change was the re-ordering of potentially divergent perceptions through the strategic formulae. What then followed was the acceptance of modified strategic frames but here it has to be emphasised that strategic frames are adjusted to the adjusted strategic formulae: that is, what is accepted at an organisational level as the view of the company's position in its competitive environment, is tailored to the prevailing wisdom on best practice. For example, as the Fashionpoint exercise progressed the view as to the company's market position came to emphasise rather more the need to cater for younger working men who were more fashion conscious;

but this was conceived of as only an amendment to the mainline view which persisted in placing the company as the provider of basic outfitting to the working man.

It is this centrality of strategic formulae in resolving strategic problems that help account for the incremental and adaptive processes observed in strategy making. The history of Fosters through the 1970s can be seen as a period of iteration through what Mintzberg and his colleagues (1976) labelled "search" and the problem resolution phase of strategic decision making. However, it was not search preceded by problem resolution; it was search, defined in terms of the application of strategic formulae, as a means of problem resolution. The logic of adaptive strategic change is that, by defining problems in terms of solutions arrived at through strategic formulae, the integrity of the recipe is preserved and the unity of the organisation maintained. It is this process of problem resolution through search that has been identified in the proposition that partially diagnosed frame problems are likely to be defined/resolved through the mechanism of incremental action.

#### 4.3.3 What is Incrementalism?

It is now possible to be more precise as to what is meant by "incrementalism" in terms of the model of strategic decision making used here. Organisations as collectivities of individuals may generate individually divergent views about the position of the organisation in its environment: in other words, as stated previously, strategic frames change differentially. These changes in perception are not typically well-defined: they are "feelings" that something is amiss. The process of defining more meaningfully the problem is not however typically an individual activity; it becomes a social/organisational activity either because:



- the potential disruption or threat of individually conceived frame changes triggers processes to define the problem;
- the concerns at individual level become mirrored at an organisational level because of some performance linked trigger such as decline in sales or profits.

In either event mechanisms for defining the problem include:

- the explanation of the problem in terms of the strategic formulae;
- the adjustment of strategic formulae to accommodate such definition;
- action in terms of the strategic formulae which, in effect, tests out the definition of the problem.

In the event of the action being successful, then the problem can be said to be defined and solved. In the event of it not being successful then there is a re-cycling of the process until it is solved. When it is, then such changes as are necessary to the strategic frames become consolidated. Incremental processes of strategic change are, therefore, likely to be a manifestation of responses to partial strategic frame changes within the constraints of strategic formula. This explanation of incrementalism helps account for the sorts of characteristics that have been observed by those who have identified properties of incremental change as adaptive in strategic change terms, experimental in terms of the nature of such changes, involving the sub-systems of the organisation with an emphasis on diplomacy and bargaining as modes of decision making.

The question remains as to whether or not the process is "logical" and manageable as a system of strategic decision making. Pondy (1983) argues, for example, that incrementalism is "unfolding rationality", in which rational and intuitive thinking processes are united as managers symbolically think through problems, "amplifying" them as they do so for organisational scrutiny. Quinn (1980) believes that managers can and do manage incremental processes consciously to the benefit of the enterprise.

These are views about which we prefer to suspend disbelief at this point, preferring to note outcome rather than infer intention about the process as a whole. What is clear from the study of Fosters is that over time, the process led to a consolidation upon an enacted environment that was increasingly removed from the actual environment the business faced. It is argued that this phenomenon of strategic drift (the gradually widening gap between an organisation's environment and its enacted environment) is a major danger of an incremental process of strategic management whether or not there is inherent logic in such a process. The argument is not as to whether incremental processes are "good" or "bad", but whether they are sufficient in themselves. It is a subject which will be returned to later as a discussion in management terms. At this point it is necessary to examine further why the phenomenon exists as it does.

#### 4.3.4 A Cultural Interpretation of Strategic Management

The model that has been proposed also provides a basis for explanation of the inherent inertia of the process in cultural terms. It is argued here that such a perspective yields useful insights into both incremental strategic decision making processes and, as will be seen later, into processes associated with more fundamental strategic change.

Once it has been understood that incremental/adaptive processes of strategic change are rooted in resistance to, and change in, strategic formulae then the question which needs to be answered is why those formulae are apparently so resistant to change. If they were not so resistant, if they were malleable and liable to change, then it would follow that strategic change would be less adaptive and more liable to more fundamental change. It has been shown here that this is not the case.

The first point to make is that many of the formulae are embedded in the formal systems of the organisation. To take Fosters as an example, the buying formulae and the emphasis on centralised control of current costs and assets were not only linked themselves but institutionalised and capitalised in the stock control and distribution systems with computerised control systems, a specialist distribution department and a management information system built around it. This is the inertia of technical organisational commitment and is not lightly ignored or overturned. These are what Daft (1983) terms as "instrumental" symbols, that is they "serve a rational purpose, to convey information or meaning that will achieve some rational need for the organisation" (Daft, 1983, p. 202) and are likely to "pertain to well understood organisational phenomena" (p. 204).

<sup>1983</sup>  
Abravanel/uses the term "operational" to describe them. Whichever term is used the implication is the same: these are the symbolic, cultural systems of the organisation which can be identified as the more formal aspects of control: they include organisation charts, reward systems and procedural systems. The words "cultural" and "symbolic" are used deliberately. Just as anthropologists write about kinship systems or witchcraft as cultural systems in a society, so may we regard the control systems of an organisation as a feature of the culture of that organisation



insofar as "the idea of culture rests on the premise that the full meaning of things is not given a priori in the things themselves. Instead meaning results from interpretation" (Louis, 1983). It is not the control systems per se that are significant but the fact that they are "symbols" - they "express much more than their intrinsic content" (Morgan et al, 1983).

What these instrumental symbols express is aspects of strategic formulae which themselves are essentially operational and are therefore capable of such expression: for example, as has been noted, the buying formulae and emphasis on centralised control. However, Daft also identifies what he calls "expressive" symbols (Abravanel calls them "fundamental"). These "pertain to underlying feelings and emotional needs (Daft, 1983, p. 202) or with the "moral principles" (Abravanel, 1983, p. 274) of the organisation. They are less capable of being routinised because they are to do with the way in which the organisation is managed, with organisational ethos or with the social commitment of the organisation. In terms of the strategic formulae at Fosters, these would include the perceptions and beliefs about the importance of caring for employees, the value placed on loyalty, and the entrepreneurial quality of senior management and the past and present chairmen in particular. They may also include strategic frames, particularly if they persist over time; for example the perceived market position of Fosters. These expressive aspects of frames and formulae cannot be institutionalised in formal control systems, but are institutionalised in myths, stories and ritual. They are what Perrow has called "third order control" systems (Perrow, 1979) and are to do with the identification and preservation of the nature of the organisation not in terms of what it does but what it is.

Such myths, stores and ritual can be seen to exist in Fosters and do play

an important role. Many of them were recounted in Part 3 of this thesis but a brief reminder may be useful together with an indication of their role. Briefly, examples are:

On the "caring" nature of management, stories which emphasised the concern of management for staff, e.g.:

- Wilson's emphasis on the difference between retailing and manufacturing because retailing was run on "trust" and "love".
- Managers emphasised in 1980 views about the way in which managers were always given opportunity for career progression: promotion was always from within, and if someone was promoted beyond his competence then he would still be "looked after". He might be moved sideways or, if he lost status, would retain the salary. Fosters was not a company that sacked people.
- The managers also recounted how the board members took a personal interest in the wellbeing of individuals and their feelings: Mr. High gave personal advice to people about courses or career opportunity: Mr. Davison sent people Christmas hampers or bottles of brandy.

The caring attitude was supported by the emphasis on the importance of staff loyalty and the know-how built up over years of experience in retailing or buying. For example:

- Managers were proud to tell how their staff would work extra hours, perhaps "till 3 in the morning" or over the weekend in their store or someone else's to help with a refit.

- There were rituals of "Fosterisation" which ensured that everyone knew the Foster's way of retailing. Particularly in the 1960s, this did not only include the training programmes, but included bringing in some quite experienced retailers who were at area manager level in Hepworths, for example, and starting them at branch manager or assistant branch manager in Fosters. Everyone could expect to "start at the bottom".
  
- If this pattern was not followed, and that was rare, then there were rituals of initiation, particularly if they were seen by others as a potential threat to the status quo and the associated power elites. Such rituals include many of those cited by Schein (1974) and O'Day (1974) including reducing perceived and self-perceived status by "putting people down", or giving them either trivial tasks, tasks with insufficient information to complete them in order to demonstrate lack of knowledge, placing them in confused reporting relationships or not co-operating with them in their work. In his early months with the company Richard Haynes suffered many such rituals and was aware that the mythical "mafia" was trying to make the point that he was a new boy who was not particularly welcome. He had already been told that the same "mafia" had accounted for a number of preceding interlopers at senior management level.

The nature of top management in the firm, its entrepreneurial flair, the speed of decision making and the centrality of the chairman, were enshrined in stories such as the speed of decision making on new shop properties or the annulment of redundancy notices and the conversion of the Jessops factory to the making of blazers. The chairman was involved



in everything, he "had his finger on the pulse" and if that meant that he would interfere in your area, perhaps even be rude to you, well that was just part of the way the business was run.

The power of the chairman was also symbolically enshrined in the fact that in business discussions with him, for example at board meetings, his fellow directors called him "sir" and he always left the directors' dining room first. There are other examples but these serve to make the point that such stories and rituals not only exist but perform an important role. That role is to provide description and maintain informal systems (Dandridge, Mitroff and Joyce, 1980; Wilkins, 1983) which cannot be routinised. They are particularly prevalent in organisations with long serving stable staff and where loyalty and long service are highly valued (Wilkins, 1983; Wilkins and Ouchi, 1983) and where there is a congruence of general organisational goals but ambiguity in performance criteria (Ouchi, 1980).

Meyer (1982) argues that ideology in organisations may be relatively homogeneous or more heterogeneous. Abrahavanel (1983) demonstrates that within the dominant ideology there is likely to be conflict between what he terms the fundamental and the operational; that is between what the organisation sees itself as (or wishes to be) and what it has to do to operate. For example, in Fosters the high value placed upon a caring view of employees and the need to retain and cherish "team spirit", particularly on the retail side, came increasingly into conflict with the developing of more and more stringent central control, the tightening up on current expenditure and the spending of little on shop refurbishment, in line with dominant formulae of centralised and tight control of costs. Both sets of values have been described as strategic formulae, and illustrate the difference between the fundamental and the operational; and how they

might be in conflict. Abravanel argues that this conflict has to be "mediated" and that this is an important role of "myth". So whilst the systems of the organisation may represent and account for the operational, the stories and rituals described above represent the "higher order" perceptions of what the organisation is about. The stories and rituals preserve the homogeneity that has been referred to. A structural functionalist interpretation of the role of these stories and rituals would challenge the arguments of Quinn (1980) and Pondy (1983) that incrementalism is an effective and logical method of organisational learning and change, that is the union of rationality and intuition. It would argue, on the contrary, that the evidence just presented on the cultural dimensions of organisational symbolism and the previously demonstrated association of strategic formulae and power bases in the organisation, would indicate that incremental change is the product of a social, political and ideological system which is essentially self-perpetuating and conservative. The organisation can be conceived as a collectivity of individuals with potentially divergent cognitive tendencies, in which the strategic formulae, through the agencies of formal systems of control and the stories and rituals of more informal systems, mediate and regulate such divergence. The explanation of the re-interpretation of differentially changing frame perceptions through the medium of strategic formulae supports such a view.

The implication of this interpretation is the inevitability of strategic drift since over time the tendency towards conformity and homogeneity must move the organisational strategy away from its actual and more and more firmly towards its enacted environment. The predictions would be:

- a) that organisations with less homogeneity or less "efficient" means

of regulating divergence, would tend to be more capable of strategic change or more likely to pursue strategies in which they seek change; in such organisations there would be a greater reliance on the role of mediating stories and rituals to handle more heterogenous ideology. Meyer's research would bear out such predictions: these are the characteristics he found in the "prospector" organisations he studied;

- b) that strategic change in organisations with marked homogeneity and strong regulation through formal systems of control and strong power bases - the situation in Fosters - would expect to face, indeed must experience, a breakdown in such homogeneity in order for a more fundamental change to take place. This is a prediction that can be examined by looking at the way in which Fosters changed between 1981 and 1983.

#### 4.3.5 Fundamental Strategic Change: a Frames and Formulae Approach

Given the pressures for organisational continuity, how then does more fundamental strategic change come about? The Foster's case is of particular interest as a vehicle for analysis because here there was quite significant change yet without the apparent upheaval that many other companies which have gone through similar changes experience: there was, for example, no change in chief executive, no wholesale departures of managers, no takeover bid. The changes took place with relatively little disruption apparent to the outsider. Yet the changes were fundamental, including a change in target market position, in trading style, in attitudes, behaviour and beliefs of managers and staff, in management style and organisation and in the systems of operation and control in the company.



The Need for Heterogeneity: Recipe "Loosening"

Given that the understanding of the pressures for adaptive incremental change, it is predictable and, in this case, observable that faced with decline, management is likely to seek greater productivity through both tighter controls and the concentration of the strategic formulae. It is a phenomenon similar to that noted by Grinyer and Spender (1979,b). In the case of Fosters it included the staff reduction exercise with Metra-Proudfoot, the 1981 sales and "Year of the Salesman", the re-emphasis of the priority of sales margins, tighter central control of costs and current assets and the exhortation to a loyal sales force for greater and greater effort whilst seeking for lower and lower costs.

At the same time as this assertion of the recipe was underway, there were, however, significant moves within and outside the organisation which provided a basis for change. It is worth noting that it was not declining performance alone that triggered concern about the strategic position of the firm. For senior directors and Davison in particular, there was growing outside pressure which played a part. Whilst it is not suggested that such outside pressure in itself will effect strategic change, it is argued that it will tend to raise questions about company strategy. For example in Fosters, John Fallon recounts how questions began to be asked in the City of Davison as to why Fosters were clinging to some of their acquisitions and why they were beginning to lag behind Burtons. This heightened what was for Davison a personal affront that Burtons were doing as well as they were and that Ralph Halpern was becoming so well regarded in the City.

There were also divergent views about the causes of decline and what should be done about it - for example, the different views on merchandise and target market of Wood and the resentment by some managers of the

cost of diversification. These divergent views were not welded into or directed towards the creation of any coherent alternative strategy; in this sense they were not a movement for change but rather individual and diverse expressions of discontent. Nor were they in a form which fundamentally challenged the strategic formulae of the organisation. If anything they took the form of resentment that some of the more fundamental aspects of the formulae were being compromised; for example, the image of the caring company was not seen to be consistent with wholesale redundancies, whilst the chairmen flew the Atlantic in Concorde looking for more diversifications to take the company further away from its traditional base. The importance of the discontent was not that it was directed toward specific strategic change, but that it was there at all. It was a momentum which was not specific, but as also noted by Dalton (1970) is likely as a prerequisite for change. It represents the first signs of what is a necessary process of "loosening" of, or breaking down, the dominance of the recipe and the homogeneity which, it has already been observed, characterises low levels of change in strategy. This destructive process, also observed by Biggart (1977) is likely to take the form of mounting tension, a lowering of self-esteem and the interruption of traditional social ties and alliances. It is an observation which has been stated in the proposition that tension and disunity may well be necessary if resistance to change rooted in the strategic formulae is to be overcome. The alliance between buying and retail began to break down, retail management began to resent the apparent lack of concern of senior management for the shops and staff and within the merchandise department, there began a feeling that there was not the support for the buyers from the Merchandise Director that was necessary. Again this was not a momentum that was positive and directed but one which was apparently disunited and destructive.

It is important to be specific as to what is occurring here. The social pressure for conformity to norms of organisational behaviour have been noted and broadly correspond to those observed by others; they include the resistance of powerful elites to change and their assertion of power over potentially divergent subordinates (Friedlander, 1983; Pettigrew, 1973, 1984); the conformist influence of myths and symbols Dandridge et al, 1980 ; Abravanel, 1983); and the likelihood that divergent group members will be "ridiculed, treated severely and finally ousted from the group" (Lewin, 1952, p226), a phenomenon also observed by O'Day (1974). It has been shown that all these pressures for conformity lead to a typically incremental/adaptive mode of strategy development. To make fundamental change it is necessary to break the mechanisms for conformity so as to release latent divergent views and perceptions and to provide mechanisms for challenging power bases to emerge. It is a process which is here called "loosening" and which is similar to what Lewin (1952) calls "unfreezing". The process involves the necessity to devalue or discredit the formulae that are the basis for the conformity. In so doing there is likely to be the "emotional stir up" Lewin (1952) or "pain" as noted by Schein (1973) as individuals find them selves questioning their assumptions and facing a fall in self-confidence.

The mechanisms for this initial phase may be several. In Fosters they included the following:

i) The Outsider.

A number of writers on management have observed that major strategic change is often accompanied by the intervention of an outsider, usually in the form of a new chief executive (Mintzberg,



1978; Slatter, 1984; Grinyer and Spender, 1979). Whilst at Fosters there was no replacement of the chief executive, there did take place the intervention of outsiders. For our purposes an "outsider" is not defined so much as someone who is physically from outside the company, though this is quite likely to be the case, but rather as someone with little or no commitment to the strategic recipe of the firm. It has been proposed that recipe change is likely to be associated with the intervention of an outsider in the sense of an individual(s) not committed to that recipe. What that individual is likely to bring is a questioning attitude as with Haynes or even disregard for the recipe as with Saunders. They are not likely to start from or be as restricted by the recipe as are the existing managers and in consequence are more able to perceive the limitations of the existing recipe/use mechanisms for change and promote more radical conceptions of change. For example Haynes's initial step was to commission research to establish the customer view of the shops; and he spoke of himself, not as a retailer, but as someone who viewed the shops through the eyes of the customer. The effect of the market research report, critical as it was of the operation, was not to galvanize action as such but to create a more questioning and less secure view of the situation.

ii) The Exposure of the Recipe.

A second loosening mechanism is the public exposure of the recipe itself. This would be of little power in stable circumstances, but in a situation where there is growing disunity and questioning about the causes of decline, then the requirement of managers to be explicit as to what they see as the reasons for past success and present decline in terms of competitive position and the operation

of the business amounts to an encouragement of the potentiality for individual divergence of views. That is precisely what happened at Stratford. Each department, but particularly sales and buying defended their own territory. The effect was to force a critique by each party of the other and of what each saw the company as doing well or badly. This making explicit doubt and criticism in public had the effect of breaking down the hitherto unquestioning adherence to the operational constructs of the strategic formulae. It was a process which was to aid the ability to change. The managers later dismissed the meeting as negative and achieving nothing; its value was not to be measured in the extent to which it created anything but in the fact that it increased the pace at which homogeneity around the recipe was breaking down.

This was accompanied by a heightening of tension because of the reduction in adherence to the more fundamental strategic formulae to do with the nature of the business. Managers began to doubt that the business was as caring as it had been; perhaps the senior management did not have the entrepreneurial talents that could have been relied on in the past. These were concerns that were growing in the 1980's resulting a lowering of morale and loyalty.

iii) Power Re-Configuration.

The steps taken to re-configure power in the organisation were apparently, quite intentional and began with steps to disrupt the status quo. These processes took such forms as the systematic discrediting of powerful groups and individuals and the elevation of "outsiders" to positions of power and influence. Philips and Wood were put through a "ritual de-rating" process, Wood by being

pilloried at Stratford and both by being omitted from the Strategic Planning Committee. Meanwhile the outsider Haynes was raised in status and public favour by Davison. Later Haynes carried on the process, isolating Phillips, denegrating the buyers and elevating middle and junior management in what amounted to a symbolic gesture that the power of Wood and Phillips was waning.

iv) Challenging the Strategic Formulae.

In a sense all the instances of the activity cited challenged strategic formulae. There were however, some more specific challenges. First there was activity which demonstrated practically the inadequacy of strategic formulae. The mechanism of the Strategic Planning Committee was the ultimate opportunity for individuals wedded to a particular view of the way the company should function to test out their views in action. The re-merchandising of Chester and Cardiff were exercises in the application of the strategic formulae of the late 1970's. There were no organisational or particularly restrictive financial constraints placed upon the exercise which could be used to excuse the fact that the application of the formulae was insufficient to achieve the improvements required. It was a practical, and entirely comprehensible indictment of the inadequacy of the prevailing beliefs about how best to run the business. Far from being argued out in terms of the beliefs which were central to the managers, and that was in terms of the strategic formulae.

There were other less direct but nonetheless powerful challenges to strategic formulae. These took more symbolic forms. Senior managers and shop managers were asked by Haynes to wear Fosters



merchandise; hitherto most had not. It was Haynes's way of announcing that they had to respect the customer and sell merchandise they were proud to sell. The crowded window displays, traditional in mens outfitting shops, were done away with and replaced by less cluttered displays designed to be more aesthetically appealing. The view of the company as reliant on the entrepreneurial skills of top management was challenged through the vehicle of the Strategic Planning Committee which included none of them. The notion of the importance of years of retail experience in order to be able to contribute to the company was challenged by the recruitment of graduates for the first time. The reverence for the position of the Chairman, was challenged by Saunders when he first arrived in Fosters and insisted on calling the Chairman "Barry". Saunders explained: "How do you say 'you are wrong Mr Chairman' when you call him 'sir'? The very first thing I did was to call him by his first name. I have to be an equal and he's got to listen to me."

v) Powerful Advocacy - the role of the Chairman.

None of these mechanisms could have been effective, indeed they could not have occurred, without the support and encouragement of Davison. It has been proposed that the impetus for change needs a powerful advocate. That is the role that Davison undertook, and in this respect his role underwent a significant change in the period 1981-83. He had always had the reputation of intervening in trading decisions to the point of detail. Yet in the early 1980's as the company proceeded through first the Strategic Planning Committee and then the initial exercise with Saunders he took what the managers described as a "back seat". In fact, whilst it

conception of the management of strategic change from the rational models that still predominate in the literature on the subject; the inference in such literature is that an analysis of the strategic position of the business, if argued and presented logically, will result in the realisation of the need for change followed by the planning of such change. The assertion here is quite different; argued analysis of competitive position will result in initial resentment and resistance followed by the re-tailoring of conclusions into a form which is reconcilable with prevailing formulae. For strategic change of fundamental nature to occur, those formulae and the power elites associated with them need to be discredited or reduced in power. A good example which highlights the importance of the point being made here is that of the position of the merchandise managers in the early 1980's in Fosters. There was no evidence in 1980 that they were particularly resistant to the idea of a significant change in merchandise. Phillips, Harper and Thomas all argued in 1980 for changes which were if anything more radical in these terms than other managers. Yet in the 1980's as the changes brought about by the intervention of Haynes and Saunders progressed, it was they that were considered to be most resistant to change. There were political reasons for this as they were subjected to more or less systematic discrediting; but their resistance also stemmed from their perception of the need for what needed to change and what did not. In 1980 they talked about a need to change merchandise in response to perceived environmental change; in the words of this thesis it was advocated change on the basis of a gradual and marginal divergence from strategic frames: but there was no advocacy of change in strategic formulae, no re-thinking of the way in which merchandise should be bought, of the necessity for bulk buying or of pre-set high margins; and certainly no thought that re-adjustment might entail the elevation of store operations and design and diminish that of buying. Their perceived change

of strategic position was able to be reconciled with strategic formulae. The merchandise managers did not need to be convinced of competitive reasons for change since they were aware of them; but that did not mean that they accepted the implications of change. Argued need for more fundamental strategic change at Stratford based on the data from the market research had no effect on the merchandise department managers. They did not see the report as an attack on merchandise policies or requiring a change to those policies; it was a criticism of the shops.

Similarly there is little evidence that any of the managers who had been with Fosters for any duration were persuaded that fundamental change was necessary as a result of what was a sweeping and comprehensive questioning of the competitive position of the business. Fundamental change did not result from an analysis of the competitive position; it resulted from the political and symbolic confrontation of strategic formulae which resulted in a "loosening" of the recipe.

#### Re-construction

The mechanisms so far described are concerned with undermining the prevailing recipe. They are important in the process of strategic change but do not, in themselves, achieve change. There is a need for a process of re-construction after or during the loosening processes. The role of the outsider here is important too. It is likely that outsiders will be responsible for importing or advocating the revised strategy to be followed. It is not suggested here that they necessarily "invent" new solutions to problems; rather it is accepted as suggested by Grinyer and Spender (1979a) that the outsider may do no more than import a recipe, or version of a recipe, borrowed from elsewhere. The outsider's influence is valuable because he follows a different path in the formulation of strategy precisely



because of his previous experience. Specifically, the outsider will change strategy in terms of the strategic formulae which exist for him - obviously in the case of Saunders this was rooted in the perception of retail problems as essentially to do with design. However what is significant is that these formulae will very likely be subject to two modifying influences. The first is that the internal homogeneity of the recipe may be so disturbed by the loosening processes that he may more readily obtain differing views of the situation particularly at a strategic level. He will also not have any "givens" at a strategic frame level himself and will by necessity have to interpret his formulae in terms of his understanding of the particular competitive environment. This is the core of the value of the outsider in strategy formulation; whereas the typical adaptive process is the interpretation of the environment in terms of strategic formulae, for the outsider it is the exact reverse, namely the interpretation of strategic formulae in terms of a fresh perception of the competitive environment. It would however be a mistake to think that the strategy is "new" in the sense of being designed specifically and entirely on the basis of an interpretation of the competitive environment.

A view of strategy is,

however, no means by which to manage its introduction. Just as there are mechanisms which account for the loosening processes, so there are mechanisms which can be detected for the compliance with re-constructed strategy.

i) Confidence.

There is need for some means of generating confidence in the action that is to be taken. The more fundamental the change the less likely it is that there will be such confidence because it will be removed from that which is known. An example of this was when Davison held back on the appointment of Saunders. The

break with what had gone before was difficult to accept. The confidence for change came in two ways, not only for Davison but also for managers in the company. First, Saunders, the change agent was credible. He had a track record in retailing - he could "talk" retailing. Second he had the advantage of being able to demonstrate the success of his recommendations very quickly through the design of the first shop in Peterborough, a success which further increased his esteem amongst managers and their confidence in the new strategy.

There is a point of some significance here. Confidence in the new strategy did not appear to be based on argued views about the logic of the strategy. Whilst generally impressed with Saunders, many managers clung to the old recipe until there was undeniable evidence that some new approach would work. The power and importance of "showing through deeds" rather than words that change is meant and is irreversible is noted too by Sathe (1982). The demonstration of the inadequacy of the old approach was not enough in itself to create acceptance of new ways of thinking.

ii) Enhancement of status and esteem of managers.

It has been shown that the resistance to change in strategy is, at the level of strategic formulae, linked to the preservation of power which derives from association with the formulae. The loosening processes which reduce homogeneity have the effect of "levelling" such power bases to facilitate change. However to manage the introduction of change it is necessary to carry management or a coalition of managers with the strategy, which means that managers not only have to be convinced of the changes but have to

change the way they conduct their jobs, persuade others of the wisdom of the changes and get them to change the way they behave too. The changes have to take place, not through managerial acquiescence, but through managerial action.

In the case of the changes at Fosters this was not achieved effectively for the buyers but was for the retailers, and this needs to be explained. It has been proposed that acceptance of significant shifts in behaviour linked to changes in the strategic recipe will depend on the extent to which such change enhances or diminishes status. In implementing the changes in strategy at Fosters there was heavy investment in refurbishing shops, a step that had never been taken before to a comparable extent and an emphasis on the need for attractive retail premises. This was accompanied by overt dissatisfaction and disapproval by Saunders and Haynes of the merchandise managers, Phillips in particular and, as the shop re-fitting programme progressed, of the quality of merchandise, which was "letting down the shops". In other words the extent to which the merchandise department was dominant was reduced in favour of the enhancement of the status and, in consequence, the self-esteem of the retailers. It is a phenomenon also noted by Dalton (1970) who observes that the ability to change behaviour does not depend so much on the achievement of self-esteem by individuals as the fact of movement from low esteem to higher esteem. He states:

"The abandonment of previous patterns of behaviour and thought is easier when an individual is moving towards an increased sense of his own worth ... The increased sense of one's own potential is evident through this continuum, not merely at the end."

(Dalton, 1970 p.247)



If this is the case, then it would of course be a further explanation of why the loosening processes facilitate change, since by giving a basis for the raising of self-esteem after such a process, the rate of change is speeded up.

iii) Partial Implementation.

One further way in which the recipe was re-constructed was to find mechanisms at an early stage of involving and identifying managers with it. The main vehicle for this at Fosters was the Strategic Planning Committee the members of which saw themselves as the selectors of Saunders as a consultant, the architects of his brief and the collaborators in his work. They also effectively evangelised about the changes that were being promoted. Saunders actively used their initial participation and involvement, taking pains to discuss his ideas with retail management for example. Whilst this was a genuine attempt to understand the problem from their point of view, it also had the effect of continuing to involve a wide range of managers in the decisions on changes that were taking place.

Consolidation of the Revised Recipe

Since changes in strategy of a fundamental nature do not arise from strategic formulae in the same way as strategies which evolve in an incremental/adaptive mode, they are not grounded in a well established set of beliefs or perceptions. Following the changes at Fosters there were events and decisions which could be seen as means of achieving the consolidation of strategic change given that it was not possible to depend on such grounding. In effect there was activity to begin to consolidate a revised recipe. These were as follows:

i) Personnel and Organisational Changes.

There was relatively little change in personnel before or during the launch of the "new image" shops. However, when the programme was underway and shown to be successful there were changes, the most notable being the attempt (at first) and later success of recruiting a new Merchandise Director and the departure of Norman Phillips. The new director immediately brought with him a new team of buyers. Also on the retail management side the two senior Regional Managers became ill and were not replaced; instead authority was passed to the level of management below them. At the same time the decision to set up the Management Board was taken with more responsibility for decision making and planning being devolved to the businesses and away from the main board. Each decision and event had different causes and was intended to deal with different problems. Nonetheless, the fact that there were such significant and so many changes at around the same time effectively, symbolically, signalled the recognition of fundamental change. •

These processes had the dual function of 1) cementing change by what Mintzberg (1983 p.155/156) refers to as reinforcement of ideology through "selected identification", that is the introduction of personnel who are likely to support ideologies. And, 2) showing or demonstrating the performance of change symbolically through organisational and personnel changes, as noted by Pfeffer (1981).

ii) The Re-forming of Alliances.

In 1980 there was the alliance between sales and buying which

permeated Menswear and extended to some of the subsidiaries. By 1983 that alliance had effectively broken down; it was being replaced by alliances between the relative newcomers, Haynes and Fallon who were building their own network of alliances. Wood was seen to be relying more and more on Melvin Taylor and Haynes to run Menswear; Haynes had built up a team which embraced display and promotions as well as the new projects venture headed up by Tony Gray and the retail field managers were being drawn more and more into the budgetting and planning network being developed by Fallon, Melvin Taylor and the accountants. The Managers in the Merchandise Department were isolated by 1983.

iii) Symbols and Systems.

The changes were also beginning to be grounded in the symbols, formal and informal, that we have seen institutionalise the constructs of the formulae.

The financial systems were beginning to be developed, not only for centralised control, but for more localised planning and budgetting and the provision of management information to lower levels of management. The boards of companies were required to present their views on strategy to be discussed at the Management Board. Reward systems were becoming geared to the profitable performance of the business and managers were expected to attend to matters of profit at levels where hitherto they had not had such information.

Such were the sorts of changes in formal systems; they had the



role of cementing change in bureaucratic control systems. However, they again performed a second, and arguably, more powerful role, that of providing in the language of formal power, a symbolic assertion of change. As such, changes in systems were the management of symbols (Weick, 1979/ and had similar effects as less formalised but nonetheless powerful symbolic acts as means of consolidating new attitudes: these were through the same vehicle of stories and rituals that have been discussed before. The most common story that pervaded the company in 1983 was some variation on the same theme of how a converted shop, whether in the city centre or market town had had outstanding sales increases after its re-fit. Another common story was how the shop managers, "even the older ones" had adapted to the new ways of retailing: for here the rituals signifying change were most pronounced. There was to be no intrusion on the customer's right to browse; staff were to wear clothes that could be bought in the shop and only the manager was to wear a suit; staff were to wear name badges with their first names on them. The emphasis was on informality.

This conversion of retail management to the new ideas was powerfully symbolised by the conversion of Brian Wood himself who became a "powerful advocate" of the Saunders approach and as has been noted, a clear ally of those that were promoting it. A powerful symbol of the irreversibility of the changes was the conversion of those individuals who were previously so firmly associated with the old recipe. They provided a focus for the personal corroboration of change; it is a symbol of change also noted by Sathe (1982). The two most significant figures here were

Davison himself and Wood, both of whom became enthusiastic in their support for the new strategy.

The most powerful symbol of all however was the layout and design of the new shops. Their difference from the previous shops was pronounced, with mirrors, chrome rails angular surrounding walls, windows with an absence of merchandise, a pervading, and Fosters specific, green house colour and a new logo. The new shops were so entirely different and perceived to be so "glossy" that they underlined the removal of the strategy from the past.

iv) A Facilitating Power Configuration.

Implicit within a number of statements made so far is that the changes will be consolidated provided that there are no powerful advocates against it. Since power is derived from association with dominant formulae, this means that those deriving power from the old formulae must either have been converted or removed. So it was in Fosters. Wood and Davison were enthusiastically "converted", Haynes and Fallon were themselves promoters of change, Phillips had resigned and at least two of the older retail senior management were on permanent sick leave. As has been previously proposed strategic change requires a facilitating power configuration, and that is one which does not perceive such changes as incompatible with the strategic formulae to which they adhere, and from which they derive power.

## A Note on Re-construction and Consolidation and the Problem of Compliance

It was said earlier that the construction of a revised strategy does not ensure its acceptance and implementation. The problem that is raised in the discussion of re-construction and consolidation is the issue of "compliance" (Etzioni, 1961): what can be detected in the patterns of change that show why certain individuals or groups adopted new approaches whilst others did not so readily?

Several writers have proposed models for conceiving of bases for managing compliance. Whilst some suggest many procedures (Mason and Mitroff, 1983), the underlying notion conforms to those propounded by Kelman (1958) and Etzioni (1961). An amalgamation of these yields the following typology by which to conceive of the basis on which an individual or group might comply with change of the sort observed in the study of Fosters.

- "Coercion", that is the threat or application of physical, financial or psychological sanctions to induce pain, discomfort or material loss in the event of negative behaviour.
- "Remuneration", that is the reward for positive behaviour by the provision of financial or fringe benefits.
- "Persuasion/Manipulation", that is the conscious use of symbolic activity, rewards or deprivations (Etzioni calls this "normative").
- "Identification", that is the voluntary compliance of individuals because of their identification with others who are complying.
- "Internalisation", that is compliance because of commitment to the



change because it is "believed in". In this case the power of compliance lies within the change itself rather than being external to that change.

It is argued that most of these bases for compliance are observable within the change processes in Fosters in the 1980's: they are illustrated in exhibit 46. What is clear from this simple illustration is that the speed of acceptance and implementation of change was much greater the more the basis for compliance was internalisation and identification, and the slowest where coercion was required. This is perhaps to be expected. What is more significant and bears out what Pfeffer (1981 p206-7) notes, is that the use of persuasive and manipulative symbolic acts and language appears to be associated with more rapid compliance than the use of more explicit coercive power.

More specifically it is likely that the "loosening" of the recipe will result in three broad states of potential compliance. The first is those who will comply because they are committed to the solutions being proposed; the second is those who will resist because they are under political threat directly associated with the discrediting of formulae. It is the third state, that is characterised by uncertainl uncertainty and typical of many who require some form of "psychological safety net" (Schein, 1973) that is particularly relevant to the management of change since compliance of those in this state is likely to create a momentum for change. In Fosters, whether consciously or not, those most likely to resist were isolated and those in a state of uncertainty provided with powerful symbolic support mechanisms to achieve compliance which included their involvement (or apparent involvement) in decision making and partial implementation of change, visible expenditure on shops and language

EXHIBIT 46

BASES OF COMPLIANCE

COERCION	REMUNERATION	PERSUASION/ MANIPULATION	IDENTIFICATION	INTERNALISATION
Buyers threatened with loss of employment for failure to comply with, or lack of commitment to changes	Reward systems linked to achievement of profit targets	Allocation of funds to retail for re-fitting of new image shops. Appointment in new image shops. Involvement of managers in "partial implementation" of changes Group re-organisation and systems changes	Political support of Davison as respected entrepreneurial leader "Conversions" of senior retail management	Early appeal and adoption of ideas by shop management

EXPLICIT POWER

IMPLICIT POWER

RESISTANCE

RAPID COMPLIANCE



applauding changes from respected and senior management. They were also shown through the medium of stories how peers and senior management of the "old school" were converted to new ways of thinking, thus encouraging compliance through identification.

#### A Summary of The Process of (Fundamental) Strategic Change

This section has shown that rational models of strategic change which suppose that change will occur as a result of analysed perceptions of changes in competitive position are misplaced. Such an approach is likely to result in resistance to change and reconciliation of the situation with prevailing strategic formulae.

The status quo in terms of the existing recipe is preserved and protected by a homogeneity of culture, organisational power structures and an adaptive mode of strategic change. Therefore the keys to more fundamental strategic change must address these issues. It has been seen that fundamental strategic change can be better understood in terms of the following:

- Given that there typically exist forces in the organisation which create and maintain homogeneity in terms of the recipe in the organisation, there is the necessity for loosening activity to break down this homogeneity and disrupt political alliances. This mechanism facilitates the momentum for strategic change that is embodied in the potentially divergent frame perceptions of individuals. However in itself, this does not galvanize strategic change.
- The reconstruction of a new recipe by the importation of different strategic formulae which are modified according to the perceptions of



the competitive environment of an outsider and the "loosened" perceptions of individual managers.

- The re-construction and consolidation of new strategies and the revised recipe through symbolic and political processes.

#### 4.4 GENERALISATION THROUGH COMPARISON

It has been the purpose of this research to investigate and understand phenomena rather than seek for proof and over generalisation. Nonetheless the question should be asked as to the extent to which the description of and propositions about process made are of wider relevance than the particular circumstances bounded by the events at Fosters. It is proposed here that they are, and for two reasons. First because many of the observations bear close resemblance to observations made by other researchers in other contexts. Second because the findings of the research work carried out in other companies also support the findings. As the thesis has progressed numerous references have been made to work of other researchers which supports these findings so it is not proposed to repeat these again. This section therefore provides a brief account of evidence from other companies in the fashion retailing industry which supports the findings. Since interviews were carried out both in Hepworths and Burtons with senior management, wherever possible the words of the managers from those companies are used.

##### 4.4.1. The Recipe and its Homogeneity

The first point to make is that the idea of the recipe as a useful means of encapsulating the perceptions and understanding managers have of their business is borne out. Managers interviewed in Burtons and Hepworths did

give accounts of the way they saw their businesses or the way they felt others had seen them in the past. A good example is Ralph Halpern's description of what he believed the "recipe" in Burtons had been in the early 1970's. As a quotation it also serves to underline the way in which the strategic formulae, rooted in historical "best performance" dominates.

"Lots of companies view the future with a perspective of the past. They look at what they have done in the past - we have sold made-to-measure suits, therefore, we must be big in suits. That is what Burtons perspective was. Its history dominated its future. They had 14 factories with 12 or 14,000 people in them with that they forced the company under. How can we be the biggest supplier of suits in the world? So we started supplying America with suits and tried lots of means of promoting our products abroad. We did not really think which way is the market going".

According to Halpern what was driving Burtons strategy at that time was a commonly held perception of the role of the business mainly expressed in terms of what the company was historically good at doing. It was a view which was echoed by many executives about the way in which the multiple tailors viewed their businesses in the 1970's.

It has been asserted that the recipe should not be confused with description of the environment or the actuality of what a company is good at doing. The recipe is the perceptions of these things: as far as the business environment is concerned it is an expression of enacted, not actual environment. A good example of this assertion was provided by David Saunders who had worked with Hepworths in the late 1960's and early 1970's and who described their view of the business environment at the time he became involved with them as follows:

"When I first joined Hepworths they were only interested in looking at other multiples. Austin Reed did not count as a multiple: multiples had got to have hundreds of shops. I explained to them that people didn't know what a multiple was.

If you're in a high street in Dagenham, its the shops in the high street that matter."

It is possible to deduce from discussions with the managers what the recipe was for the different businesses. For example exhibit 47 summarizes the key aspects of the Burtons recipe for the early 1970's. It is worth noting that in many respects it contains constructs which were held in common across the industry and for other retailers, bearing out Spender's (1980) assertion to some extent that there are identifiable similarities between recipes within an industry sector. For example it was certainly the case for the tailors that they persisted in seeing their business as retail order points for extensive manufacturing capacity rather than as retailers per se. It is also the case that the paternalistic attitude to staff and the high emphasis on staff loyalty were, and still are, features of the way retailers run their businesses.

Cultural homogeneity supporting the recipe has been observed to be preserved symbolically. Just as with Fosters, so was it the case that many of the fundamental aspects of the strategic formulae were institutionalised through stories and ritual in other companies. The men's tailoring business emphasised the skills of tailoring by creating for it a "professional" career path; new recruits, usually straight from school, spent a year or more as a "boy" in the shop where they were kept away from customers, allowed only to observe. The shop manager was not expected to serve customers unless they were particularly important "clients". Staff could expect to progress through a strict hierarchy in shop management, much as bank employees of the time might expect. It was described as follows by Saunders about the Hepworths he encountered:

"It was like army discipline. Everyone went around calling each other 'sir'. The staff were not allowed to wear their hair touching their collar....Generally speaking people with 3 A levels and 8 O levels went into something other than shops. The



EXHIBIT 47

BURTON'S RECIPE OF THE EARLY 1970s

Strategic Frames

- The company holds a dominant position in the menswear tailoring market.
- The market is depressed with signs of (short term) decline.
- A certain amount of business is being lost to cheaper imports from overseas and to young men's fashion clothing.

Strategic Formulae

- The company's dominance is based on:
  - its extensive manufacturing capacity
  - its expertise in cloth buying
  - the skills of retail staff in meeting customer requirements
  - its extensive and well sited retail properties
- Both company and staff benefit from the caring attitude of the family and the loyalty of staff.
- Retail tailoring requires a skilled person, training and experience in tailoring is important.

multiples used to go around to school leavers saying if you want a good clean job where you can wear nice clothes, there is a job for you in men's retailing. At the same time they had a policy of promotion from within."

The social responsibilities of the Burton family were symbolized by the Hudson Mills factory and offices in Leeds, described in graphic terms by Ralph Halpern:

"People used to go to work in Hudson Road, Leeds and feel protected; it was a feudal castle. They had their lunch in the feudal canteen, the feudal barons called Burton turning up and administering the rites and allowing employment to be granted to the servants. And there would be a medical man on the premises and a bit of billiards and a bowling green. So the whole of the village set-up was really to show that we could protect you there, protect you from society."

#### 4.4.2 Adaptive Change; the Dominance and Resistance to Change of Strategic Formulae

It has been said that the adaptive strategic change that characterises organisations results from the interpretation of environmental change in terms of strategic formulae and the marked persistence over time, and resistance of those strategic formulae. Examples have already been given of the sorts of symbolic mechanisms that preserved the homogeneity of these formulae through symbols in Burtons. The behaviour of the companies which were identified as "tailors" in the 1960's as they coped with the 1970's certainly supports the above assertion. The companies were faced with extreme forms of environmental change yet they responded by seeking for adaptive means of change and resisting attempts to make more fundamental changes.

The resistance of strategic formulae to change is illustrated in Hepworths. In the early 1970's Hepworths made virtually no move to reduce their commitment to made to measure; the company followed the same

strategy as they had throughout the era of Norman Shuttleworth and continued to do so until his retirement in 1974. It was not that managers did not know that the made to measure sector was decreasing and ready to wear and casual wear growing; but as Rowley explained:

"Norman Shuttleworth was very loathe to react by introducing other merchandise. He came to Hepworths in 1948 when it was primarily an outfitter, and he could see the benefits he could reap for the company by getting rid of all the outfitting and introducing tailoring. There was something built into his system that said outfitting bad, tailoring good."

It was explained by Shuttleworth himself as follows:

"I had been in the tailoring business and I was rather loathe to let it go; possibly I said to myself if this is the way it's going to go then I've got M & S, C & A, Carnaby Street, the whole lot as straight competition, which up to that point I hadn't really had ... Here was a company for which profits were growing at a faster rate than the market generally, and to run the risk of allowing the major element in the success of that company to be diluted or even washed away completely was I thought on for us"

For Shuttleworth the competitive parameters of the business were conceived of in terms of what he and his managers knew about and could rely on as competences - what have here been called strategic formulae.

Richard Rees who joined the company in 1973, and is now Financial Director, saw Shuttleworth as reluctant to promote change, but also that there was an inertia which he described as follows:

"It was seen that the market was going but it was not seen very early on and it was not wanted to be believed. Statistical information was produced which showed the very significant decline of made to measure and there was disbelief in the figures even though their own track record was there - the very significant decline in made to measure sales through the shops. Quite what was going to happen to the business if nothing else was put in its place was never really projected."



According to Rees this "disbelief" continued until 1976 at least. Managers just could not reconcile the market changes with their view of their business world.

The resistance and power of the strategic formulae is well illustrated by the way in which they re-assert themselves even in the face of plans for more fundamental change. This was evident in the strategic changes in Burtons up to 1974. The evidence also supports the assertion that fundamental strategic change requires the breaking down of these strategic formulae.

The story is told that Montague Burton early in the 1950's attempted to introduce a higher proportion of ready to wear suits into Burtons shops; the move failed. The reasons for failure are explained by the fact that the decision appears to have been made as a response to a perceived change in the market - that is a growing market even at that time for ready-to-wear - but took shape in the image of the strategic formulae. It was conceived of as a manufacturing opportunity in which the extensive shop network were useful distribution points. There was inadequate consideration of the retail needs of stock control and display or of the merchandising skills required. The strategy was designed in response to perceived environmental change but entirely in the image of the strategic formulae which was manufacturing dominated. To illustrate the assertion that, given the intention of fundamental strategic change it is necessary to change strategic formulae, consider the attempt by Ladislav Rice, the "outsider" to change the Burton strategy in the early 1970's. Certainly Rice was the archetypal outsider as described in this thesis; his view of business was entirely different from that of the indigenous Burtons management. Businesses were asset structures requiring asset manipulation

through careful planning based on analysis of competitive environment. Implementation of strategy was a matter of structural design and the monitoring of performance against clear and specific statements of strategy and objectives. Rice was the rational manager; yet his attempts to change the menswear business of Burtons failed and amongst the reasons was that he never was able to cut the dominance of the manufacturing formulae or the paternalism of the company. As the manufacturing millstone became more acute, rather than tackling it head on he backed off it. He expected that by setting it up as a profit centre, rational managers would deal with the problem to make profits in line with market demands. It was a philosophy which discredited the inertia of strategic formulae and the power blocks associated with them. As Peter Gorb explained:

"There were two camps. Camp 1 was myself and later Spencer and Halpern. Our view was that you build up your merchandising skills, make sure that these people are based in London where 'the scene' is, recognise that design is more important than price, and get rid of manufacturing. Camp 2 was Power, Frankel and the traditionalists, the Burtons people. They argued that we had an obligation to manufacturing, to preserve a degree of made to measure and with efficient production we could manage merchandising by manipulating price. Rice stood in the middle."

It was the managers in Camp 2 who re-asserted the historical power of the manufacturing base and insisted that the retailers sell what was produced. There was to be no wholesale reduction in capacity and no large scale redundancies; the family would not like it. When Rice appointed Jim Power as Chief Executive of Menswear he had, in effect, admitted that he could not change the dominant strategic formulae. Power set about interpreting market requirements in terms of adjusted strategic formulae; what he saw was needed was tighter controls and better merchandise made in the factories; price adjustments would cater

for the required increased volumes.

### The Prevalence of Strategic Drift

It has been said that the adaptive process and the dominance of strategic formulae are likely to lead to strategic drift. Certainly in the menswear retailing industry it was not just Fosters but Burtons, Hepworths and UDS (Colliers) who experienced this. Burtons attempted to make major changes with the appointment of Rice but were unable to extricate themselves from the dominance of their past recipe; Hepworths continued to trade in much the same fashion as in the 1950's and 60's except for a widening of the merchandise range, until the late 1970's; and similarly with John Collier who retained the same family management throughout the whole time who appeared to be reluctant to make anything but marginal adjustments to their trading patterns of the decade before.

#### 4.4.3 Fundamental Strategic Change

##### Loosening the Recipe

The section which discussed processes of fundamental strategic change showed that it was necessary for there to be activity which "loosened" the cultural and ideological homogeneity around the recipe before such change could take place. This appears also to have taken place in other organisations and through similar mechanisms. Examples are as follows:

- i) The incidence of external pressure for change existed both at Hepworths and Burtons in the form of pressure from the City. In the case of Burtons this came in the form of the Scrimgeour report and in the case of Hepworths in the form of a build up of shareholding by British Land in the late 1970's. In both cases the pressure had the effect of convincing powerful main board directors of the need for change; in Burtons this took the form of pressure



by the bankers Kleinworts on the Burton family to replace Rice. In the case of Hepworths, Rowley became convinced that there was a need for outside influence at a senior level.

- ii) It has been said that there is also likely to be a momentum within the organisation for change which, initially, is likely to take the form of growing tension and disunity - a breaking down of the unity around the recipe and growing discontent with the way the organisation is being run. The effect is likely to be an opening up of internal debate about the way the business is managed. This appears to have been the case at Burtons in the mid 1970's. Mike Wood described how there was apparent relative failure in most of the businesses:

"Rymans was going rotten: Nicholson the Chief Executive was fired and that was one of Ladislav's acquisitions so he was having to admit his mistakes. Greens was sold...Evans was making money - half a million - but not a lot. The menswear side was declining rapidly...Manufacturing decline is continuing: Jim is struggling with the problem and not beating it".

This sort of decline was apparent to all within the business even at middle and junior management level. It was a perceived lack of, or loss of, direction just as at Fosters in the early 1980's. Also much as at Fosters this resulted in more open debate about the failings of the business. In the case of Burtons this was focussed at a senior level in the inadequacies of Rice and was prompted by Cyril Spencer according to Mike Wood.

"The only person who could do anything about it was Cyril who simply projected himself as the rising star. I would see it when he came down for lunch at Evans: he would have lunch with the board there and point out to us that Ladislav was useless. What he did in the boardroom God alone knows.

Cyril despised Ladislas. That was happening before Scrimgeour and after Scrimgeour, it was accelerated."

Again within the company these were seen at the time and reflected upon as destructive processes, lowering morale and depressing still further performance. It seems likely that such processes are indeed likely to have negative affects on the management of the organisation. However, it may also be that they are necessary if there is to be a break with strategies built upon the existing recipe. Organisations faced with the sort of disunity and tension noted here may continue to suffer such negative affects until additional mechanisms of loosening and mechanisms for re-construction of strategy are employed. It is proposed here that the speed with which such mechanisms come about may well be linked to the nature of the management of the business. This is discussed further below.

- (iii) Accompanying the growing tension, it may be that there occurs some mechanism which effectively demonstrates the inadequacy of the existing recipe. In Fosters this included the re-merchandising of the Chester and Cardiff branches by the Strategic Planning Committee. In Burtons it took the form of the attempts by Jim Power to apply "traditional" strategic formulae in an attempt to resolve the problems.

As one field retail manager of the time explained:

"They invited us up to Harrogate when Jim Power took over and gave us a presentation on what was going to happen. We were told it would be tough and we all had to pull together or we would go down. Most of the new merchandise we were shown was imported stuff, casual wear and cheaper ready to wear suits... But when we got back out in the field not much

changed. They put in some new merchandise, but it was added on rather than instead of the bespoke tailoring. You had a bit at the front of the store for the new merchandise and the rest was the panelled walls and pattern books. There was no training in sales of shirts or casual wear - it just appeared. Shops weren't re-laid for the new merchandise or re-fitted. I was conscious we were still bespoke tailors and all the communications from head office were about promoting the sales of particular cloths. Commission for staff was based on the selling of cloth and on the new merchandise. We had a lot of cloth to sell."

In Hepworths the situation was much the same: additional products were introduced and there was a growing percentage of ready-to-wear sales. However, the business remained that of a tailors; the aim was "to do better what we know."

In neither case did the attempts to re-adjust strategy in line with the recipe result in improved performance. The outcome was not the automatic overturn of the recipe itself, but rather an increasing recognition of the inadequacy of the policies being followed. The speed with which this momentum is translated into more fundamental change appears to depend on the time it takes for the "outsider" to intervene.

- (iv) The arrival of the "outsider" may not in itself result in change. It does, however, expose more clearly the tensions which have built up in the organisation and raise and accelerate debate on the assumptions underlying the strategy. For example, in Hepworths with the arrival of George Davies, there was parallel activity to some of the moves made by Haynes at Fosters. Haynes decided that market research was required: Davies took a more unstructured approach by personally touring U.K. cities to see shopping patterns and to talk personally to shoppers. He was



building his own view of the market, rather than accepting the prevailing recipe. His views were then held up to public scrutiny, just like the findings of the market research at Fosters, at a meeting of senior Hepworths managers. Perhaps, not surprisingly, there was little sympathy for his interpretations and proposals from many of the managers; others, however, were impressed by his views.

The role of the outsiders as promoters of debate and disruptors of the homogeneity of the recipe is well illustrated by the way in which they have been used consciously by management at times of successful strategic adjustment - that is at times when the company has demonstrated, in terms of financial performance, a capacity to change in line with market changes. For example, Norman Shuttleworth's use of Hardy Amies in the 1960s in particular. Shuttleworth explained that Amies "Wanted to do all sorts of silly things that were of no interest to me." However, Shuttleworth described Amies as a "sensor" for the business. David Saunders recounted what Shuttleworth told him during his time at Hepworths:

"If we had done what Hardy Amies said, we would have been bust years ago. Hardy Amies showed us a way forward and we decided where along those lines we should go. Should things change, we had no fears because we knew we could leap ahead. So it gave us fantastic confidence."

It is a view of the use of outsiders as the agents of differing perceptions that has also been promoted by Ralph Halpern during Burtons success in the late 1970s and 1980s; when asked why this success had occurred, he explained:

"You can't do it by getting the same people to think about

visions of the future. You have to have other people who have not been infiltrated by this whole process. So you bring people in from outside to recommend what you do in one particular area. These are outside brains who are experts in their own particular field. We employ consultants in almost every single field in this company. Every top director has access to outside consultants so he can make no excuse for becoming isolated."

What occurred in all the organisations was the breaking down or loosening of the homogeneity of the recipe. The speed at which this loosening took place varied; in Fosters it was relatively fast compared to Burtons or Hepworths. It is not easy to generalise about the reasons for such variations. It is, however, noteworthy that the efficacy of loosening mechanisms (e.g. the intervention of an outsider) was dependent on a number of factors :

- (i) The extent to which there was powerful advocacy for such mechanisms, as there was at Fosters by Davison for the Strategic Planning Committee and the outsiders Haynes and Saunders.
- (ii) Linked to this, the power balance on the main board, or equivalent decision making body, around the existing recipe. For example, it is arguable that the outsider Rice could not implement a strategy, the implications of which challenged the existing recipe, precisely because the recipe was the property of the Burton and Jacobsen families and at least one executive member of the board - Jim Power. Similarly, in Hepworths, despite the departure of Norman Shuttleworth, the main board remained similar and dominated by the Chadwicks until the late 1970s and the arrival of Conran, Stoddart and Morgan, who were, with Rowley, prepared to support the ideas of George Davies against the wishes of many of the managers who might, in the past, have expected support from the

board.

- (iii) With this in mind, it is arguable that the reason for such speedy support for change in Fosters as compared with the other companies was that the power in the company was centralised on one man primarily. The extent to which support for change was forthcoming therefore, depended on that one man. There was no family influence or spread of power across the board; it was recognized as autocratic and personalised management. It is perhaps paradoxical to suggest that such a management system might facilitate change and indeed it would not, unless the individual was himself able to see the need for breaking with the past, if not the means of doing so. The proposal is that in circumstances where there is a necessity for fundamental change rather than adaptive change, it is likely that such personalised initiation and support of action may be most productive. It is an observation similar to that which Mintzberg and Waters (1983) make with regard to the tendency of firms to revert to simple, entrepreneurial systems of management from "machine bureaucracies" in the face of the need for major change.

### Reconstruction

It has been argued that the major influence on the reconstruction of strategy will be through an outsider and the importation of his new formulae which are interpreted according to a fresh and loosened perception of the competitive environment. It is precisely this which occurred in both Hepworths and Burtons. The outsiders are introducing new strategies only in so far as they are new to that company; they are not new to the outsiders themselves since they are refinements of what



they know well. Some examples make the point. To go back in time, Norman Suttleworth, who joined Hepworths in the 1950s was hailed as the man who turned the company from a disorganised jumble of small outfitters into a nationally known menswear tailor; yet what was a very different strategy for the company was not new to Shuttleworth:

"I was moving the company into a market which I understood, in which I had a degree of experience and where I had also a fair number of good contacts among the cloth suppliers in particular ... To get suppliers at that time (1950s) was not easy. So in a sense, I was just moving along a road that I knew well and it worked."

The evolution of strategy at Hepworths in the late 1970s can be seen as the application of the strategic formulae of outsiders. First Terence Conran, taking over as Chairman, embarked on an expensive shop refitting programme; it was a designer's view of retailing. Then George Davies introduced at Hepworths a radical new strategy for womenswear and for menswear in 1984; but if his personal views and experience of business are understood, then what emerges is that he was applying his "strategic formulae" to a new setting. However, what Davies himself and those around him say he introduced, was a new way of conducting a menswear business - new strategic formulae - adapted to Hepworths situation. George Davies explained part of this in terms of his experience in mail order:

"You invest in a book and you have a finite time to sell, so there is a discipline. A lot of retailers I know can convince themselves that the suit you are wearing, which is a slow seller, will be alright next season. If you look at Next and its disciplines, you'll see we have a finite season. I went in with a package of merchandising and computer systems ... What we majored on was these control factors. We have to set up a plan which allows us to be wrong. You buy the range of clothes and you get a different sales profile from what you estimate in most garments. There are things you will buy ten thousand of and we have an ability to sell forty, and there are things we buy ten of and we sell two. If you buy everything from the Far East, you

are committed a 100%, you have to hope everything will sell. We major on the forecasting, replenishment and the contact with suppliers to handle these deviations. We can finish a season on a finite date and get out with one and a half weeks stock. They (Hepworths) didn't understand that."

Richard Rees explained how the view of the importance of planning and control took effect in merchandise terms:

"Basically, down here they put together the range. They think of the colour schemes, then they put them into design and then they go out to manufacturers to make the garments. Hepworths old buying team went out and found people who were making garments, had a look at the finished product and said we will buy those - crudely, that is the difference. Here it is relatively."

It was an applied way of running a business, rather than a set of systems which were "invented" to meet the analysed needs of the business environment. Indeed, Davies has some difficulty in being precise about what the nature of the market is he is aiming for; what he is clearer about, is that the way he operates the business, positions it in a gap in the market. His view is that whilst others are selling commodities, he is selling design. Similarly, the new strategies for menswear introduced by Halpern's team were applications of existing formulae interpreted to the needs of menswear. Mike Wood explained how they saw the bases of retailing as transferable:

"If you have a grasp of what a merchandising reporting system should do and how warehousing and transportation should interlink with those merchandising systems; if you have a grasp of how shops should be laid out and the stuff you sell most of goes at the front and the stuff you sell least of at the back; if you have a grasp of the notion of potentialising - if you see something good, do more of it, if you see something bad, get rid of it. If you have that concept which Jim did not have: if Jim saw something bad, he tried to make it better. If you have that concept which Ralph has got, then it doesn't matter if you are running Next or whatever, you have the conceptual tools.

There is a theory that women's wear is a little bit more demanding; its faster moving and on shorter stock-turn. If you

are tuned up to do women's wear, you can handle menswear. Menswear is perceived to be the more slow moving thing."

These are very much views of best practice in retailing according to the present Burtons management. How they were applied to menswear was also described by Wood:

"The first thing we had to do was to segment the menswear market. Ralph had the marketing understanding that the menswear market - he knew that Top Shop was directed towards the younger womenswear market - he reasoned that there ought to be a similar menswear market."

Wood claims that Halpern had already made his mind up that age segmentation was the way to seek for a positioning of menswear in the market:

"We found a great stack of market research reports ... I found one which spelt out most distinctly what the market requirement was, which was two separate chains. I think he'd made the decision in his mind before I found the stuff in the cabinet."

The formula of how to run the business was pre-ordered, it was interpreted in the light of the understanding of the environment that the new management team reached.

The reconstruction process was accompanied by mechanisms to carry with the changes a significant and relevant proportion of the managers in the organisation. By this is meant managers who were necessary in the implementation of the new strategy and either provided additional power backing for change or divided an existing power grouping which could block change. The mechanisms used to achieve this appeared in Fosters to be two and are again present in both Burtons and Hepworths at the times of their changes. They were the building of confidence around the proposer



of change and the manipulation of symbolic mechanisms to achieve compliance.

Confidence was built in Burtons not through advocated plans, but through action. The confidence in Halpern did not arise because of his analysis of the menswear market and his plans for menswear, but because of his track record with the success of Top Shop and his ability to demonstrate to managers and staff fast that he could repeat the success with the menswear business. By the time Davies had taken responsibility for the menswear side of Hepworths, the initial reluctance about his ideas had been swept aside by the success of Next which had been carried out outside the mainstream menswear activities of the company.

The symbolic assertion of change took similar forms as in Fosters. The raising of self esteem was most marked in Burtons where the launch of Top Man was accompanied by shop refurbishment of an exceptionally high standard and thoroughness. The old fashioned tailoring shops were completely gutted and refitted in the most lavish style. It was activity and expenditure directed towards the retail side of the business at a level which they had never before experienced and which they saw as a public statement of the enhanced role they were to play in the company under the new strategy. This was accompanied in both Burtons and Hepworths with the internal and external language of applause for change through the public relations promotion of the success of changes; internal house magazines and newspapers regularly featured the stories of success. Reorganisation also accompanied the strategic changes, this had the dual function of symbolising change and providing coercive and remunerative incentives for compliance.

Both Halpern and Davies changed the management of the businesses they moved into by removing senior and usually older managers and replacing them by elevated younger and more junior management. The intent was to move aside traditional barriers to change; the effect was also to provide opportunities for promotion.

George Davies explained this approach as far as his management changes of Kendall personnel were concerned in order to launch Next. It was not just a matter of dispensing of older or senior managers, but of raising the esteem of those he wished to carry with him:

"It's the people at the top who have to go if the business is not doing well, and you have to bring people in here. The troops were fine. Normally down the line, people had been working bloody hard without any pats on the back. They're the ones that the top people normally blame."

#### Consolidation of New Recipes

Given change, there is then a consolidation process to ensure that the old recipe is replaced with the new. The forms that this took in Fosters are also demonstrated in Burtons and Hepworths to a greater or lesser extent. However, the added advantage we have as far as Burtons is concerned is that the changes introduced by Halpern and his team began in 1976 and, in consequence, there is the opportunity to consider eight years of management, during which the company has been extremely successful. The management approach during this period yields some further interesting insights into the incremental management of strategy - for that is what has characterised Burton in that time.

The mechanisms for consolidation following fundamental strategic change are borne out in Burtons and Hepworths and had the effect of diminishing

the likelihood of a regression to the old recipe. There were personnel changes which were characterised by the replacement of personnel who were wedded to traditional views by those who were not, or who stood to benefit materially, or in terms of status by supporting new views. In particular, executives who had, or could exert political influence were removed. This was accompanied by a re-configuration of the power base such that it was likely to support the advocated changes. For example, in Burtons, Halpern, on taking over menswear, removed the existing Menswear board and replaced it with the six man Management Board already running Top Shop. The same board also replaced the resident board at Dorothy Perkins on the takeover of that company. Similarly, George Davies, on being invited to take responsibility for Menswear at Hepworths agreed to do so providing Ashcroft, the Finance Director on the main board and Russell, the existing Managing Director of Menswear, left the company. In turn he gave the responsibility for menswear to the existing executives responsible for the Next operation.

These were more than political moves to ensure the reduction of the opposition to change. They were also symbols of the permanence of changes that had taken place and there were other such symbols. For example, Davies insisted that not only Next, but the menswear operation should be run, not from the Hepworths tower block, built by Shuttleworth in the early 1970s, but at Enderby in rural Leicestershire, over one hundred miles away. It was a dual removal from the political influence of the board and the image of the past. The geographical removal of personnel and operations appears to have been just such a symbol in Burtons throughout the 1970s. First, Rice moved his new team from Leeds to London, then when Power attempted to re-assert a more traditional approach to the menswear problem, he moved the operations back to Leeds



again. When Halpern took over, he consolidated the changes he made by again moving the Menswear operation back to London.

There were also changes in systems of reward and control which formed part of the consolidation process. These are particularly interesting to examine in Burtons, because they introduce a dimension to the notion of consolidation which has not yet been considered. The danger of consolidating a new recipe is that it becomes as rigid as the former recipe and leads to exactly the same sort of problems of drift previously described. The evidence is that Burtons have succeeded in adjusting strategy successfully over a period of eight years; the question may be asked if the systems Burtons have adopted have within them mechanisms which provide the ability to avoid such drift. It is not claimed here that this can be asserted; it is, however, interesting to note that within the systems of control in the business, there are both those which preserve essential homogeneity around discernible strategic formulae and also those which appear to be designed to create and maintain heterogeneity.

Consider first the systems for the creation of heterogeneity, that is the avoidance of conformity around a recipe. First, the organisation structure in the company is designed to channel information of a potentially conflicting nature to main board level. Each business in the Group has its own board with functional positions replicating the functions on the main board; but each of the directors of the business boards reports direct to a functional managing director on the main board; there is no chief executive for each individual business.

The effect is one of fast information transfer up and down the organisation. Halpern explains that this means that, "My particular

philosophy penetrates right through to the bottom", but also means that information in "raw" form reaches Halpern and his fellow main board directors in an "unfiltered" form:

"If you have a series of managing directors in the divisions and you sit on top of that, you are more likely to get out of touch with that. If you filter all knowledge through one individual, its very much filtered, so you only hear what he wants you to hear. Its really an explanation of his good performance, or poor performance, as filtered by him. I know, because I've done it myself. What we wanted to happen was that central management should keep in touch with every facet of the business. They can see whats happening down to the market place. I am going to meet with all the problems at the end of the day: I might as well listen to the truth"

Also, because there is no chief executive of each business, it means that information may reach the main board in conflicting forms. Conflicting interpretations of situations and conflicting recommendations for action for businesses across the whole company have to be reconciled at main board level - and this can be for highly operational aspects of businesses. Halpern again:

"Product competition with the merchandise director and the concessions director can get pretty competitive. They have to compete for space in the same store."

The structure also means, of course, that the whole system is centralised with the main board involved in detailed business issues at times. Here then is a system which at one and the same time means that the most senior management in the organisation can centrally influence all aspects of the business, but also continually have to face the potential conflicts inherent in each business unit.

A second mechanism for introducing heterogeneity into the system is that of targetting. Halpern consciously employs targets of turnover or profit to

challenge the prevailing norms of managers in a business. He gave the following example for the Evans Outsize business:

"In Evans I said I wanted them to make £6 million within so many years, and they were making nothing. The chief executive - we had a chief executive then - said, "I can't make £6 million". This enormous market of so many millions and all those shops and we make nothing out of it, and we want £6 million in so many years; go and do it. You suddenly find that the man changes or he leaves. On the assumption that he stays with you, everything in that business has to change all the time to cope with that. Provided you keep your targets far ahead of where you are, you have to change."

Similarly, Halpern gives the example of his attitude to depreciation:

"Depreciation periods were such that you had to go on with the same assets for years whether or not there was a change in the environment around you."

Rates of depreciation are now adjusted to faster replacement of fixtures and fittings so that it can be expected that shops, for example, will be refitted frequently. The system is geared to change.

A further example of the introduction of heterogeneity into the company has already been described. Each main board director has access to his own consultants. These are not so much consultants to the company as consultants to individuals; the result is that differing perceptions of problems are built into the discussion process and moreover, executives are encouraged to challenge their conceptions of the business more openly than they might with colleagues on the board. It is seen by Halpern as a mechanism to prevent individuals becoming insular. Indeed Halpern describes the sum of these mechanisms as "a method to keep yourself finely tuned".



Whilst with Burtons there are grounds to say that such systems seem to work in the sense that the company has consistently grown in measures of size, employment, turnover and profits over the last six years, there is less evidence that the systems employed elsewhere in the industry will have the same effect. However, it is worth noting that the same idea of the building in of heterogeneity is present in the views on management style of George Davies at Hepworths:

"Everybody calls me 'George' and I listen to them. It's about a management style. If, at the end, you marshal the forces of those who work for you, you have a fair chance of success. You do not have to have a brilliant idea. Most of the firms I have worked in, they work against themselves with different departments not talking together and jealousies and so on. It's family. I try to run this group as a family. Someone has got to take decisions, but the ideas I want to come from around the table, or the girls in the shop. The art of being receptive because I'm as good as what people tell me about. If you can be receptive and allow people to say what they want to say without them having their heads chewed off. So you chew their balls off if they start acting big for their boots."

Again, it is centralised management, but building in an organic dimension. Mintzberg (1979) argues that it is just this system of centralised organic management that is suited to businesses facing dynamic, but fairly simple, environments, in the senses used by Duncan (1972). It could be argued that fashion retailing is just such an environment; there is a high propensity for market change, but a relatively low level of complexity required to actually run the business. It, therefore, makes sense to maintain the ability to make fast decisions and allocate resources speedily from the centre, but provide a basis for sensing environmental change.

#### 4.5 IMPLICATIONS OF THE FINDINGS

In this section, the implications of the findings are discussed. Underlying the discussion is the proposition that the study has provided a useful basis upon which to conceive of strategic management which is helpful in terms of management and intervention in strategic decision processes, in the teaching of the subject and in research in the field. The research has resulted in explanatory models of both incremental and more fundamental modes of strategic change, which are more explicit than hitherto. Models of strategic management which have been employed in teaching, planning and intervention (e.g. by consultants) so far have, in the main, been normative, rational and lacking a grounding in empiricism. They have, however, permitted quite precise notions of the management of strategy to emerge; there has been emphasis on the need for careful analysis of environmental and resource positions of the organisation (Porter, 1980), on the centrality of objective setting (Argenti, 1968), on choices of strategy based on severely analytical techniques as with the PIMS project (e.g. Buzzell, 1975), checklists (Tilles, 1963), through to statistical modelling of operations (e.g. Moore and Thomas, 1976). The weaknesses of the roots of such approaches is their insufficient grounding in the practice of management. The common denominator of more descriptive models of strategic management has been the theme that strategies do not arise from analytical, rational processes, but need to be seen in the ideological or political and cultural (Pettigrew, 1973, 1977, 1984; Ouchi, 1980; Hambrick, 1981; Miles and Snow, 1978; Meyer, 1982), frameworks of the organisation or as evolving and adaptive from an existing base of preferences (Quinn, 1980; Cohen et al 1972; Mintzberg, 1978). However, there has been little attempt to develop models which build on the reasons for the ideological and incremental

nature of the development of strategy. This research has attempted to delve into just those reasons and helps to develop explanatory models which can guide the management of strategy more fully.

In the next two sections, the way in which the models are useful in management terms are examined, first in the management of incremental processes and then in the management of more fundamental change.

There are then sections on the implications for teaching and research.

#### 4.5.1 Managing Incrementally

In Fosters, in 1980, there existed quite explicit recognition that the company managed incrementally; that word was not used, but the nature of the management system described was incremental in the sense that Quinn (1980) means it. The logic of this, according to the managers, included the following views:

- Small movements in strategy allow deliberate experimentation and sensing of the environment through action; if such small movements prove successful, then further development of strategy can take place.
- Shareholders expect short term return, therefore, it is not sensible to commit large sums of money to major shifts in strategy.
- It is better to make continual adjustments to strategy so as to keep in line with market changes; if this is not done, then the company's strategy will become atrophied and over time will lead to the need for radical repositioning. (It is ironic that this reason was given quite explicitly in 1980 and it was felt then that a good example of atrophy and attempted radical repositioning was Burtons, whereas Fosters had been more able to change in line with the market).
- The nature of retailing is particularly suited to incremental adjustment, since there are few really fixed costs and assets; for



example, property is saleable. It is, therefore, much less of a commitment and risk to try out a new strategy, because it can be done by opening a few new shops, or adjusting merchandise in shops; if this does not work, then the shops can be disposed of, or the merchandise sold off with little loss.

-In a business in which there is a high regard for people, it is important not to "rock the boat" too much; people will go along with change much more readily if it is gradual and they can become used to it. These are the sort of reasons given by the managers at Fosters for what amounted to an espoused theory of incremental strategic management. The reasons bear a striking resemblance to those given by managers to Quinn in the research he conducted in the late 1970s and which resulted in his advocacy of "logical incrementalism". This thesis has supported the fact of incrementalism; it exists as a phenomenon. It has also provided reasons for its existence which suggest that incrementalism results from other than the espoused reasons and has real inherent dangers.

In a brief pamphlet, published by the Corporate Consulting Group (1982), the following appears:

"The frog has two possible reactions to a signal, depending on its abruptness. Sudden signals spell imminent danger and the frog defends itself by a reflex leap from one place to another. Soft signals, however lethal in their accumulation, produce no reaction. The same frog will sit immersed in water which is gently heated to boiling point causing death. The sensory mechanism of the frog is impervious to weak signals. This is a direct analogy of corporate behaviour".

The dangers of incrementalism arise because, as a system it is rooted in the interpretation of events in terms of the recipe and, as has been

shown, the strategic formulae. The sensing of external stimuli is, therefore, muted, because the stimuli are not meaningful in themselves; they take on relevance in terms of the recipe and are operationalised by reference to the strategic formulae. The specific dangers have already been demonstrated and include:

-The belief by managers that they are adapting to a changing environment when, in fact, they are adapting only to signals which coincide with the recipe. In effect, strategic change occurs if the environment shifts in the direction of the recipe.

-Since power in an organisation is associated with dominant strategic formulae, there is bound to be resistance to "deviant" interpretations of the environment if they threaten the strategic formulae. There is then political pressure for marginal adjustments to strategy which preserve the strategic formulae. It has been seen how this may be achieved by re-interpreting signals in terms of strategic formulae.

-Because incremental systems of management work on the basis of the application of the familiar - of best practice - to a situation, there is a good chance that there will be signs of improvement or success in terms of measures of performance, simply because managers know how to make the system work. Such signs of success are likely to further reduce the likelihood of more fundamental changes in strategy.

-Over time, there is, therefore, a likelihood that organisations that adapt strategy in these ways will experience what has here been termed "strategic drift", that is, they will become more and more removed from the reality of their environment and more and more wedded to an enacted environment. This will eventually result in the need for the very "radical repositioning" that their espoused theory of adaptive and gradual strategic change seeks to avoid.

In terms of practical implications for management, the concern here is



that these dangers are not sufficiently explained. The recent advocacy of incrementalism in effect tells managers that, whereas hitherto management theorists have assumed that managers behaved irrationally, this is not the case; in fact, the way managers manage is logical. The criticism here is that such advocacy appears to be based on the espoused theories of managers, rather than a study of management process and the development of strategy in firms. It is not argued here that incrementalism is in some way "wrong"; it is accepted that incrementalism, as a mode of management, is a natural outcome of the fact that organisations are collectivities of individuals who order their world in the way described in this thesis. It is not a question of the extent to which incrementalism is "wrong" or "right"; what is important is what can be learned about managing incrementally so as to minimize the inherent dangers and ensure that the organisation responds to the changes taking place around it. It is argued here that this study illuminates both dangers and lessons. The dangers have already been discussed. The question remains as to how it is possible to avoid them.

Managing effectively incrementally depends crucially on understanding the significance of the strategic recipe and the strategic formulae in particular. There is a need in all organisations for homogeneity of beliefs and expectations about the competitive environment and modes of operation. It is not possible for individuals to re-invent their cognitive world every time they face a new situation; individuals operate on the basis of cognitive maps. It follows that in a social setting, there is need for some conformity of approach to interpreting new situations; without it, there would be no organisational action, merely as many responses as there were individuals. The recipe is that



set of beliefs which is held in relative commonality which achieves this. However, if homogeneity around the recipe is essential for the preservation order, so is heterogeneity for the ability to change. It has been seen how the dominance of the recipe tends to reduce forces for heterogeneity.

What is needed, is controlled challenge to the recipe. In many organisations, this has been recognized as necessary and devices, such as corporate planning systems, or departments set up, or marketing research, or environmental scanning, regularly commissioned. The aim of such devices is to raise questions about the organisations competitive position and perhaps recommend action that should be undertaken. In the terms of this thesis, such devices are designed to challenge the strategic frames that exist as part of the recipe. It has been shown that this is unlikely to be a means of ensuring change, because such challenges will be re-interpreted in terms of the strategic formulae and result in marginal adaptation.

The need is for controlled challenge, not only at a strategic frame but also at strategic formulae level. This study has revealed some devices for achieving this and other writers have made recommendations which can be evaluated in terms of their likely effect in achieving controlled challenge of formulae.

Argyris and Schon (1978) argue that individuals in organisations must learn to accept and operate according to their notion of double loop learning, if organisations are to be able to cope with change. The argument is that individuals must learn to live with ambiguity and be self challenging, rather than seek for conformity. It reduces the problem of organisational learning to the level of individual learning

and simply asserts that since organisations are collectivities of individuals, the extent to which the organisation can learn is dependent on the ability of its individual members to learn. Argyris and Schon found that it was remarkably difficult to achieve double loop learning in individuals. Wildavsky (1972) has argued that this may be because individuals do not wish to live with constant change, become cynical of organisational change as "the wisdom of the day before yesterday gives way to new truth, which in turn is replaced by a still more radiant one" (p. 513) and that, in any case, constant change is very costly to bear. The fact of the matter is that the idea of constant change as acceptable as an ideology, in itself is neither practical or consistent with individual needs and cognition. It is accepted here that what is required is not ideologies of change to replace inherently conformist systems of management, but mechanisms to challenge the conformity.

Such mechanisms include the following:

- The exposure of the recipe to outsider recipes either by the recruitment of outsiders with different views into the organisation (Lindblom, 1959), or by the use of outside consultants or non-executive directors as change agents (Bennis, 1966). In the case of the outside consultant, the emphasis needs to be on the encouragement of criticism and challenge.
- The role played by such outsiders could be built into the questioning role posited by Townsend's (1970) "court jester" or more formally stated as devil's advocacy by Cosier (1981), Janis and Mann (1977), Schwenk (1982) in which "one or more members of a group questions or challenges the assumptions made by others" (Schwenk and Huff, 1982 p. 2). This procedure is claimed to be effective in identifying underlying assumptions of decision makers, though it is criticized by Beyer (1981 p. 194) because it assumes "naively that no difficulties arise from the



unwillingness of organisational members to yield on matters of self interest".

-This challenging of assumptions might be encouraged within the organisation by the sort of organic style of management cultivated by George Davies at Hepworths; it is the deliberate attempt to raise the level of tolerance to debate and dissent (Hedberg, Nystrom and Starbuck, 1976), particularly of those in positions of power. It might be added, that even in organisations which might benefit from regimes of tight regulation and control - Mintzberg's (1979) "machine bureaucracies" - it is unlikely that such rigid cultures are advantageous at all levels in the organisation, or all parts of the organisation and it is argued here that there are few contexts in which the encouragement of questioning at senior level can be anything but beneficial.

-It may be possible to minimize power differentials in the organisation (Assael, 1969). For example, it is arguable that the structure that prevails in Burtons, with six functional main board directors replicated in each of the operating businesses, makes it very difficult for one director to build up a power base over another, since they are continually being played off one against another, whilst those who report to them are faced with potentially divided loyalties between function, business and Group.

-Examples of how in Burtons the control systems of the organisation were used to challenge pre-conceived notions of operating have been cited. Targets were used to force rethinking of assumptions and expectations of the business for example. Similarly, in both Burtons and Hepworths, computerised stock control methods, to keep stock to a minimum, were not used simply for financial benefits, but also to challenge managers' assumptions about what would and would not sell in the shops. It was not seen as sufficient to base next year's forecasts on last year's performance; next year had to be thought out afresh. Executives might



be encouraged to question the role of the control systems in the organisation; are they there to monitor what has happened, or to force questioning about what should happen?

-Hedberg, Nystrom and Starbuck (1976) argue that homogeneity can be minimized by diversifying the business and decentralising authority to autonomous sub-units, so that each sub-unit creates a potentially conflicting way of operating and assumptions about its environment and operations. There is contradictory evidence in this study of the benefits of this. In Fosters, managers argued that the failure to give autonomy to the acquired retail businesses led to their decline, because Fosters systems were forced on businesses not suited to them; it was argued that the company had to cope with businesses that had to operate in different ways and would benefit from doing so. On the other hand, it is clear that the systems of retail control employed in the Burton Group are applied across the businesses in the Group and in that sense, there is little autonomy. The senior management of Burtons would argue that the aim is to provide a clear centralised set of guidelines within which it is for the managers of the businesses to decide how to operate. It is not clear to what extent this aim is achieved in such a way that there are actually generated challenges to strategic formulae by managers in the operating businesses.

It is not suggested that these are the only methods available for the generation of the required heterogeneity, nor that they can, or should, be used in total. The examples are used to show that there do exist such mechanisms and that they do perform the function of reducing potentially dangerous homogeneity around the recipe which can lead to the sort of strategic drift observed in this study.

#### 4.5.2 Managing Fundamental Strategic Change

If, as has been suggested, incremental processes are likely to result in time in strategic drift, the need for more fundamental strategic repositioning of the organisation is also likely. This section discusses what this study and its resulting models suggests as guidelines for the management of such change.

It has been proposed that the recipe is made up of strategic frames and strategic formulae, the most persistent being strategic formulae, which are particularly resistant to change. The reasons for this resistance has been explained as the mechanisms for preserving homogeneity around the recipe through mechanisms, such as power derived from association with strategic formulae and the institutionalising of formulae through systems and symbols. The further proposition has been made that fundamental strategic change is achieved by loosening the mechanisms which preserve the recipe, providing potentially divergent individual perceptions of the competitive position of the organisation, greater expression and introducing outsider conceptions of strategic formulae into the system. The claim that is now made, is that this notion of strategic change is as capable of analysis, planning and management as more traditional notions of strategic management based on normative, rational models.

Central to the achievement of fundamental strategic change, is the introduction of a different strategic recipe; this does not mean the introduction of some one person with new strategic proposals, but the changing of the recipe held collectively by the individuals in the organisation. The change process must, therefore, be essentially cultural, political and in terms of the systems of the organisation, since it is through these mechanisms that recipes are preserved or



changed.

It has been seen that a new recipe is likely to be introduced through the vehicle of an "outsider". Theoretically, since that outsider is defined in terms of an individual adhering to a different recipe, it would be a deviant individual or group within the organisation, but it is more likely that the recipe will need to be imported from outside the organisation. The problem is not so much the need for the outsider, as the means by which he can be introduced and supported, so as to achieve change.

#### Power Holders as Catalysts

The evidence is that the mechanisms for change will not be successful unless there is support for change agents from a recognized power base within the organisation. The difficulty here is that the power base - typically the chief executive - may be the most reluctant to accept the need for fundamental change, since his own position of power may be derived from association with the very strategic formulae that will be the subject of attack. It is for this reason that fundamental change is often accompanied by a change in chief executive; it is not necessarily because the new chief executive has "the answers" to the problems facing the business, but because he will be prepared to support the mechanisms for change.

It is also likely that chief executives typically see their role as that of problem solvers. The idea that they have a role to play in a catalytic sense, politically, not in solving strategic problems, but in supporting mechanisms for change, including very likely the work of a potentially disruptive change agent would probably be foreign to most chief executives. Such a role supposes that the chief executive will be



prepared to recognize that he does not know "answers" to problems facing the organisation; that in itself may well be seen as an admission of failure. The role also supposes that he recognizes, however, that the existing strategy is in need of fundamental change, not marginal adjustment; that is likely to imply admission that the strategies he previously advocated were misplaced, or inadequate. The advocacy of fundamental change, therefore, demands that the chief executive takes a different and difficult role; yet it is a role which is crucial to the change process and without which it is likely that the process will not succeed.

### The Role of Analysis

Great emphasis has been placed by texts on strategic management of the need for analysis of the complexity of the strategic position of the organisation, in terms of its environment and the resource base. The models developed here suggest that it is also possible to undertake analysis relevant to the processes of strategic change, which will be useful in planning strategies of intervention to achieve such change. It has been shown how the interrelationships between strategic frames, strategic formulae and the political and cultural devices that serve to protect them, act to provide barriers to strategic change of a fundamental nature. It has also been shown how political, organisational and symbolic devices may be utilised to overcome resistance to change. It is argued that such strategic frames and formulae, as well as the political and cultural maps of the organisation, complex as they are, are as amenable to analysis as is the complexity of the organisational environment and that given such analysis, schemes for organisational intervention for the achievement of strategic change, are as readily planned as the logistics of product launches, or the acquisition of businesses.

What is being claimed is that it is possible to:

- Identify strategic frames and formulae through observation and discussions with managers and to identify the systems, symbols and stories that preserve the recipe.
- Isolate the dominant formulae and the associated power elites within the organisation.
- Therefore, predict where the most likely resistance to change will arise.
- Map out the way in which adaptive change in the past has been built around the strategic formulae and verify whether or not predictions of resistance have, on the evidence of the past, been borne out.
- Identify potential inclinations towards divergence from the recipe by individuals or groups and their relative power in the organisation.
- Conceive of the mechanisms for loosening the recipe as described below so that a new recipe might find a likelihood of acceptance.
- Plan the tactics of political reconfiguration that is necessary to consolidate the new recipe and is likely to take the form of changes in organisational structure and systems.

The overall point that is being made, is that texts on strategic management dwell on the necessity of analysis and planning of change from the point of view of the match of environment and resources and discuss the need for structural change to accompany strategic change; but they fail to be specific on the areas for analysis needed to effect strategic change and how organisational change can be conceived of as an output of such analysis. It is argued that the explanatory models developed in this thesis provide the basis for just such analysis and planning.

#### Loosening the Recipe

Central to the ideas of fundamental strategic change discussed here, is



the necessity to loosen the bases in which the recipe is rooted, for it is these that lead to adaptive change and the resistance to more fundamental change. Several mechanisms for such loosening have been identified and discussed fully previously. This discussion will not be repeated, but the points will be summarised to show that they provide the basis for intervention in order to achieve change. The mechanisms include:

-Given the identification of potentially divergent forces in the organisation, the fostering of the momentum for change that such divergence provides; this may not entail the overt support for specific views or advocated strategies, so much as the protection and support of individuals advocating them.

-One way in which momentum may be fostered, is through the making public debate about the need for change and the problems facing the organisation. In so doing, the constructs of the recipe, normally hidden in the systems and rituals of the organisation, are made more explicit and the bases of divergence more clear.

-It may be possible to heighten or create some trigger for change at an organisational level. This might include such devices as external bank or city pressure, pressure from shareholders or non-executive directors, market research findings or projections of financial decline.

-It has been suggested that it is important to find means of challenging the dominant formulae upon which the strategy is based and from which power is derived. The most effective means of achieving this, is probably by the demonstration of their inadequacy; that is, by public demonstration of the application of the formulae with no constraints placed upon it which might provide an "excuse" for failure. This might be achieved through an exercise such as a project team working on a venture such as the refitting of a small number of shops as with Fosters, or perhaps the acquisition of a small business or test market



of a product. Those associated with the project may sensibly be either those firmly associated with the formulae, or those beginning to question the recipe, perhaps because of their divergent views:

-It may, however, not be possible to undertake such an exercise; other means of challenging formulae are also possible. These include mainly symbolic challenges which have the role of demonstrating that there is a momentum for change and that the old ways of doing things cannot be considered as sacrosanct. Such symbolic challenges may be relatively slight in themselves, such as changes in operating procedures, forms of behaviour or rituals, but their effect may be highly significant. To give one example outside the industry discussed in this thesis, senior executives in the Dunlop U.K. Tyre Group claimed that in the period from 1980 onwards, as they strove to fundamentally change strategy and management attitudes to change, the single most powerful public declaration of the significance of the changes required, was the closure of the executive dining suite; managers then knew "nothing would be the same again."

-The effects of these actions will be to increase tension and disunity in the organisation. This has two effects; first, it allows divergent views to grow in significance, because the mechanisms for subjugating them are reduced. Second, it breaks down the alliances of powerful individuals or groups that have resisted change.

-In the event of the disunity that has been promoted, not breaking resistant alliances and leading naturally to compliance, then there are two mechanisms which appear to be open to the change agent. The first, is to combine the demonstration of converted and compliant respected managers with symbolic acts of support for change and the "language of applause" for change with the aim of inducing compliance by identification or persuasion. The second, is to put those resisting through the sort of "pain" of coercion which was experienced by Wood

and Phillips at Fosters and which resulted in the valuable "conversion" of Wood. The aim of this is that individuals subjected to it may actually change their perceptions and be "converted" to the new recipe, a considerable aid to the consolidation of that recipe. The risk is that they are not and dampen enthusiasm for change as managers identify with them, rather than "converts":

-It may be possible to involve managers in what amounts to partial implementation of, or adoption of, new strategies in such a way that they identify with and own them. This may be achieved, for example, by involvement in project planning or trials associated with the work of the outsider introducing new ideas or by being used as a counsellor to such an outsider. Clearly, this was one reason why the Strategic Planning Committee was large; it created a sizeable number of people who personally identified with the arrival of Saunders, associated themselves with the initial success of his ideas and "evangelised" throughout the organisation.

-The most effective means of achieving the adoption of a new recipe is to demonstrate, not by words and plans, but through action and results the benefits of new strategies. The preceding disruption may be necessary as a means of loosening the old recipe, but the organisation cannot continue to exist in a state of such turmoil. Early evidence of success is required.

#### 4.5.3 The Implications for Teaching and Research

Teaching in the fields of strategy and strategic management has undergone some significant changes in emphasis, content and technique in the past decade. In its most traditional form, the subject of strategy has been dealt with under the subject name of Business Policy and its origins can be traced back to the Harvard tradition of case methodology in teaching. The approach is, in written terms, best



demonstrated by the texts and cases of Uytterhoeven et al (1973) and Learned et al (1965). These books contained a brief text and extensive and detailed case studies. The main purpose of the text was to raise issues which could be considered by the use of the cases and to propose a model for analysis which had its origins in the logic of scientific and management schools of thinking, had been developed through the applications of operational research techniques in the consideration of military strategy in the second war. There was little questioning of the basis of such an approach; it was rational, logical and combined with the case material, provided a basis for application to "real" situations in management training. The actual teaching of the subject called Business Policy became and still remains for many teachers of strategy, the use of case material as a vehicle for employing this rational model, within which the tools and concepts of management, learned elsewhere, are built in and their relevance demonstrated. In this form, the subject came to be a demonstration that complex issues, such as strategy, could be conceived of using the common tools of management with the minimum of additional theory and the use of this basic rational model.

Schendel and Hofer (1979 p.5) quote Gordon and Howell's (1959 p.206) summary of the role of Business Policy causes to illustrate the results of this approach to the subject.

"Without the responsibility of having to transmit some specific body of knowledge, the business policy course can concentrate on intergrating what has already been acquired and in developing further the student's skill in using that knowledge. The course can range over the enrire curriculum and beyond".

It was an approach which was provided with some support from the



burgeoning literature on corporate planning in the 1960s and early 1970s which was used as its basis similar rational models, but introduced logical elaborations of problem conception so as to advance what amounted to a developing logical deductive theory of strategy, perhaps best illustrated by "Corporate Strategy" by Ansoff (1968). Schendel and Hofer (1979) criticized this traditional approach for its failure to develop theoretical underpinnings, the lack of empirical foundation of concepts and frameworks, the assumption that strategy can be handled by the tools of functional management and the often anecdotal manner of teaching. Others have criticized the underlying assumptions of rationality (Allison, 1971) and the underemphasis of uncertainty (Thompson, 1967), the presence of multiple and potentially conflicting goals (Rose, 1974; Norburn and Grinyer, 1973/74); yet others have argued that insufficient attention has been paid to the role of managerial values and managerial choice (e.g. Weick, 1969; Child, 1972; Braybrooke and Lindblom, 1963).

These criticisms of the subject have borne fruit. There has now developed an emphasis by empiricists interested in the field of strategy. Initially, this concentrated on the search for evidence of an essentially micro-economic nature for generalisations and theory that might legitimately point to relationships between strategy and performance (e.g. Schoeffler et al, 1975; Buzzel et al, 1975; Hedley, 1977; Gale, 1980; Porter, 1980) or strategy structure and performance (e.g. Rumelt 1974; Channon, 1978; Grinyer et al, 1980; Horovitz and Thietart, 1982). The result has been a move away from the emphasis on case based teaching in many institutions to the study of the economics of strategy, often accomplished by the simple device of teaching about the findings and discussing their implications.

Whilst this emphasis on the search for economic theory on strategy has been pursued, separately the researchers on the process of strategic management (see Section 1.2), have been engaged in demonstrating that the models employed by both the traditional normative Business Policy teacher and by the more sophisticated economic empiricists may be elegant, but often bear scant resemblance to the reality of how strategic decisions actually come about. These researchers have also sought to understand the processes they have observed by reference to existing theory and research, but in the fields of social psychology and the organisation theory derived from social theory. Here the result has been a concern with theory development, since the complexity of the problem cannot easily be handled without a theoretical base. The difficulty here is that with different researchers examining process from different points of view, it has been difficult to form any more than rather disparate theories of process. The other difficulty is that in attempting to teach about the process of strategic management, tutors have been reduced to using descriptive models without being able to "compete" with the attraction of the normative and "applied" models of the traditional Business Policy teacher and his more recent economist sophisticate.

The difficulties arising from these two different developments in teaching of the subject of strategy and strategic management are that, in casting off the anecdotal past, there has resulted the risk of polarisation between two essentially theoretical approaches, the one economic and the other processual, both taught on the basis of what Burgoyne and Stuart (1977) would call "information transfer" principles of learning. This school of thought holds that learning takes place by the receipt of information and that the recipients of that information usefully benefit by storing such information for use at some relevant



time. Whilst it is not suggested here that theories of strategy, whether economic or processual, are devoid of value, it is argued here that the teaching of theories of process at least as "information" is of limited value in management training if the aim of such training is to effect changes in perception and attitudes of managers.

Those who recognize the value of the theories, but have similar doubts as to teaching method, have typically sought to resolve the problem by arguing that process theories can be applied in terms of relevance to the student by using the traditional case based methods and posing problems which enable the tutor to assess the extent to which the theories have been assimilated; it is what Burgoyne and Stuart would call the "cybernetic" approach to teaching. Critics of this approach would argue that it results in little more than relating specific information to specific cases, enabling the tutor to demonstrate his understanding of application whilst the students internalise little that is of relevance to their personal situation.

The problem with both of these schools of thought is that they assume that information in itself is powerful enough to effect changes in experience that results in learning; it is doubtful when it comes to issues as complex and bound up in the cultural and political web of organisations as strategic management that this is so. On matters such as this, the theories and models need to become owned by the student and their relevance experienced in a personal context in order to be of greatest value (Johnson, 1981). In terms of Burgoyne and Stuart's taxonomy, it is the "cognitive" and "social influence" schools of thought that seem to be of most relevance if learning, in the sense of changed experience (Jabes, 1978) is to take place. Here the aim is to place the learning experience in the context of the personal arena of the student.



He is not required to apply theory, but to live and make personal sense of the phenomena that the theory is concerned with. The theories become an aid to his sorting out his own experiences.

This discussion permits some proposals on the suitability of different teaching methods as they relate generally to theories of process and specifically, to the models developed in this thesis. These observations are not made solely on the basis of the findings of this thesis; they are also based on the experience of courses run at undergraduate and masters levels and for in-company courses for executives where the specific brief has been to advance towards some recognition of the barriers to strategic change in organisations, as well as provide concepts and tools to allow executives to consider means of strategic change. The observations are made under the three broad headings of pre-experience, post-experience and in-company merely to identify three different contexts in which to consider teaching design.

#### Pre-experience

A course on which few students have relevant organisational experience is taken as the base situation by which to consider the value and means of teaching issues relating to the process of strategic management.

It has been found that students at this level are able to cope with normative models of strategic change relatively well, but find it difficult to conceptualise the relevance of descriptive models of change processes. This is not surprising, given the lack of relevant experience of such students. It has been found that if issues relating to process, contrasting processual and normative interpretations of the area are to be raised and their implications discussed, this is best done by concentrating on rational, normative models and afterwards using

processual models as a basis for discussion of the value of the normative models. At this level, however, such exercises are essentially intellectual and abstract with, inevitably, little relevance to personal experience or personal organisational roles.

### Post-experience

Here it is envisaged that the students have relevant organisational experience, but are removed from the specific context of that experience. The general values of employing process models of strategy in this context are two fold. First, the raising of the issues legitimizes the study of strategy, because it places in context their role. For example, middle or junior managers are able to perceive their influence on strategy and see demonstrated academically what they know to be the case by experience, that strategy is a product of culture and politics. Second, it allows the discussion of the relevance and limitations of normative models. Here, however, the role of process models has, hitherto, largely ceased because they have not been full enough to allow issues to be operationalised. It is argued that the models which this research has generated are full enough to allow these students to analyse strategic situations in terms of recipe constructs and cultural and political barriers to change and to construct programmes for such change. In that sense, the models described in this thesis advance the ability to be able to handle issues relating to the management and implementation of strategic change. It should, however, be emphasized that in so doing, the methods used are likely to fall back on the use of surrogate material such as case studies in order to generate a facility for contrasting student views and arguments. The removal of the learning situation from the specific context of relevance, means that the models can only be used to make known concepts and information. In the sense that learning entails the experience of the relevance of such concepts. It would be an



over estimation of the power of such models to suppose that they would have direct effect on the behaviour of individuals within their own organisations.

### In Company

The power of process models generally and the detail of the implications of the models generated here, are greatest where the context is most relevant. Observations are here made on the basis of work with executives in "workshops" purposely designed to effect conditions and momentums for strategic change.

Again, it should be observed that the raising of process issues in general performs the role of legitimising and making relevant the general area of strategy for junior and middle management. However, here it is possible to move further towards the cognitive and particularly the social influence schools of thought of learning. In programmes designed and run by the author, participants in such workshops have been provided with a case based exercise to raise issues of the cultural and political processes of change which they have had the opportunity to discuss at length, analyse and utilise for the hypothetical planning of strategic change as it might relate to that case. They have then been encouraged to analyse the situation in their own organisation, debate this with their peers in confidence and make recommendations for the implementation of strategic change. It was found that executives with very limited ability to handle strategic issues in terms of normative models were able to internalise and handle concepts encapsulated in the models of process generated here and did so with enthusiasm and perception. The sessions that were conducted not only pointed to the fact that executives are able personally to relate to such explanatory models and utilize them for the conceptuali-



sational problems, but also that the peer group discussions in the form of "work shops" were an excellent way of elucidating the recipes that exist in the organisation. In so doing, the very exercise of public discussion of those recipes and the assumptions that underline them, achieved the sort of exposure to unspoken assumptions and processes which managers themselves recognized as barriers to change.

The ability of the workshops themselves to effect change is, of course, limited. They can do little more than make legitimate areas of debate and begin a "loosening" process through the exposure of recipes and potential divergencies from such recipes. However, it has been seen that such public exposure of recipes can be a stimulus for change, particularly if harnessed to the support of power bases advocating change within an organisation. In one particular instance, a series of workshops promoted by senior management in one division of a large company has now taken form in a programme of lobbying within the wider organisation, with quite explicit discussion of the political processes required for the division concerned with the workshops to achieve its aims for change.

#### The Implications for Research

It has been shown that there is an increasing amount of research which is related to issues of strategic management processes (see Section 1.2). There is, however, remarkably little work which has studied strategic change in the context of its historical development from an interactive perspective. The historical context is important because, as Pettigrew argues (1983, p.12):

"The more we look at present day events, the easier it is to identify change; the longer we stay with an emergent process and the further back we go to disentangle its origins, the more likely we are to identify continuities ... Without longitudinal data it is impossible to identify the processual dynamics of changing, the relationship between forces of continuity and change and therefore the inextricable link between structure and process".

It is an argument also advanced by Mintzberg (1978) and demonstrated in his historical studies of the patterns of strategy in organisations. However, here the studies suffer from being largely devoid of the context of the interaction of those forming strategy.

The dilemma which faces researchers interested in research in issues concerned with strategic management processes, is that of choosing between a generalist approach that might allow for the exploration of historical and interactive influences on decisions in a contextual setting and a more specific approach in which particular processual issue is investigated, or a particular perspective on process adopted. This research has retained a specific focus - that of the role of managerial recipes on the strategic formulation and implementation process - but has sought to demonstrate the importance of understanding the wider context. Most studies which have contributed to our understanding of processual issues have been of the specific kind; for example, as mentioned in this thesis, there have been studies of the role of objectives (Norburn and Grinyer, 1973/74), of ideologies (Miles and Snow, 1978; Meyer, 1982), of executive personality and power (Hambrick, 1981), of the role of symbols and stories (Wilkins, 1983), of selective perception of problems (Tversky and Kahneman, 1974; Staw, 1981), of routines of problem formulation (Lyles, 1981) and so on. These specific investigations are of undoubted value in building up a picture of



process and appear to be increasing in number. The problem which arises, however, is that their very specificity and often their lack of historical and interactive context can lead to confusion. It is a problem which is not easily resolved. The pressures on researchers to produce results encourages relatively short time horizons and discourages contextual studies. Positivist academic traditions leads to scepticism about descriptive data and qualitative analysis. Even the different academic backgrounds of those interested in the area causes problems with commitments to different methodological paradigms and terminology.

The pressure for short term specific studies will continue; however, such studies are likely to be more valuable if they can be related to, or be part of more contextual studies. The value of, for example, a highly specific doctoral dissertation which examines uncertainty reduction from a cognitive perspective utilising Huff's (1983; Moch and Huff's 1983) linguistic and content analysis approach or Schwenk's (1982) laboratory experimentation would be the greater if it could be related to, or continued within, a programme of work which placed it in context. With growing interest in the field of process research, it is possible that such programmes could be established, with relatively long term work establishing context and shorter term work utilising different research disciplines and focusing on specific issues within the overall context. Certainly, there are no lack of issues to be studied; Frederickson (1983) alone has identified twenty eight "high priority questions for strategic process research". If his and others prompting, lead to the growth in issue specific studies, then the area will be much the richer in knowledge, but quite likely in danger of gross confusion



of interpretation and relevance.

#### 4.6 CONCLUSION

This thesis has described and analysed the findings of a research project which has been underway for some five years and has been concerned with the longitudinal study of strategic change through an essentially symbolic interactionist methodology. The thesis proposes that the development of strategy in organisations can be conceived of, understood and analysed as a process of adjustment through essentially political and cultural mechanisms as managers seek to maintain homogeneity around a set of beliefs about their organisational world that we have here called a "recipe".

Further, it has been seen how this process is likely to give rise to strategic drift through mutual and internalised responses to environmental changes. This in turn is likely to give rise to performance decline in organisations which may promote more fundamental strategic change. Again, it has been seen how this may be understood as an essentially political and cultural process of recipe change. It has been further argued that such a perspective on managerial processes of strategic change can provide useful and important guidelines on management practice, both in terms of typically incremental modes of management and for rarer, more fundamental shifts in strategy. Such implications for management and the teaching of management have been discussed in the final sections of the thesis.

THE BURTON GROUP - a Case Study

Burton's history is one of the best documented of recent years. Not only are there many press articles on the company but there also exists case studies (Channon, 1972; Quinlan, 1978), and features articles in journals (Lester 1980; Sharman, 1977; Sherwood, 1980; Retail & Distribution Management, 1976, 1979, 1980). This account of the company's development draws from these articles as well as others which are cited separately. The extent of the documented coverage of the company in the 1970s in particular is, perhaps, not surprising. Burtons was, and remains, the largest of the menswear retailers; yet in the mid 1970s it appeared near to collapse and led to the intervention of the City on matters concerning the internal management of the company - a step which remains unusual and emphasises the extent to which the company's demise was regarded as a matter of extraordinary concern. At the beginning of the 1970s Burtons had a turnover in excess of £80 million, over 1,000 properties in the UK and France, including 15 factories manufacturing mainly made to measure suits and over 600 menswear shops. 27,000 people worked for the company, 10,000 of whom were employed at the Leeds Hudson Mills manufacturing base. The company had spent the previous three years attempting to recruit a new senior management team; by 1970 this was in place under the direction of Ladislav Rice, an appointee of high reputation who had previously been Chief Executive of the Minerals Separation Company and a consultant with Urwick Orr and Partners. Joining in June 1969, he was the first chief executive of any of the major clothing multiples to come from outside the industry.

Burtons before 1970

Montague Burton opened his first shop in Chesterfield in 1901. By 1929 the company had 300 shops and went public. In the intervening years the reputation and fortunes of Burtons had been built on the provision of good quality value for money made to measure suits, fair wages for staff and, during the First World War, the supply of uniforms to the British army. The company was to remain in family control until the mid 1970s, protected by a shareholding structured so as to retain voting within the family and the directors of the business. Even throughout the depressed years of the 1930s, Burtons prospered in so far as it acquired properties at low prices which were to form the basis of its extensive property interests.

The family control of the firm was to become a problem in later years. By the end of the 1950s it was clear that there was no clear management succession to the ageing Sir Montague Burton. His style was one of personal, paternalistic but centralised management and it had not bred senior managers who could take over from him. On the death of Sir Montague, this problem was overcome by passing over the direction of the business to another of the country's tailoring families, the Jacobsens, who managed Jacksons the Tailors, a company based in the North of England and acquired by Burtons in 1952. Under the guidance of Lionel and Sydney Jacobsen, Burtons approached the 1960s.

In the 1960s the company continued its focus on made to measure retailing but also expanded its interests. Burtons had acquired interests in departmental stores as early as 1948 with the acquisition of Peter



Robinson Ltd. In 1961 this interest was expanded with the purchase of Browns of Chester and later, in 1964, with the 28 strong Arthur Bennett chain. In addition the Jacobsens developed overseas interests with the purchase of a menswear factory and four shops in France in 1963, and in the following year they began a mail order operation.

By the mid 1960s, however, the Jacobsens faced the same problems as Sir Montague a decade earlier. They were nearing retirement with no clear management succession. Their proposed action was to seek a merger with their main high street rivals, United Drapery Stores, regarded at the time as having an excellent management team, with strengths in women's retailing; this was of particular interest to Burtons because they had failed to achieve in their female-orientated departmental stores the profits they expected. Despite the agreement of the UDS board to the proposals, the merger did not go ahead because the Monopolies Commission ruled it against the public interest in 1967.

Burtons was left without a clear direction for its future development and with a potential vacuum at its most senior level of management. Despite such problems, it was able to demonstrate increasing profitability at the end of the 1960s as shown in Table 1.

Rice was appointed Chief Executive in 1969 to a company with over 50 years experience primarily in Menswear retailing. It was a highly conservative company. Stories are told of the hierarchy existing in the shops where the manager sat at his office at the back of the shop, appearing occasionally to meet important clients or inspect the staff; where the young trainees who were recruited from school were not allowed to associate with customers until they had learned thoroughly the skills of made to measure tailoring. The methods of trading were well set; shirts and ties were seen as spoiling the image of a tailor; customers were predominantly married men; *made to measure was the service provided* with ready to wear merchandise either unavailable or considered to be inferior. Yet the company was already operating in a retail environment undergoing rapid change, where such growth as did exist was from men under 25 who were increasingly purchasing ready to wear clothes which they could buy at a similar or better quality for less money at the increasing number of boutiques now competing with Burtons. Most of all it was a company that was essentially a manufacturer with retail outlets as order points : the historical commitment was to the manufacture of made to measure garments as "the business" of Burtons.

The financial press was generally sympathetic to Burtons position. The Financial Times in early 1970 (FT May 1970) reported that the company had "kept profits moving upwards over the past couple of years while it was searching around for completely new management. But good fortune ran out in the first half of 1969-70 when it had to cut prices by £500,000 to clear stocks." A reassuring note was, however, sounded based on "the strength of its £71 million property portfolio" and improving internal management information systems which were beginning to measure store productivity - the outcome of the early action of the new management team.

#### 1969-1973 - Reorganisation

The new management team appointed by Rice consisted of Peter Gorb as Commercial Director, who had been with Rice at Harvard in 1951, and had latterly been a senior executive with a textile manufacturer; Richard



TABLE 1

BURTONS PERFORMANCE 1965-1969

YEAR	TURNOVER (£mill)	PERCENTAGE CHANGE	NET PROFIT BEFORE TAX (£mill)	PERCENTAGE CHANGE
1965	52.4	+8	4.2	+17
1966	57.2	+9	4.4	+ 5
1967	61.0	+6	4.9	+12
1968	65.6	+15	6.5	+32
1969	68.3	+4	7.2	+11

Stokes who was charged as Personal Director with ensuring that the management succession problems of recent years were never repeated; and Jim Power as Finance Director, the only internal Burton appointment. Rice immediately established this executive team in a London head office away from the traditional base at Leeds. This was the team which would be responsible for the future strategy of the company and Rice saw a deliberate distancing from the operations of the business as important.

This senior team saw that the central problem was the menswear business : their solutions hinged on "building a team of managers capable of buying and selling ready made mens suits and outerwear, and in controlling the purchasing, sales and stocks of ready to wear garments". (Channon : 1972) It was a central responsibility of Peter Gorb to achieve this. It was also known within the Group that it was not an easy task, Montague Burton had attempted a shift in product mix towards ready to wear in 1952 and faced major problems in stock management : made to measure entailed low stock commitment compared with the high stock levels in the shops for a ready to wear business.

At a corporate level Rice and his team sought to resolve this by reorganisation. The company name was changed to the Burton Group Limited (from Montague Burton Limited) at the end of 1970, a change which reflected the policy of reorganisation. Burton was to become a group of separate businesses set up as profit responsible divisions. The resulting structure of the Group by division is shown overleaf. At the menswear core of the business this entailed splitting off manufacturing from retailing with the dual purpose of releasing the menswear buyers from the shackles of internal buying obligations, also with the intention of requiring the manufacturing division to produce to the needs of retailing - be it Burton retailing or any other customers they might acquire. The intention, made explicit by this move, was to switch the emphasis from the manufacturing focus that was history to the retailing focus of the new era. Rice announced in the 1970 annual report that the company was to be a "group of specialist retail chains with supporting activities". It was a very different emphasis from even the recent past.

The implications were extensive. Ivan Richardson was recruited from Marks and Spencers as retail menswear buying director and given the job of widening the product range and ensuring that merchandise sold was competitively priced and profitable, from whatever source. He introduced ranges of ready to wear suits both for the older man (the "Town and Country" range and the "New Director" suits) and for the younger man ("Mr Burt").

Martin Frankel, who had been Production and Personnel Director of Daks Simpson was appointed managing director of the Manufacturing Division. His main task was to make the manufacturing operation profitable in its own right. He began by switching the emphasis from made to measure to ready to wear and increasing those of made to measure. Other major steps were the tightening of controls on costs and the increased mechanisation of manufacture. By 1971 he was claiming that the ready to wear clothes produced by the manufacturing division were competitive with any on the market.

### ... and Diversification

As these attempts to deal with the core problem of menswear proceeded, Burtons also took steps to widen its portfolio of interests. Already

THE BURTON GROUP - MANAGEMENT STRUCTURE (IN THE EARLY 1970s)



Source: "The Burton Group" (D.F. Channon - 1972)



involved in departmental stores, mail order and the French menswear operation, the years 1969 to 1973 saw a flurry of acquisitions. Rice summarised his policy of diversification as follows:

"To seek well managed retail businesses, in any field, capable of expansion but needing for real growth, the kind of property and financial strength which we can offer.

It was an attempt to utilise the asset base of the company, built up over 50 years through the menswear retail activity, to move away from over reliance on that business sector.

The first move was, in fact, divestment. The mail order operation, never a significant profit earner and currently unprofitable, was sold. This was followed in the six months from Autumn 1970 to Spring 1971 by takeover bids which yielded the addition of a French retail clothing chain, a retailer of outsize woman's clothing, an office equipment retailer and an employment agency.

The French acquisition was St Remy, which retailed mens and womens clothing through 35 shops throughout France. A major reason behind this acquisition was the need to provide additional volume to the Burtons factory which was running at 50% capacity. A further reason was that in France the made to measure market was holding up better than elsewhere.

This was followed by the acquisition of Trumps, an employment agency and package holiday operation which already traded in or adjacent to the Peter Robinson stores. The logic behind the business was to capitalise on the spending power of young women, often gained through temporary office employment and the opportunity to spend their earnings on holiday travel. It was not successful and by the beginning of 1972 Trumps had been sold to the Alfred Marks agency.

The third acquisition was Evans Outsize. Bought for £4 million, *Burtons* not only acquired its 76 shops but also the computerised stock control systems operated by the company and its chief executive, Cyril Spencer, who was later to play a significant part in the Group as a whole. Evans was a profitable business which had been growing and could be seen as a potential beneficiary of the properties available through *Burtons*.

The final acquisition in this spate of activity was Ryman Conran, the office supply company which was purchased for £9 million. Ryman had 75 retail outlets selling office stationery, furniture and machines and four manufacturing units. Associated with the company was the Conran design group. The reasons given for the interest in Rymans were that the market for office equipment was growing and that again the Burton property portfolio could be used to expand the business into areas of the country where it was not represented.

During the same period *Burtons* were unsuccessful in their bid for Wallis, the ladies fashion chain. The Wallis directors controlled over half the shares of the business and resisted the offer made by the *Burtons* board.

1971 also saw the internal development of a new retail venture by *Burtons*. Orange Hand was aimed at the 5-15 year old boy, and designed to exploit the growing fashion awareness of the young. The shopping environment was deliberately brash with "neon lights, bright yellow tubes (and) distorting mirrors" (FT April 17, 1973). Here again the idea was to use



available properties to develop what was seen as a new market with considerable potential. The first shop opened in August 1971.

All these activities, both internal reorganisation and diversification needed managers to run them. Since one of the historic weaknesses of the company was the absence of general management, a major task of Richard Stokes, as Personnel Director, was recruitment. By the end of 1970, 50 new senior executives had been hired by Burtons from outside the company.

### ... and Consequences

The consequences of these early decisions are shown in Table 2 together with those for the remaining years to 1973. It is worth noting that even by the end of 1971 there were some features of the performance of Burtons which concerned observers. In 1970 turnover rose by just 3% to £70 million and profit before tax fell by 13%. The 14% rise in turnover in 1971 to £80 million for the Group together with a profit increase of 19% was not viewed with much enthusiasm, since within these figures was a decline in menswear profits and a less than convincing trading performance - almost one-third of the Group profits coming from the Property Division.

The Investors Chronicle (IC December 1971 p.1218) also pointed to Burton's acquisition of Rymans coinciding with a "particularly sticky trading patch for the office furniture company, to profits being reliant increasingly on property sales, particularly given likely upward revaluations of property assets and to disappointing second half results being excused by Burton management as resulting from "unreasonable weather" for the time of the year. The Investors Chronicle was not impressed and suggested that the current PE was "unexciting if not too high". There was also concern that stocks were rising rapidly as a result of the transition to ready to wear. By mid 1972 it was clear that Burtons faced considerable problems. An Autumn 1971 downturn on menswear sales exacerbated their other problems which were recognised as the capital spent on their acquisitions leading to increased borrowings and the swing away from made-to-measure suits giving rise to under-utilised factory capacity. The Investors Chronicle (May 1972 pp.822) suggested that "the main support for the share price remains the impending property revaluation".

The Lex column in the Financial Times (May 12) pointed to the efforts that were being made to improve performance, including the refurbishment of some 100 shops, and the rationalisation of the production capacity including redundancy programmes in three factories, but concluded that "the trouble is, hundreds of shops need modernisation and diversification like Ryman Conran has added to the management's workload". There was also the problem that change was simply taking so long.

Managers with the buying expertise required by Gorb or the computer and control skills required by Power took time to recruit. The shops needed converting to present a more up-to-date image to the consumer : one executive recalled: "I remember there were window models that looked like something out of Joe Stalin's secret service. We needed to replace them but there wasn't the manufacturing capacity to do it in less than five years. We had to change the heads in one year and so on down the body!"

TABLE 2

THE BURTON GROUP

A SUMMARY OF FINANCIAL PERFORMANCE 1970-73

	(£ million)			
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
<u>Group Turnover</u>	70.2	80.2	100.2	113.8
Sales by activity:				
UK Menswear retailing	55.9	n/a	n/a	71.0
UK Menswear manufacturing	n/a	n/a	n/a	0.4
Other retailing	13.7	n/a	n/a	42.5
<u>Profits</u>				
Trading profit by activity:				
UK Menswear retailing	7.6	n/a	n/a	6.6
UK Menswear manufacturing	n/a	n/a	n/a	0.5
Other retailing	(0.1)	n/a	n/a	0.2
Property income	n/a	2.9	n/a	3.8
<u>Group Trading Profit:</u>				
(before interest and taxation)	7.5	9.1	8.9	11.1
<u>Group Profit:</u>				
(before taxation)	6.3	7.4	6.6	8.7
<u>Other Key Data:</u>				
Stocks	16.2	21.1	21.6	27.1
Net current assets	7.4	11.4	12.5	14.0
Fixed assets/investments	61.3	63.4	132.0	157.7
Shareholders funds	57.1	49.6	118.5	118.3
Loan capital	11.6	25.2	25.9	33.4
Capital employed	68.7	74.8	144.4	151.7



TABLE 2 (cont'd)THE BURTON GROUP 1970-73KEY FINANCIAL RATIOS

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Growth in Group turnover (%)	+3	+14	+25	+14
Growth in trading profit (%)	+17	+21	-2	+25
Trading profit as % of sales	11	11	9	10
Stocks as % of sales	23	26	22	24
Profit before tax as % of c.e.	9	10	5	6

## The Strategy Continues

Despite these problems the strategies agreed in 1970 were maintained. The production focus was switching to ready to wear - the problem was that the capacity levels far outstripped the demand despite the voluntary redundancies programme and some manufacturing cut-backs. Efforts were made to sell outside the Group but with little success. Shops were being refitted and restocked with a wider selection of merchandise. The problems here were those of the time it took to refit, the failure of new ideas in merchandise to appeal to customers in shops that were out of date, the "learning curve" of the new merchandisers.

Nonetheless the total number of shops owned by the Group was rising. For example, discounting acquisitions, the number of shops rose from 835 in 1972 to 920 in 1973.

In most other divisions there were strategies of both rationalisation and growth. Peter Robinson expanded its successful Top Shop venture, which was aimed at the fashion conscious young woman, whilst cutting back on loss-making stores. Jacksons launched "Break Out", a more fashionable line of merchandise for younger men in 1973 whilst also pursuing a rationalisation of its manufacturing capacity. The distribution arm of the manufacturing division launched itself as "High Street Transport", a delivery service for other retailers. Rymans expanded its shop network but, in 1983, disposed of its manufacturing facilities. In Europe, Burtons expanded the French operation in 1972 not only by the purchase of St Remy but also with the addition of 15 new shops; and they launched a similar operation with 2 shops in Belgium. Burtons claimed to be the second largest retailer of menswear in France and attributed their success "to the falling price of English cloth" (FT February 10 1973). Also in May 1973 the Group acquired Greens Leisure Centres, retailers of consumer electrical and photographic goods.

Divisions were encouraged to plan for profitable development through the vehicle of an annual divisional plan which was to be compatible with the Group corporate plan. Divisional plans were revised every six months and divisional managers reported on a "top down, bottom up" basis with Rice and his team making clear to the divisions their general expectations and the divisions responding with proposed plans in detail. Rice and Power's financial strategy was to utilise Burton's assets to the full. This meant both using the property base as a means of raising capital and also as a yardstick against which to measure the viability of the store's operation. Properties were revalued regularly to provide not only enhanced borrowing power, but also a basis for market rents to be charged to the retail divisions. If properties could not be used by Group retail businesses, they were to be let to other retail companies to gain income. Where properties could not generate adequate income or find outside users, they were to be disposed of. In 1972, this arrangement was formalised by the establishment of a separate property company - Montague Burton Property Investment Limited. This formalisation of the property portfolio into a separate venture coincided with the revaluation of properties in the balance sheet. The valuation of fixed assets, mainly properties, doubled from 1971 to 1972; and the Burton Group capital employed rose from £74.8 million in 1971 to £144.4 million in 1972. It certainly bore out the faith that was held in the asset base of the company : but it also put immense pressure on the trading operations to improve profits and show adequate returns.

The press were disappointed by the 1973 results. The Financial Times



(DEC 11 1973) spoke of the sales levels being disappointing, particularly given a relatively buoyant market for the year in menswear. It was also critical of the French operation for, despite Burton's claims of success earlier in the year, the operation had proved to be unprofitable for the full year: management were admitting that they were trying to "buck the trend" on made to measure, even in France; and the situation had been made worse by a shortage of labour at the Boulogne factory which had not allowed the expansion in output expected. The Investors Chronicle (Dec 14 1973) was also disappointed and pointed to profits being deflated by the need for high redundancy payments and a below the line provision of £409,000 for exchange differences on the franc. It saw no signs of the promised trading recovery for the company and could only reassure investors on the basis of the undoubted asset backing.

As Table 2 shows, group sales rose over the four years but this was largely because of the acquisition of new business; menswear sales rose by only 27% over the period compared with almost 63% for the Group. This in itself would not have been of concern since the diversification strategy was intended to move away from an over reliance on menswear: but the fact was that the other retailing ventures did not look profitable. Whilst menswear profits in 1973 were lower than in 1970, they had actually increased on 1972; the other retailing interests barely showed a profit at all. This depressed trading performance was bolstered by the income generated from the Property Company which again accounted for about a third of Group profits.

There were also worries on two other fronts. First, the financial strategy of borrowing against revalued assets was worrying because the increased capital base of the company actually highlighted the poor performance of the acquisitions by depressing the rates of return they showed. Return on capital employed dropped from 10% in 1971 to 5% and 6% in 1972 and 1973. The increased level of borrowing also meant that such profits as were earned were cut by high interest payments. The second concern was the future; there were few indications that the company could improve the situation: in particular the problem of over capacity in manufacturing was getting worse and stocks remained stubbornly high at around 25% of sales. A combination of a bleak future, a strategy which showed few signs of success and increasing borrowings was eroding confidence.

#### 1974 and 1975 - Attempted Readjustment

In the 1974 annual report Ladislav Rice said:

"Until mid 1973 our broad strategy had been expansionist, aimed at reducing dependence on mens suits by diversifying into other menswear products as well as other retailing fields. During this year and in view of the increasingly difficult national economic situation, the company undertook a reappraisal of its forward plans. Having achieved a better balance of retailing businesses we decided that the right course of action was to concentrate on their improvement rather than to continue to broaden our retailing base".

The action which was taken in line with this change in strategy included the disposal of the Boulogne factory and further cutbacks in UK manufacturing capacity as well as the contraction of the Peter Robinson operation. There was also a major switch in product and promotional policy on menswear. In 1974 Gorb left the company and Jim Power took



control of the Menswear business.

The board were convinced by Power's arguments that, given the high stock levels, it was necessary to cut prices and make every effort to dispose of it. Burtons Menswear entered a period in 1974 when they had what amounted to a continual sale. In addition Power moved the merchandising team back to Leeds to be near to the major manufacturing base. Throughout the company a major drive on cost reduction was implemented.

This policy of cost control and merchandise planning had to be seen in the light of the evident reluctance, particularly by the Burton family, to make redundant their workforce by major factory closures. Burtons had remained under the control of the Burton and Jacobson family. Its publicly quoted "B" shares were non-voting shares whereas voting rights were vested in the family controlled "A" shares. The family had long prided themselves on their responsibility to their employees.

The policies continued into 1975. The menswear retailing and manufacturing divisions were amalgamated and the emphasis continued to be on generating output through the mechanism of price. Elsewhere in the Group, Orange Hand was closed down - it had never shown signs of being a significant profit earner - and there was a halt to the shop expansion activity of 1972 and 1973. The only area of investment in expansion was Top Shop, with Ralph Halpern in charge, which was one of only two profitable businesses in 1974, the other being Evans with Cyril Spencer as Chief Executive.

Profits did not recover. In 1974 and 1975 profits declined. It was clear by the end of 1974 that the cost of consolidation and rationalisation were high; the stock clearance policies depressed margins, the Boulogne closure incurred costs of £900,000 and the contraction of Peter Robinson £1.6 million. The Lex column in the Financial Times (December 14 1974) called the 1974 results "an unmitigated disaster" and sounded a warning that was later to resound around the City: it pointed to the "archaic two tier structure" which denied the majority of shareholders voting rights and retained this power in the hands of the Burton family and the directors. The Lex column went on to say that "the interests of non-voting shareholders are a prime City topic at the moment".

### External Intervention

In April 1975, Scrimgeour's the stockbroking firm with an especial interest in retailing took the unprecedented step of issuing a confidential report on Burtons to the company's shareholders. The report was leaked to the Sunday Telegraph which published extracts from it (Sunday Telegraph, April 20 1975 and April 27 1975). The report was a critique of the strategies followed by the company's top management team particularly with regard to menswear. Its main points were:

- That the splitting of retailing and manufacturing had created "competition between rather than coordination between the divisions", although they granted that steps had been taken to rectify this.
- There had been a faster decline in Burton's sales of made-to-measure than in the rest of the market. Specifically: "We estimate that over the period (1969 to 1974) these have fallen from approximately 1 million to approximately 550,000, a decline of 45%. Nationally we



believe the decline in made-to-measure suits over this period has been closer to 30%."

- The attempts by the company to move to more fashionable merchandise had not been successful because the "trendy" clothes were not trendy enough to attract new customers, whilst being too trendy for their traditional customers. At the same time they had prematurely written off the more conservative suit market.
- This was made worse by inadequate stock control and distribution which resulted in shops being overstocked with unsaleable merchandise whilst faster selling lines were often out of stock.
- The attempted rationalisation of manufacturing was too slow, particularly at Leeds, and inadequately planned. In particular the company had attempted to increase ready to wear production with inadequate technological improvement, especially in design engineering, and this had resulted in production inefficiencies and reduced quality.
- It was a mistake to diversify. It would have been wiser to concentrate on the central problem of menswear. In particular, diversification into labour intensive retail businesses was folly given the shortage of management when Rice took over. The report drew comparisons with other retailers such as British Home Stores which had, during the same period, shown improvement by concentrating on their core business.
- Many of the acquisitions placed strains on management resources because they had problems inherent within them. "In our view it is not the sort of problem with which management should be confronted.... at a time when the major priority was the rejuvenating and restructuring of the "guts" of the business.
- The setting up of the property company was done with the intention of attracting outside finance to support the property portfolio; far from this occurring the company was being financed in part by "a bank overdraft of £3.3 million ..... Far from providing a method of long term finance this company has been obliged to return to its parent despite the Group's liquidity problems".

The report concluded by saying that "The present situation .... rewards neither the shareholders nor the public and should not be allowed to continue." The stockbrokers called on the institutions and the non-executive directors to put pressure on the company to replace Rice and his senior management team and felt that Burtons needed someone with more retail experience to head it.

The Group results (see Table 3) seemed to bear out the concern voiced in the report. Group turnover had increased by 16% on 1974 but Group trading profits which had declined by 44% in 1974, fell by a further 10% to just £5.6 million, or 4% on sales. The trading losses by division were extensive; Menswear was marginally improved in 1975 over 1974 but, at a margin of 5% there were no signs of longer term improvement; and the manufacturing operation continued to lose money. Despite further optimism from the company about the overseas operation, this too made losses in both 1974 and 1975. Both Rymans and Greens were making losses and the womenswear businesses were in profit only because Top Shop with Ralph Halpern as managing director was making £1 million profit

TABLE 3THE BURTON GROUPSUMMARY OF FINANCIAL PERFORMANCE 1974 & 1975

	(£ million)	
	<u>1974</u>	<u>1975</u>
<u>Group Turnover</u>	126.7	140.5
Sales by activity:		
UK Menswear retailing	72.9	84.1
UK Mens manufacturing (external sales)	1.0	1.3
Womenswear retailing	19.5	23.7
Office and leisure retailing	22.1	23.0
Overseas retailing	11.3	14.3
 <u>Profits</u>		
Trading profit by activity:		
UK Menswear retailing	3.2	4.2
UK Menswear manufacturing	(0.9)	(0.7)
Womenswear retailing	0.1	0.7
Office and leisure retailing	0.6	(0.9)
Overseas retailing	(0.6)	(0.8)
Property income	3.8	3.1
 <u>Group Trading Profit</u>		
(before interest and taxation)	6.2	5.6
Income from/redemption of investments	0.7	1.6
Closure Costs	(2.9)	(1.6)
Interest	(4.5)	(4.3)
Profit on sale of properties	3.9	1.2
Group profit before taxation	3.4	2.5



TABLE 3 (cont'd)

THE BURTON GROUP

KEY FINANCIAL RATIOS

	<u>1974</u>	<u>1975</u>
Growth in Group Turnover (%)	+11	+16
Growth in Trading Profit (%)	-44	-10
Trading Profit as % of Sales	5	4
Stocks as % of sales	22	23
Profit before tax as % of c.e.	4	4

through its 50 shops to offset the losses in Peter Robinson. In both 1974 and 1975 property revenue accounted for more than half the Group profit before interest and taxation. Indeed property was playing an increasingly important role in the Group since, without the income from sale of property, before tax profits would have been non-existent in 1974 and only £1.3 million in 1975. The policy of reducing prices to clear stocks had reduced margins to 5% and only 4% in 1974 and 1975 but had little effect on stocks which continued to run at more than 22% of sales. By 1975 the return on capital employed had slumped to just 4% - and it was only positive at all because of the property interests of the Group.

Why had the situation deteriorated to such an extent? The Scrimgeour report pin-pointed many of the problems but there were others. There were some severe trading difficulties which the company had to face - the three day week, growing imports of cheaper and often good quality garments, the hot 1975 summer which depressed sales, - and *Burtons* argued that since they were the biggest menswear retailer they suffered from these setbacks disproportionately. Also the industrial climate of the mid 1970s and the nature of the business slowed down reduction in manufacturing capacity. At that time no one had closed a major clothing factory and the Burton board were concerned to avoid strike action in a business still heavily committed to made to measure production and retailing. The original intention of manufacturing being responsive to retail sales requirements was never fully carried out. In 1974 with stocks high and capacity under-utilisation increasing, the shops were urged to take and sell as much as possible of factory stock.

Mike Wood, Financial Director of the Burton Group from 1979, who had been with the company at the time also pointed out:

"If you had gone into any board room of any of the menswear companies in the early 1970s and said 'do you know the made-to-measure suit is going to disappear out of sight in the next ten years', no-one would have believed you".

There were other operational reasons for the failings of the strategy. Despite the fact that *Evans Outsize* had been acquired, amongst other reasons, for its computerised stock control systems, there had not been much developed. For a retailer the size of *Burtons* the stock control systems for both monitoring sales and re-allocating stock, were poor. So there was inadequate knowledge about what was selling well and, in any detail about the nature of the stock that was held, particularly in the branches. Similarly cash control was lacking. Brian North - who took over as Finance Director when Power took responsibility for Menswear - recalled (Lester, 1980) that although the Group "had the idea of profit centres, there was one key item missing - cash flow management". Divisional directors were able to draw on central funds at their discretion. North decided to define cash limits for each division. Even this did not work; they continued to overspend so banks were instructed to stop cheques outside the limits: "We only did it once and boy was it effective".

By the end of 1975, although there was no replacement of Rice as such, management changes had taken place. Power had already taken over the running of Menswear (Retail and Manufacturing) and Spencer had, according to the annual report, joined Rice and Power as a triumvirate running the group. In fact this public announcement of the greater involvement of Spencer, disguised the fact that at the very top of the company, a struggle for ascendancy was taking place between Power, and Spencer.



## 1976-1980 - Turnaround

The influence of Spencer was felt in 1976 at least in those areas in which he had direct influence. With the publicly stated aim "to eliminate loss-making businesses which could not forecast return to profitability in the short term", Brown's and Green's were sold off, as was Ryman's northern operation. The Paris factory of the French operation was closed, cutting out overseas manufacturing altogether. The provincial Peter Robinson shops were also closed. These disposals cut operating losses by £2.4 million and the income from the sales went some way to reducing borrowings. There was also further expansion of womenswear and Top Shop in particular opening 11 more shops in 1976.

The central problem of Menswear was however still not resolved. Power was pressing ahead with tighter controls and 19 loss-making Burtons and Jacksons shops were closed. But menswear retailing profits in 1976 decreased further to £1.4 million on a turnover of £84.3 million. To add to the problems facing the division, 1976 saw the repeat of a hot summer which deflated the sales of traditional menswear garments and encouraged sales of leisurewear of which the Burton shops had limited supplies. Since virtually all the other divisions - apart from Top Shop - were loss makers this meant that the Group went into a trading loss situation for the first time in 1976 with Group profits entirely dependent on the property income (see Table 4).

At the end of 1976 the boardroom struggle was resolved. Rice resigned as Chief Executive to become Chairman and Spencer was offered the position of Chief Executive. He accepted provided that Ralph Halpern was appointed to the Board and North was given a full board post.

The Halpern team, already running Peter Robinson and Top Shop, also assumed responsibility for the Burtons retailing. The six managers divided their week between London (and Top Shop) and Leeds (and Burtons), concentrating on their functional responsibilities but working as a team.

Lester (1980) describes the action taken that year:

"They started with the retail side in April and 'we looked very hard at the sales we knew we could achieve', recalls North. 'We knew what we wanted on the bottom line. Therefore, the middle is cost. We found we needed to take 30%-35% out of expenses - and no discussion.. In all, 90 unprofitable Burton and Jackson stores were closed and stocks were reduced by £6 million (nearer £13 million in retail cash terms). The Jackson head office in Newcastle was closed down, which, with other staff reductions, produced a saving of 'several millions'. The old staff incentive scheme, under which branch staff could earn more than their managers was abolished, and the branches were supplied with what the factories could make. A major problem was that, despite all the earlier intentions, the branches were still at that time ill-adapted to stock and display a wide range of clothing, from shirts to jeans and sweaters. One store, recalls Halpern, had remained unmodernised since opening in 1923; in another, the manager had to stack the shirts on the floor, and eventually built some shelves for himself. Upwards of 300 branches had to be refitted out fast, because the evidence soon accumulated that sales would respond immediately. According to North, the new



TABLE 4

## THE BURTON GROUP

## A SUMMARY OF FINANCIAL PERFORMANCES 1976-79

	(£million)			
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>Group Turnover</u>	145.8	151.5	153.3	165.2
Sales by activity:				
UK Menswear retailing/manufacturing	84.3	91.4	83.0	80.3
Womenswear retailing	22.6	27.1	36.6	49.0
Office & leisure retailing	22.4	17.2	18.8	22.0
Overseas retailing	16.5	15.8	14.8	13.8
<u>Profit:</u>				
Trading Profit by activity:				
UK Menswear retailing	1.4	0.1	6.0	9.6
UK Menswear manufacturing	(1.4)	(2.5)	(3.1)	
Womenswear retailing	0.8	1.7	4.2	5.3
Office and leisure retailing	(1.8)	(0.1)	0.6	0.8
Overseas retailing	(1.0)	(0.7)	(0.3)	0.1
Property income	3.1	3.0	2.5	3.9
<u>Group Trading Profit:</u> (before interest and taxation)	1.2	1.6	9.9	19.8
Income from redemption of investments	1.0	0.4	-	-
Closure/reorganisation costs	(1.7)	(3.4)	-	-
Interest	(4.6)	(4.2)	(3.4)	(2.3)
Profit on sale of properties	2.8	0.5	1.0	-
<u>Group Profit (before taxation):</u>	(1.4)	(5.1)	7.6	17.5
Taxation	-	1.0	(0.5)	(1.6)
Extraordinary items (mainly assets written off at closure and reducing costs)	(2.0)	(9.5)	(4.5)	2.9*
<u>Total Profit Loss to Group:</u>	(3.4)	(13.6)	2.6	18.8

(\* The £2.9 million in 1979 represents disposals of investment properties less allocation to profit sharing scheme.)

TABLE 4 (cont'd)

THE BURTON GROUP

KEY FINANCIAL RATIOS

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Growth in Group Turnover (%)	0	+4	+1	+8
Growth in Trading Profit (%)	-79	+33	+518	+100
Trading Profit as % of Sales	1	1	6	12
Stocks as % of sales	19	14	12	17
Profit before tax as % of c.e.	-1	-4	5	11

merchandise produced an immediate 40% boost in branch turnover, and that increase doubled as soon as the shop was properly fitted out - only two shops did not achieve that average..... The costs of the retail closures and reorganisation were heavy, and North and Halpern were determined to start the new financial year in September 1977 with a clean slate. Men's retailing profits that year lost £570,000 at the operational level compared to a profit of over £4 million two years before. After branch closure costs were taken into account, the result was a red figure of nearly £4 million. The speed of the turnaround and its extent is indicated by the 1978 profit of £6 million."

It soon became clear that it was the retailers who were now dominant. Halpern moved the merchandising team back to London again and manufacturing was cut and reorganised to become a service to the retail operation. Lester (1980) again:

" One third of the manufacturing capacity (4 factories) was closed down in the first swing of the axe, with that temple of the made-to-measure tradition, the Hudson Road Factory in Leeds, reduced to cloth-cutting and warehousing."

Despite the closure of 90 Burtons and Jacksons shops - nearly 17% of the shops open in 1976 - menswear sales rose to £91.4 million. Given the upheavals, profits declined further to just £100,000 but the management were confident that, for menswear retailing at least, the basis of profitability was there. Not so in manufacturing. Despite the action taken, losses rose again to £2.5 million in 1977.

In the other divisions, losses were stemmed in Rymans which was by this time re-oriented towards consumer sales of stationery rather than office equipment. But the European operations continued to lose money and decisions were taken to pull out of Belgium and cloth merchanting in France.

The reorganisation and closures mainly associated with Menswear incurred costs in 1977 of £9.5 million - enough to send net losses to a total of £13.5 million after tax and interest. In financial terms it was the low point in Burtons fortunes. However, the new management team had taken the opportunity to cut back loss making operations faster than over the previous six years as well as invest in and begin to develop the more attractive businesses.

In this transition year, it became clear how the Menswear business might develop under Halpern's guidance. Halpern's main success had been with Top Shop, a retailer of young women's clothes. He saw similar opportunities for menswear in the 15-24 year old sector of the market in which the spending power in mens fashions was to be found. He described his ideas for a revitalised menswear operation as follows (Sharman : 1977) "Burton needs a trendsetter to feed back into the chain." But he also believed that within Burtons there was scope for several different types of mens retailer each appealing to different segments and backed up by product group merchandisers whose job it would be to ensure that the merchandise in each type of shop was compatible with its target market. In addition the image of Burtons had to change:

"Burton is currently identified with a very low market image. That is not the future of Burton. The future store will have the



most beautiful shop fittings, the best deep-pile carpets, the best windows, but relatively good value, keenly priced merchandise."

1977 was, in many ways, a turning point for the Group. The strategy became more focussed on fashion retailing of both mens and womens clothing. The other interests of Burtons were either disposed of or rationalised, and the retail approach of Halpern and his team gained ascendancy. It was which stressed merchandise information control and the distribution facility to ensure that best selling lines were made available and slow sellers deleted early.

1978 saw the continuation of similar policies but the yielding of more promising results. The number of shops was further cut from 706 in 1972 to 585 in 1979, almost all of the reduction coming from the traditional menswear chain. Jacksons was also incorporated into the Burton operation. However, within the total reduction, was growth in certain sectors. Beginning in March with a shop in Watford (FT March 6 1975) 44 of Halpern's "trendsetter" shops for young men called 'Top Man' were opened in just 9 months. 55 new menswear shops were opened and a further 63 modernised. The revitalisation of menswear retailing built up its own momentum as explained by one of the Burtons executives of that time:

"It was very professionally planned. The re-designed prototype shops showed a growth in sales of something like 37 or 38%. Once this was known you could take decisions on the re-vamping of other shops in the knowledge that you could fund it out of its own growth. And where market research showed that a town could not support a new Burtons shop, then it was disposed of, so you were also able to fund the recovery out of disposals..... You must remember Burtons had a tremendous asset base - a tremendous advantage.

It was this policy of funding from growth and disposal of shops which did not merit longer term investment that enabled the company to spend £26 million on modernisation in 1979 and still reduce borrowings and interest payments.

There were also continued attempts to come to terms with manufacturing. By the end of 1978 the number of factories was reduced to four and management were claiming (Retail and Distribution Management: January/February 1979) that this was in line with retail needs, though it was still loss-making.

Halpern had also acted to improve stock control, switching over within two years to a centralised, computer based monitoring and replenishment system. Providing little scope for the discretion of the shops in merchandise control, it did provide the central merchandise controllers with a speedy understanding of what was and was not selling, allowing purchase levels and deliveries to be geared to demand. The effects on stock were impressive (see Table 3) with reductions in 1977 and 1978 to 14% and 12% of sales respectively, a level hitherto unknown in the Group.

Womenswear interests continued to be expanded with a concentration on the younger market in which Top Shop had gained the Group such experience. In 1979 the Group made its first acquisition for six years, taking over Dorothy Perkins with its 240 women's fashion shops. In effect the company was building its second major high street presence in the UK in womens fashions having recognised that this was unlikely to be achieved



through internal development. Halpern found similar problems with over-stocking in the new acquisition and immediately imposed the same centralised stock control and distribution system on Dorothy Perkins after the removal of the Dorothy Perkins board.

By the end of 1979 the Group's turnaround looked impressive. Turnover per shop had doubled since 1975 and from the heavy losses of 1976 and 1977 the Group returned to profitability in 1978 and, in 1979, was able to show all retailing divisions as profitable and a Group profit before tax of £17.5 million. For the first time in the 1970s Group profit ceased to be reliant on property income and return on capital employed exceeded 10%. Interest payments had been brought down by half in the four years and the high costs of closure and redundancy appeared to be behind them. This had been helped in 1979 by the decision to arrange for external funding of credit sales, so reducing debtors from £21 million in 1978 to £12.5 million in 1979.

In 1980 the emphasis was, most strongly, on investment in the mens and womens retail chains and the pruning of loss-making peripheral ventures. A total of £36 million was spent on the shops, £12 million on new sites and £20 million on modernisation. Without the benefit of surplus profits from property disposals, the result was a hefty increase in borrowings from £12 million to £44 million. As fashion retailing was expanded, so other activities were cut : the Evans mail order operation was disposed of and the number of Evans shops reduced; and two of the remaining four factories were also closed. The result was that the Group incurred a further £20 million in redundancy payments. By the end of 1980 it was also known that Burtons were looking for buyers for their French operation and for Rymans (FT 19 November 1980) and both were sold in the following year.

Observers of Burtons fortunes were not sure what to make of the 1980 results. Group pre-tax profits dropped and the Group was yet again cutting back on its manufacturing base at great cost : the Investors Chronicle (19 December 1980) commented : "The stop-start progress of the Burton Group looks poised for another "go" phase. Even so, shareholders, whose patience has been tested over recent years, should still wonder if their company's troubles are over."

The main concern was that the better performances of 1978 and 1979 might be shortlived.

### Changes in Management

1979 to 1981 saw activity at board level which changed significantly the ownership structure and senior management of the company. First, in 1979 the decision was taken to enfranchise the non-voting shareholders - a decision long called for by the City but resisted by Burtons whilst the profit situation was so perilous and the shares correspondingly low. Burtons, then, ceased to be essentially a family controlled business.

The second move was the reorganisation of the Board. At the end of 1979, Rice stepped down as Chairman to become non-executive Deputy Chairman, Spencer was appointed Chairman and Joint Managing Director with Halpern as the other Joint Managing Director and Brian North as Deputy Managing Director. But much more dramatic changes were to occur in 1981.



Prior to Burton's Annual General Meeting in 1981, the Observer newspaper carried the story of why Spencer would not be seeking re-election as Chairman (Observer, 24 January 1982). It was revealed that Spencer had held discussions with Gerald Ronson of the Heron Corporation for the sale of Burton shares:

"Spencer and Ronson were old friends. The deal which Ronson is reliably understood to have discussed involved a buy-out by Heron of the Burton family's interests accounting for some 15 per cent of the equity ... At the time the Burton Group was valued on the stock market at a little under £100 million although its rich property assets were estimated to be worth around £240 million or 300p a share ... Ronson's plan was clearly to buy Burton's at a discount to assets".

Ralph Halpern was invited by Spencer to attend his meeting with Ronson. The Observer continued:

Unknown to Ronson and Spencer, a recording system was hidden in his (Halpern's) bespoke Burton suit ... Halpern's view of the ... whisperings was that it was improper for the deals to be discussed without the rest of the board's knowledge".

At the Board Meeting on 2nd July, Spencer was asked to stand down. Ralph Halpern was appointed Chairman and Chief Executive of Burtons.

#### ... and in Management Style

"You have to understand, he has immeasurable ego and immeasurable confidence - perhaps they are the same thing. The guy just exudes confidence." As a description of Ralph Halpern by one of his management team of the early eighties, it is typical of what colleagues and competitors say of him. He joined Peter Robinson in 1961 and progressed through the management hierarchy, increasingly being regarded as the man whose retail formula appeared to work. As Chief Executive of Top Shop and Peter Robinson in the mid 70s he built a reputation for success when others in Burtons gained a reputation for failure. By 1980 he was Joint Managing Director of the Group and within another year he was its Chairman and Chief Executive.

Halpern had built a retail team which consisted of Anthony Coleman, Laurence Cooklin, Paul Plant, Mike Wood and Robert Woodman and became known as the Retail Board. In 1980 this was not an officially constituted board but its informal strength and power was considerable largely because of its undoubted success. Halpern operated by centralising what he considered to be the major policy decisions on this team, making such decisions explicit and then delegating their implementation to other teams in each of the operating divisions.

This centralisation was concerned with the major decisions of the business - merchandise ranges, shop acquisition, shop fitting and layout, senior appointments and financial structure. The result was clear, explicit policy guidelines at several different levels of the business. There emerged a clear view about the strategic intent of the nature of the Burton business centred on fashion retailing of mens and womens clothes. All other activities were considered peripheral and unnecessary. Manufacturing was seen purely as a service to retailing and Halpern explained:



"All the factory assets have been written off, so if we can break even on that side I shall be happy. We are willing to persevere with it, but if there is no market in made-to-measure suits we will pull out." (Sunday Times, 5 July 1981.)

At the operational level, success in retailing was seen as linked to the total shopping environment - merchandise and shop appearance - and since the shops were fashion shops they had to change as fashion changed. By 1980 Top Shop was already going through its third refitting programme (Sherwood : 1980).

It was a philosophy that rewarded performance too with executives able to double their salaries on achievement of profit targets. Centralised decision making would also apply to anything which was regarded as significant in terms of running the business : for example in the early 1980s, Ralph Halpern insisted on personally authorising all purchases of motor cars: "All capital expenditure was subject to very rigid control - which is not unusual - but motor cars are such an emotive subject ... so Halpern insisted he would sign."

It was this management approach that took over the running of Burtons within a unique organisation structure. Each division had functional senior executives reporting directly to central functional managing directors : there were no divisional managing directors.

#### 1981-1983 A Success Story

Ralph Halpern stated in the 1982 annual report:

"During the last two years the Group has pursued three specific objectives. The first was to improve the profitability of our successful retailing activities as a firm base for growth in the future. The second was to rationalise or dispose of those activities which were unlikely to contribute significantly to future profitability. The third was to reduce substantially our dependence on a high level of bank borrowing.

The two years, 1981 and 1982, did indeed reflect these aims. The policies of retail investment and divestment of all else, was pursued with both men's and women's fashion divisions growing as a result in terms of both sales and profits. By 1982 the losses from all other activities had been reduced to £100,000 - from manufacturing - compared to £5.2 million in 1980 - Group trading profits were in excess of £24 million. The third aim of reduced borrowings had also been achieved with interest payments reduced to £100,000: profits after interest and tax were £19.4 million (see Table 5).

In 1983, with the objectives of 1981 and 1982 largely achieved, Halpern turned his attention to future growth and re-positioning. he attempted to acquire both Richard Shops and John Collier from troubled UDS for between £75 and £90 million (Sunday Times : January 23 1983). The aim was to both build up the high street representation in womenswear and also use the John Collier shops to appeal to a distinct men's market segment, the 30 plus age group (Menswear, February 17, 1983). Burton regarded the need for moving away from an over-reliance on the 15-25 age group as important because, as a segment, its size was beginning to decline and would continue to do so through the 1980's. Burtons failed in their acquisition of the UDS chains and additional acquisition was

TABLE 5

## THE BURTON GROUP

SUMMARY OF FINANCIAL PERFORMANCE 1980-1983

	(£million)			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Group Turnover</u>	225.7	218.5	233.9	299.2
Sales by activity:				
Menswear	88.4	101.8	121.6	155.2
Womenswear	87.3	94.0	107.7	139.2
Others	22.2	-	-	-
Overseas	13.5	17.8	-	-
Mail Order	4.9	-	-	-
Manufacturing	6.3	1.7	0.4	0.6
Other activities	3.1	3.2	4.1	4.2
<u>Profits</u>				
Trading profit by activity:				
Menswear	12.7	13.0	15.6	23.3
Womenswear	7.6	7.6	8.7	14.2
Others	0.1	-	-	-
Overseas	(1.2)	(0.2)	-	-
Mail Order	(1.3)	-	-	-
Manufacturing	(2.7)	(1.1)	(0.1)	0.1
Other activities	0.1	(0.5)	0.1	0.2
Other (mainly property) income	3.1	*	*	*
<u>Group Trading Profit</u>	18.4	18.7	24.3	37.7
(before interest and tax)				
Interest	(5.2)	(4.1)	(0.1)	1.2
Taxation	(1.9)	(2.3)	(4.9)	(11.1)
Extraordinary items (balance of the disposal of properties less closure and redundancy costs & allocation to profit sharing)	(10.8)	3.8	0.1	0.2
<u>Total Profit Loss to Group:</u>	0.3	16.1	19.4	28.0

(\* Income from property and credit operations distributed to divisions.)

TABLE 5 (cont'd)

THE BURTON GROUP

KEY FINANCIAL RATIOS

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Growth in Group Turnover (%)	+37	-3	+7	+28
Growth in Trading Profit (%)	-7	+2	+30	+55
Trading Profit as % of Sales	8	9	10	12
Stocks as % of Sales	13	12	16	13
Profit before tax as % of c.e.	10	10	11	16



postponed to January 1984, when the 93 Harry Fenton shops were purchased from Combined English Stores for £3.5 million (FT January 1984).

However, within the existing shops, there was evidence of re-positioning of the product range, particularly in womenswear. Top Shop, previously targetted almost exclusively at the 15-25 age group, introduced fashion for the 9-14 year old and, with Top Notch, fashion garments for the 25 plus, better-off woman.

The aim was now growth of market share. Ralph Halpern stated:

"At present the company holds a relatively small share of the UK clothing market, estimated at approximately 4%. The clear and exciting opportunity for the Group in the future is to increase profits by expanding its share of the market."

This aim was evident in the store expansion policies of 1983. For the first time in over ten years, the number of shops opened through internal development rather than acquisition increased from 748 in 1982 to 791 in 1983. In addition the new store development policy was moving towards the opening of much larger "superstores": in April 1983 one such store, occupying three floors, with men's, women's and children's wear, was opened in Edinburgh with a second scheduled for Liverpool (Menswear, April 14, 1983). This expansion was to be only the beginning of what was Halpern's ambition to compete with the largest of the fashion retailers. He no longer regarded Burtons as competing as a men's and womenswear multiple with other such multiples. The aim was to take shares from those dominating the market and that meant competing with market leaders such as Marks and Spencers.

Such expansion would require growth backed by larger financial resources than even the new cash-rich Burtons could draw upon. Consequently in the 1983 annual report, Halpern announced the intention to increase authorised share capital by scrip issue from the current £55 million to £125 million. The days of Burtons as a family-controlled business were gone: by 1983 family and directors' shareholding was down to less than 8% and by 1984 this was to be further reduced.

By 1983 manufacturing was profitable. The division had launched a high quality, high technology garment manufacturing service called Farndale, based on its Gainsborough factory and, together with increased manufacturing efficiency, was able to show a trading profit of just under £100,000 on sales of £600,000.

By the end of 1983 Burtons was viewed by retail observers and its competition as an unqualified success. The 1983 results showed sales of about £300 million, pre-tax profits up to £39 million and a return on capital employment of 16%. These figures were achieved after a total of £29 million had been spent on the store openings and 79 shop modernisations, all of which expenditure had come from internal cash flow. The company had shown not only this ability to grow sales and profits but also an ability through tightened retail controls, higher values merchandise and fewer markdowns, to increase margins from 10.3% in 1982 to 12.6% in 1983 (Guardian 23 November 1983). Analysts expected the company to make a profit before tax for the year 1983/84 in the region of £53 million.



## APPENDIX 2

### HEPWORTHS - a Case Study

Hepworths entered 1970 in buoyant mood: the Chairman (Mr E Chadwick) reported:

"This is the first time the profits have exceeded £2 million and it is encouraging to note that although it took us 100 years to achieve the first million pounds profit, it has taken us six years only to add the second million. Growth at this rate is substantial even in relation to the depreciation of the pound, especially as it owes nothing to the acquisition of other companies or the raising of new equity capital. Moreover it is clear proof that the public appreciate the quality, value and service available at our branches."

Hepworths was the largest specialist tailor in the country and could design about 2.7% of the mens clothing market and 3.6% of share of sales through mens and boys shops in 1970. Unlike Burtons and UDS, it had not diversified at all; its 280 retail outlets sold tailored clothing, mainly made to measure suits, jackets and coats. They did not sell shirts, ties or knitwear. This was, in itself, a significant change in strategy which had taken place throughout the 1950s. In 1948 when Norman Shuttleworth arrived at the company as General Manager - later becoming Group Managing Director - Hepworths was an outfitter, trading from over 500 mainly small shops. Shuttleworth brought his father, who had been Production Director of "Fifty Shilling Tailor" (later John Collier), into the business; together they changed Hepworths to a multiple tailor. By the mid 1950s it traded from 280 shops as a high street multiple with its own manufacturing capacity for mainly made-to-measure suits, which represented 80% of its turnover. Group profit in 1970 was £2.1 million, made up of £1.4 million trading profit and £0.7 million profit from the sale or rental of properties. Growth in total profits had been 18% in 1970, 13% in 1969 and 21% in 1968 and the growth in trading profit was higher for these years (31%, 14% and 25% respectively). Freehold property, mainly shops, accounted for £15 million of the fixed asset base of 17.5 million, a figure which was £10 million higher than the 1968 base owing to a revaluation of properties in 1969. Issued share capital, at £5 million had risen by some £2 million in 1970 and the equity of the business at £15.7 million far outweighed the loan capital and mortgages, which had stood at around £3.5 million for four years.

Hepworths were seen by the City as a reliable, steady, fairly conservative company which from the low (7%) trading profit margins was able to generate returns of 11% on capital employed, even given the revaluation of its properties. Shareholders had seen the net worth of the company rise from £3.1 per share to £4.1 throughout the 1960s and for the years from 1966 onwards, this had been achieved with a dividend payout in excess of 50% of profits after tax. With such a performance, and given that the directors of the business or their families held over 40% of the voting shares, the board viewed the future with confidence.

#### Strategy in the 1960s

Norman Shuttleworth's influence on Hepworths was considerable. By the early 60s the company was seen as a credible rival to the main high street



tailors, Burtons and John Collier. As with them, the emphasis was on the production of made-to-measure suits in wholly-owned factories, with the shops as ordering points for the garments.

In 1961 Hepworths began an association with the Queens dress designer, Hardy Amies. The idea was that Hardy Amies would design a range of menswear especially for Hepworths: in effect the shops managers would be able to offer a more fashionable, modern, yet more standard designs backed by national advertising and extensive publicity.

The Hardy Amies look was launched at the London Savoy in 1961, and was the basis of Hepworths made to measure strategy throughout the 1960s. The executives of that time proudly assert that Hepworths led the fashion revolution of the 60s.

### The Early 1970s

The mix of Hepworths sales had not fundamentally changed through the 60s. In 1970 80% of the suits sold were made-to-measure and these represented about 60% of the company's turnover. Hepworths followed a strategy for the first half of the 1970s which was rooted in their successes of the 60s. They continued to emphasise the Hardy Amies designs and invested in the automation of factories to reduce costs and improve efficiency. In 1970 they actually opened two new factories, expanding their manufacturing base, and as late as 1974 opened a new factory at Richmond in Yorkshire. The confidence at the beginning of the decade was high; not only was investment in manufacturing continuing but the decision was taken to build a new head office tower block in Leeds together with a new warehouse. The confidence was reflected in the financial press which reported on 1970 (FT April 1971) that "made-to-measure suits were moving ahead nicely" and that "now that costs of a 25% increase in manufacturing capacity are out of the way margins should improve".

The optimism seemed to be well founded. From 1970 to 1973 sales, trading profits and return on sales rose, outstripping inflation (see Table 1). In the second half of 1973 however, there were signs of deteriorating performance. Made-to-measure sales had been declining and this began to be reflected in company performance. In addition, the legislation on margin control that existed at that time prohibited the rises in price which would have been necessary to retain the profitability of previous years. A 25% growth in sales would have been necessary in the financial year 1973/74 to retain profit levels. In fact first half turnover rose by just over 4% and profits fell by 24%. It was the first time Hepworths had announced a reduction in profits since 1967. By that May the company was also badly hit by three day week in particular which reduced the ability of their factories to meet the demand in the shops. By mid 1974 there was a ten week delay on the delivery of a made-to-measure suit.

In the full year 1973/74 sales rose by 10% to £25 million but trading profits dropped by 28% and return on sales fell back to 10%. Stocks and work in progress also rose by 86% and with credit sales increasing to one-third of total sales and extending the debt level, Hepworths needed to increase their overdraft by almost £5 million to £6.2 million. In 1974/75 the decline continued. Despite a 19% increase in turnover trading profit fell by a further 15%. The optimism of the beginning of the 1970s in their ability to weather the changes in the menswear market had now dissipated.

In January 1974, Norman Shuttleworth retired as Group Managing Director.



TABLE 1

HEPWORTHS GROWTH 1971-1973

	<u>1971</u>	<u>1972</u>	<u>1973</u>
Turnover (£Million)	18.3	19.0	23.3
% Change	+18	+9	+23
Trading Profit (£Million)	1.7	2.3	3.6
% Change	+30	+35	+56
ROS (%)	10	12	15

This, together with the flagging performance of the group marked the end of the specialist multiple tailoring strategy of Hepworths.

### 1975-1979: A Period of Adjustment

Jeff Rowley succeeded Norman Shuttleworth as Group Managing Director. He was a chartered accountant by training who had joined the company in 1956 as company secretary, in the 1960s served as finance director and in the early 1970s as deputy managing director. His arrival heralded a change in strategy. In 1975 and 1976 these changes took three main forms. First the rate of acquisition of shops, already increased in 1974, was further speeded up. Twenty eight new shops were opened in 1974/5, five replacement sites were found for closed shops and major alterations or building took place in a further 13 shops. This was a much bigger investment in property than had occurred before and was an attempt to generate extra turnover.

It was accompanied by the financial reordering of the group. New properties were financed largely by a sale and leaseback of existing properties; the growing debt as a result of increases in credit sales was reduced by arranging for financing services to offer the customers seeking credit. In addition, as explained in the 1975 annual report, "Inflation means permanently increasing working capital and we have converted £2 million of overdraft into a loan repayable in 4/5 years and £3 million into a loan repayable in 5/10 years."

The third move was the introduction of a wider range of merchandise into the shops. In 1975, ties, shoes and shirts were introduced and this was followed in 1976 by knitwear and leisurewear. Despite this apparent commitment to wider ranges of menswear, the public announcement of the move still reflected the commitment to made-to-measure. The 1976 annual report looked forward to the time "when demand in our traditional business returns to 'normal'.... and went on to state : "Though the market in made-to-measure suits has currently declined, we are working hard to get an ever-increasing share, and to publicise the many advantages to the customer of this type of service".

If the 1975 and 1976 product range changes were rushed and unsatisfactory, they nonetheless represented a long term change in merchandise policy. "Normal" times did not return; Hepworths was no longer a specialist tailor and sales of the wider ranges of menswear rose steadily as a proportion of the total mix.

Other aspects of the revised strategy were consolidated in the period 1976 to 1979. Increase in selling space was achieved by the opening of 34 shops in 1976 and 1977 and in the financial year 1977/79 by converting the traditional deep window arcades into selling space. This reconversion programme provided additional space which was equivalent to 35 new shops. In addition shops within shops were opened within Debenham branches from 1977 onwards : by 1979 there were 20 such operations. In 1979 the external funding of debt was also formalised into a separate trading company - "Club 24" - jointly owned by Hepworths and Forward Trust and offering its services to other retailers.

As part of this accommodation with the decline in their traditional business, management were required to tackle the problem of manufacturing capacity. The expansion of manufacturing which took place until 1974 was no longer warranted and, indeed, with the decline in made



to measure sales, the issue was whether there was a substantial role for manufacturing at all. From the early 1970s to 1978 the company had attempted to route an increasing proportion of ready-to-wear garments through their factories. It was a policy that proved to be less than satisfactory. Bill Beasley, the merchandise director of the late 70s explained:

"We found that we were fighting the high street battle with one hand tied behind our back if we try to make our own requirements in ready-to-wear ... we can buy more cheaply from other suppliers and to the same quality. Moreover if we have all our trousers made in our own factories, they will all basically be the same. Other peoples' merchandise will have a slightly different fit and appearance." (David, 1981).

In 1978 the first of the factory closures occurred and over the next three years a further five closures took place. The remaining factory still specialises in made-to-measure, and indeed the company has actually invested in this sector which in 1983 accounted for 15% of the turnover. As late as 1981 £250,000 was invested in computerised cutting for made-to-measure suits with the intent of increasing competitiveness to take more share of that sector as others drop out.

Following continued decline in 1976, turnover, and profits began to improve in the late 70s as Table 2 shows.

Despite margins lower than in the early 1970s, the company was able to turn around from its low point of 1976, when trading profit was almost as low as 1971 on twice the turnover figure, to record profits in 1979. The switch to bought in merchandise and away from made-to-measure goods had increased stocks to £12 million in 1979 (23.5% of turnover) compared to around £3 million (14-16% of turnover) in the early 1970s, and this had led to an increase in short term borrowings. However total borrowings of £13.5 million were covered five times by the equity of the business.

#### The 1980s - and Diversification

In the 1980s the strategies of the late 70s for menswear were continued and refined. Club 24 was promoted to other retailers. By 1980 there were 300,000 Hepworth customers for the service and another 150,000 from 15 other retailers ; in 1980 its contribution represented over half of group profits and this ratio was to continue in 1981 and 1982. Trading space in branches was increased by further de-arcading and beginning to use the first floors of premises where appropriate. Shirts, ties, socks, shoes and knitwear accounted for 25% of turnover. The main feature of the early 1980s however was diversification.

Hepworths had approached Combined English Stores to discuss the possibility of acquiring Kendalls in 1979, but had decided not to pursue the idea. However Hepworths acquired Turners in 1980, for £9 million. In 1981 Rowley was talking of expansion plans for the opening of 20 shoe shops a year (Clark : 1981). However, this acquisition did not reduce the interest in the womenswear market.

The situation changed rapidly over the next two years. In 1979 they had no real notion of what to do: by 1981 they had launched the womenswear chain "Next" and earned a reputation for successful innovation and creating "a stir in every high street in which a branch has opened" (Menswear,



TABLE 2

HEPWORTHS RECOVERY 1976-1979

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Turnover (£Million)	28.5	34.5	42.6	51.3
% Change	-5	+20	+24	+19
Trading Profit (£Million)	1.9	2.5	3.6	4.9
% Change	-33	+37	+41	+36
ROS (%)	6.5	7.2	8.4	9.6

January 1983).

In 1980, County Bank had approached Hepworths to suggest that they might consider the acquisition of Pippa Dee, an operation specialising in the in-home selling of womenswear. It was a marketing operation that Hepworths knew nothing about and they decided not to follow it up. The company was taken over by Amber Day Holdings. However, the merchandise director of Pippa Dee, George Davies, decided not to join Amber Day and resigned. He was introduced to Hepworths by County Bank. George Davies carried out a personal review of the womenswear market and recommended to Rowley and his board the operation that was to become "Next".

"Next" chose as its target group the 25-35 "better off" woman, a group for which there was no specialist retailer. The concept was to provide colour coordinated clothes, designed in-house and manufactured especially. So the customer was not only buying something special but it could only be purchased from "Next". By 1983 there were 140 "Next" branches utilising the former 79 Kendalls shops and some ex-Hepworths shops and despite problems of stock-outs, it was contributing more than 10% of group profits.

Throughout this period of acquisition and the development of "Next", the menswear business continued to be the main contributor to sales, though with declining profitability. It was as late as 1983 before Hepworths actually began to emphasise, as distinct from just stocking, casual clothes (Menswear, March 1983). The policy of remaining distinct in the market had continued till that time in terms of the product range featured; and after 1983 it continued in terms of the target group. Hepworths deliberately chose to focus on a more up-market customer, preferring to avoid the younger more down-market customer that they perceived as being a market segment dominated by Top Man in which all the other menswear retailers were fighting it out.

In 1981 Everard Chadwick, Chairman throughout the 1960s and 70s retired. He was succeeded as non-executive Chairman by Sir Terence Conran. It was an appointment heralded with much publicity. He brought with him a reputation for retail flair and design, and success with Habitat. Following his appointment, Hepworths set about a programme of modernisation for the menswear stores. It was in line with with Conrans view of retailing:

"A lot of retailers decide that they must change direction, but caution tells them that they shouldn't throw the baby out with the bath water. They buy a bit of new merchandise the customer comes in, sees it and doesn't buy it because the shop image hasn't changed to suit the clothes, then the retailer loses heart." (Menswear, May 1983.)

The menswear retail image was to change in line with merchandise changes. Conran's designers planned a shop with grey felt walls and soft lighting and £5 million was allocated to refitting 288 stores (Upton: 1983).

Table 3 shows the relative performance of the Hepworths divisions in the early 80s. Group profits were dependent primarily on estates profits - rental from group retail activity and shops rented to outside operations - and from Club 24. Retailing began to make a loss in 1981 and this continued into 1982. The success expected from Turners had not materialised: the 1982 annual report offered as a reason for this "the

TABLE 3HEPWORTHS PERFORMANCE BY DIVISION 1980-1983

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Turnover</u> (£Million):				
Retail	60.2	73.5	81.9	97.1
Manufacturing	11.7	6.6	5.2	5.1
Estates	5.1	8.0	9.8	10.2
Intra Group Sales	(15.1)	(12.4)	(13.6)	(13.8)
Total	61.9	75.7	83.4	98.6
% Change	+20	+22	+10	+18
<u>Earnings from</u> (£Million):				
Retailing	2.1	(0.06)	(0.15)	2.7
Estates	2.6	2.0	2.4	2.5
Manufacturing	(0.5)	0.3	0.3	0.2
Club 24	3.1	3.2	3.6	3.8
Total Profits before Interest and Tax	7.3	5.44	6.15	9.2



limitation of consumer spending, especially in the mass market .... in which Turners operate, and by the high level of markdowns being experienced due to competitive retailers adjusting their stock levels". By 1983 Turners had been sold; it had failed to make the profits that had been the aim of the diversification and had been overtaken in significance by "Next". Its sale could release funds for the investment in refitting and the expansion into womenswear. Although "Next" was a success it was still in its infancy - at least breaking even on a turnover estimated to be £20 million by the end of 1982 (Retail Business January 1984), but not yet contributing significant profits. Menswear was making losses in 1981 and 1982 and just about breaking even in 1983 (FT November 1983). Reports on the menswear refitting programme were not enthusiastic: Mintel (1983) reported 10-20% sales increases but by the end of 1983 trade sources (Retail Business: January 1984) were reporting that the "relaunch had gone sour". The success of the "Next" operation in womenswear and the deteriorating menswear performance prompted a further rethink of the mens-wear strategy. Rowley decided on both a change in structure and in strategy. First the retailing operations of the company were reorganised into one division, facilitating the re-allocation of property resources between the two operations. Davies was appointed managing director of the new retail operation with a single retail board.

Davies moved the merchandising operation for the whole of retailing away from Leeds to Leicestershire and sacked 45 menswear buyers and retained just one menswear director on the new board. Davies too had some reservations about the refitting of the shops; he is quoted as commenting that whilst they met the expected targets:

"A conversion is not all that makes a shop tick. It's no good retailers painting the ceiling and walls, putting down a new carpet and expecting trade to improve: consumers are not daft. A man will buy a shirt wherever he wants to, no matter what colour the walls are." (Menswear: December 1983).

His plans for the menswear business were not completely formulated by the end of 1983 but there was already evidence that they included improved *monitoring of stock requirements, improved delivery to branches* and a split between more traditional Hepworth branches and new "Next Man" shops are expected to be launched in mid 1984. The "Next Man" shops are expected to number about 160. Davies' view was that clothes retailers in general are rather conservative and sleepy.

"The fact that Next got in means they (other retailers) let us ... I think the main problem is that retailers have not allowed men to be excited about clothes - we intend to give them a chance." (Menswear: December 1983.)

## REFERENCES

H. Abravanel, "Mediating Myth in the Service of Organisational Ideology" in L. R. Pondy, P. J. Frost, G. Morgan, T. C. Danbridge (eds.), **Organisational Symbolism**, JAI Press, 1983.

R. P. Abelson, "Psychological States of the Script Concept" **American Psychologist** Vol. 36, pp. 715-729, 1981.

F. Aguilar, **Scanning the Business Environment** MacMillan, 1967.

T. J. Allen, "Problem Solving Strategies in Parallel Research and Development Projects", Working Paper No. 126-65, Cambridge Mass: Sloan School, MIT June 1965.

G. T. Allison, **The Essence of Decision**, Little, Brown & Co, 1971.

C. R. Anderson and F. T. Paine, "Managerial Perceptions and Strategic Behaviour", **Academy of Management Journal**, Vol. 18, pp. 811-823.

K. Andrews "The Concept of Corporate Strategy", Dow Jones-Irwin, 1971

H. I. Ansoff, **Corporate Strategy**, Penguin, 1968.

D. E. Apter, 'Introduction : Ideology and Discontent' in D. E. Apter (ed.), **Ideology and Discontent**, New York Free Press, 1964.

J. Argenti, **Corporate Planning**, George Allen and Unwin, 1968.

C. Argyris and D. A. Schon, **Theory in Practice : Increasing Professional Effectiveness**, Jossey Bass, 1974.

C. Argyris and D. A. Schon, **Organisational Learning : A Theory of Action Perspective**, Addison Wesley, 1978.

H. Assael, "Constructive Role of Interorganisational Conflict", **Administrative Science Quarterly**, Vol. 14, pp. 573-582, 1969.

Attitude Research Limited, Consumer Research for Foster Menswear, 1980.

C. Barnard, **The Functions of the Executive**, Harvard University Press, 1938.

H. Bahrami, 'Design of Corporate Planning Systems', PhD Thesis, University of Aston in Birmingham, 1981.

W. J. Baumol, **Business Behaviour, Value and Growth** Harcourt, Brace and World Inc., 1967.

J. Beattie, **Other Cultures** : Cohen and West, 1964.

H. Becker, "Problems of Inference and Proof in Participant Observation" in **Qualitative Methodology** (edited by W. J. Filstead), Markham, 1970.

W. G. Bennis, **Changing Organisations : Essays on the Development and Evolution of Human Organisations**, McGraw Hill, 1966.



J. M. Beyer, "Ideologies, Values and Decision Making in Organisations" in P. C. Nystrom and W. H. Starbuck (eds.) **Handbook of Organisational Design**, Vol. 2, Oxford University Press, 1981.

N. W. Biggart, "The Creative-Destructive Process of Organisational Change : The Case of the Post Office", **Administrative Science Quarterly**, Vol. 22, pp. 410-426, 1977.

S. Birley, **Small Business Case Book** : MacMillan, 1980.

E. Bittner, "The Concept of Organisation" **Social Research**, Vol. 32, pp. 239-55, 1965.

F. H. Blum, "Getting Individuals to Give Information to the Outsider" in W. J. Filstead (ed.) **Qualitative Methodology**, Markham Publishing, 1970.

H. Blumer, "Sociological Implications of the Thought of George Herbert Mead", **American Journal of Sociology**, Vol. 71, No. 5, pp. 535-48, 1966.

H. Blumer, "Society As a Symbolic Interaction" in J. G. Manis (ed.) **Symbolic Interaction : a Reader in Social Psychology**, Allyn and Bacon, 1967.

R. Bogdan and J. S. Taylor, **Introduction to Qualitative Research Methods**, John Wiley and Sons, 1975.

J. L. Bower, **Managing the Resource Allocation Process : a Study of Corporate Planning and Investment**, Irwin, 1972.

- J. Boswell, **The Rise and Decline of Small Firms**, George Allen and Unwin, 1973.
- R. H. Brown, "The Emergence of Existential Thought : Philosophical Perspectives on Positivist and Humanist Forms of Social Theory" in J. D. Douglas, and J. M. Johnson (eds.), **Existential Sociology**, Cambridge University Press, 1977.
- R. B. Buchelle, "How to Evaluate a Firm" in D. McCarthy, R. Minichiello and J. Curran (eds.), **Business Policy and Strategy**, Irwin, 1979.
- A. Budde, J. Child, A. Francis and A. Kieser, Corporate Goals, Managerial Objectives and Organisational Structures in British and West German Companies, **Organisation Studies**, Vol 3, pp. 1-32, 1982.
- R. A. Burgelman, "Corporate Entrepreneurship and Strategic Management : Insights from a Process Study", **Management Science**, Vol. 29, Dec., pp. 1349-1364, 1983.
- J. Burgoyne and R. Stuart, "Implicit Learning Theories as Determinants of the Effect of Management Development Programmes", **Personnel Review** Vol. 6, No. 2, pp. 5 - 14, 1977.
- T. Burns and G. M. Stalker, **The Management of Innovation**, Tavistock, 1961.
- R. Burr, "Fashioning a New Style out of an Inheritance", **Financial Times**, June 15, p. 7, 1981.

G. Burrell and G. Morgan, **Sociological Paradigms and Organisational Analysis**, Heinemann, 1979.

M. A. Butteriss, "The Study of Organisational and Personality Factors Influencing Decisions about Growth and Development in Small Firms", M.Sc. Thesis, University College of Cardiff, 1971.

R. D. Buzzell, B. T. Gale and R. Sutton, "Market Share - a Key to Profitability", **Harvard Business Review**, Jan-Feb, p. 97-106, 1975.

D. T. Cambell and J. C. Stanley, **Experimental and Quasi Experimental Designs for Research**, Rand McNally and Co., 1963.

C. Cammann and D. Nadler, "Fit Control Systems to Your Management Style", **Harvard Business Review**, January 1976

R. E. Caves and T. Pugel, **Intra Industry Differences in Conduct and Performance : Viable Strategies in US Manufacturing Industries**, New York University Monograph, 1980.

Y. N. Chang and F. Campo-Flores, **Business Policy and Strategy**, Goodyear, 1980.

A. D. Chandler, **Strategy and Structure**, M.I.T. Press, 1962.

D. F. Channon, "The Burton Group Ltd", Case Clearing House of Great Britain and Ireland, 1972.



D. F. Channon, **The Strategy and Structure of British Enterprise**, MacMillan, 1973.

D. F. Channon, **The Service Industries, Strategy Structure and Financial Performance**, Macmillan, 1978.

J. Child, "Organisational Structure, Environment and Performance : the Role of Strategic Choice", **Sociology**, Vol. 6, pp. 1-22, 1972.

J. Child, "Managerial and Organisational Factors Associated with Company Performance", **Journal of Management Studies**, Vol. 2, pp. 175-189, 1974.

J. Child, **Organisation : A Guide to Problems and Practice**, Harper and Row, 1977.

J. Child, A. Francis, A. Kieser, S. Nyman and A. Silbertson, "The Growth of Firms as a Field of Research", **University of Aston Management Centre Working Paper Series**, No. 30, 1975.

C. R. Christensen, K. R. Andrews and J. L. Bower, **Business Policy, Text and Cases**, Irwin (4th edition), 1978.

D. Churchill, "Why a Store's Group Lost its Way in the High Street", **Financial Times**, January 21, pp. 13, 1983.

E. Clark, "Hepworths Cut a Dash", **Marketing**, 15 July, pp. 17, 1981.

M. D. Cohen, J. C. March and J. P. Olsen, "A Garbage Can Model of Organisation Choice", **Administrative Science Quarterly**, Vol 17 pp. 1-25, 1972.

R. Cohen, L. L. Langness, J. Middleton, V. C. Uhendu, J. W. Vanstone, "Entre into the Field" in R. Narroll and R. Cohen (eds.), **A Handbook of Method in Cultural Anthropology**, Columbia University Press, 1973.

P. Conley, **Experience Curves as a Planning Tool**, Boston Consulting Group, 1978.

Corporate Consulting Group, **Frogs and Paradigms**, published by the Corporate Consulting Group, 1982.

R. A. Cosier, "Dialectical Inquiry in Strategic Planning : a Case of Premature Acceptance", **Academy of Management Review**, Vol. 6 pp. 643-648, 1981.

H. Crozier, **The Bureaucratic Phenomenon**, University of Chicago Press, 1964.

R. B. Cyert and J. G. March, **A Behavioural Theory of the Firm**, Prentice Hall, 1963.

R. Daft, "Symbols in Organisations : A Dual-content Framework for Analysis" in L. R. Pondy, P. J. Frost, G. Morgan, T. C. Danbridge (eds.), **Organisational Symbolism**", JAI Press, 1983.

G. W. Dalton, "Influence and Organisational Change" in G. W. Dalton and P. R. Lawrence (eds.) **Organisational Change and Development**, Irwin, 1970.

G. W. Dalton and P. R. Lawrence, **Motivation and Control in Organisations**, Irwin, 1971.

M. Dalton, **Men Who Manage : Fusions of Feelings and Theory in Administration**, John Wiley and Sons, 1959.

M. Dalton, "Preconceptions and Methods in Men who Manage", in P. E. Hammond, (ed.), **Sociologists at Work**, Basic Books, 1964.

T. C. Dandridge, I. Mitroff and W. F. Joyce, "Organisational Symbolism : a Topic to expand Organisational Analysis", **Academy of Management Review**, Vol 5, pp. 77-82, 1980.

R. David, "Exports Offset Domestic Downturn, **Financial Times**, 23 May, p. 8, 1980.

R. David, "All Dressed up and Somewhere to Go", **Financial Times**, 23 March, p. 15, 1981.

J. K. Dent, "Organizational Correlates of the Goals of Business Management", **Personal Psychology**, Vol. 12, pp. 365-393, 1959.

N. K. Denzin, **The Research Act**, McGraw Hill, 1978.

L. Donaldson, "Divisionalisation and Diversification : a Longitudinal Study", **Academy of Management Journal**, Vol. 25, pp. 321-337, 1982.

P. Drucker, "The Practice of Management", **Pan Management Series**, 1968.



R. Duncan, "Characteristics of Organisational Environments and Perceived Environmental Uncertainty", **Administrative Science Quarterly**, Vol. 17, pp. 131-327, 1972.

E. E. Evans-Pritchard, **Social Anthropology**, Cohen and West, 1951.

E. E. Evans-Pritchard, **Social Anthropology : Past and Present** in Essays in Social Anthropology, Faber, 1969.

R. M. Emerson : "Power-Dependence Relations", **American Sociological Review**, Vol. 27, pp. 31-41, 1962.

F. E. Emery, "The Next Thirty Years : Concepts, Methods and Anticipations", **Human Relations**, Vol. 20, No. 3, pp. 199-237, 1967.

A. Etzioni, **A Comparative Analysis of Complex Organisations** The Free Press, 1961.

C. Faucheux, G. Amando and A. Laurent, "Organisational Development and Change", **Annual Review of Psychology**, Vol. 33 pp. 343-370, 1982.

J. E. Fidler, "The Beliefs, Values and Attitudes of British Top Businessmen Concerning Class and Class Relations within the Firm and Wider Society", PhD Thesis, University of Aston in Birmingham, 1979.

A. Francis, "Company Objectives, Managerial Motivations and the Behaviour of Large Firms : the Empirical Text of the Theory of Managerial Capitalism", **Cambridge Journal of Economics**, Vol. 4, pp. 349-361, 1980.

J. W. Frederickson, "Strategic Process : Questions and Recommendations", **Academy of Management Review**, Vol. 8, pp. 565-575, 1983.

F. Friedlander, "Patterns of Individual and Organisational Learning" in Srivastva (ed.), **The Executive Mind**, Jossey Bass, 1983.

R. C. Fuller and R. R. Myers, "The States of a Social Problem" in E. Rubington and M. S. Weinberg (eds.) **The Study of Social Problems**, Oxford University Press, 1977.

F. V. Fox and B. M. Staw, "The Trapped Administrator : Effects of Job Insecurity and Policy Resistance Upon Commitment to a Course of Action", **Administrative Science Quarterly**, Vol. 24, pp. 449-471, 1979.

E. Gabele, "The Management of Change", **International Studies of Management and Organisation**, Vol XI, No. 1, pp. 56-74, 1981.

J. R. Galbraith and D. A. Nathanson, **Strategy Implementation : The Role of Structure and Process** West Publishing, 1978.

B. T. Gale, "Planning for Profit" **Planning Review**, January, 1978.

N. Glacken, "A Review and Analysis of the Menswear Retail Trade and the Four Large Menswear Multiples" University of Aston Management Centre, MBA, Project Report, 1984.

B. C. Glaser, "Theoretical Sensitivity" **The Sociology Press**, 1978.

B. C. Glaser, and A. L. Strauss, **The Discovery of Grounded Theory**, Weidenfeld and Nicholson, 1968.

W. F. Glueck, **Strategic Management and Business Policy**, McGraw-Hill, 1980.

R. A. Gordon and J. E. Howell, **Higher Education for Business**, Columbia University Press, 1959.

L. Gottschalk, C. Kluckhohn and R. Angell, **The Use of Personal Documents in History, Anthropology and Sociology**, New York Social Science Research Council, 1945.

L. E. Greiner, "Evolution and Revolution as Organisations Grow", **Harvard Business Review**, July/August, pp. 37-46, 1972.

P. Grinyer, "Divisionalisation and Size : a Rejoinder" **Organisational Studies**, Vol. 3/4, pp. 339-350, 1982.

P. H. Grinyer, S. Al-Bazzaz and M. Yashi-Ardekani, "Strategy, Structure, the Environment and Financial Performance in 48 UK Companies", **Academy of Management Journal**, Vol. 23, pp. 193-220, 1980.

P. H. Grinyer and J. C. Spender, "Recipes, Crises and Adaptation in Mature Businesses" **International Studies of Management and Organisation**, Vol. IX, pp. 113-123, 1979(a).



P. H. Grinyer and J. C. Spender, "Turnaround : Managerial Recipes for Strategic Success : The Fall and Rise of the Newton Chambers Group", **Associated Business Press**, 1979(b).

R. H. Guest, **Organisational Change : The Effects of Successful Leadership**, Irwin : 1962.

V. Halkias, "The Financial Performance of Companies Involved in Menswear Retailing", University of Aston Management Centre, MBA Project Report, 1983.

R. I. Hall, "A System Pathology of an Organisation : The Rise and Fall of the Old Saturday Evening Post", **Administrative Science Quarterly**, Vol. 21, pp. 185-221, 1976.

W. K. Hall, "Strategic Planning Models : Are Top Managers Really Finding Them Useful", **Journal of Business Policy** : Vol 3, pp. 19-27, 1973.

R. L. Hamblin, "Leadership and Crises", **Sociometry**, pp.327-335, 1958.

D. C. Hambrick, "Environment, Strategy and Power Within Top Management Teams", **Administrative Science Quarterly**, Vol. 26, pp. 253-276, 1981.

D. Harvey, **Business Policy and Strategic Management**, Charles E. Merrill Publishing, 1982.

E. Harvey and R. Mills, "Patterns of Organisational Adaptation : A Political Perspective" in M. N. Zald (ed.) **Power in Organisations**, Vanderbilt University Press, 1970.

- K. J. Hatten and D. E. Schendel, "Heterogeneity Within an Industry", **Journal of Industrial Economics**, Vol. XXVI, No. 2, pp. 97-113, 1977.
- B. Hedberg and S. Jonsson, "Strategy Making as a Discontinuous Process", **International Studies of Management and Organisation**, Vol. VII, pp. 88-109, 1977.
- B. L. T. Hedberg, P. C. Nystrom and W. H. Starbuck, "Camping on Seesaws : Prescriptions for a Self Designing Organisation", **Administrative Science Quarterly**, Vol. 21, pp. 41-65, 1976.
- B. Hedley, "Strategy and the Business Portfolio", **Long Range Planning**, Vol. 10, pp. 9-15, Feb, 1977.
- D. J. Hickson, G. R. Hinings, C. A. Lee, R. E. Schneck and J. M. Dennings, "A Strategic Contingencies Theory of Intraorganisational Power", **Administrative Science Quarterly**, Vol. 16, No. 2, pp. 216-229, 1971.
- C. W. Hofer and D. Schendel, **Strategy Formulation : Analytical Concepts**, West Publishing, 1978.
- G. Hofstede, **Culture's Consequences**, Sage Publications, 1980.
- O. R. Holsti, **Content Analysis for the Social Sciences and Humanities**, Addison-Wesley, 1969.
- J. H. Horovitz and R. A. Thietart, "Strategy, Management Design and Firm Performance", **Strategic Management Journal**, Vol. 3, pp. 67-76, 1983.

G. C. Homans, "Contemporary Theory in Sociology" in R. E. L. Ferris (ed.), **Handbook of Modern Sociology**, Rand McNally, 1964.

A. S. Huff, "Industrial Influences on Strategy Reformation", **Strategic Management Journal**, Vol. 3, pp. 119-131, 1982.

A. S. Huff, "A Rhetorical Examination of Strategic Change" in L. R. Pondy, P. J. Frost, G. Morgan and T. C. Dandridge (eds.), **Organisational Symbolism**, JAI Press, 1983.

E. Hunt, "What Kind of Computer is Man", **Cognitive Psychology**, Vol. 2, pp. 57-98, 1971.

E. Huse and J. L. Bowditch, **Behaviour in Organisations**, Addison Wesley, 1977.

R. Hyman and B. Anderson, "Solving Problems" in D. A. Kolb, I. M. Rubin, J. M. McIntyre (eds.) **Organisational Psychology**, Prentice-Hall, 1974.

J. H. Inkson, D. S. Pugh and D. J. Hickson, "Organisation Context and Structure : an Abbreviated Replication", **Administrative Science Quarterly**, Vol. 15, pp. 318-329, 1970.

J. Jabes, "Individual Processes in Organisational Behaviour", **AHM Publishing**, 1978.

I. L. Janis and L. Mann, **Decision Making**, The Free Press, 1977.



E. Jaques, **The Changing Culture of a Factory**, Tavistock, 1951.

T. D. Jick, "Mixing Qualitative and Quantitative Methods: Triangulation in Action", **Administrative Science Quarterly**, Vol. 24, pp. 602-611, 1979.

G. Johnson, "Environmental Change-Implications for Business and Management Development", **Management Education and Development**, Vol. 12, pp. 145-163, 1981.

G. Johnson and K. Scholes, **Exploring Corporate Strategy**, Prentice Hall, 1984.

G. L. Karass, "The Negotiating Game", **World Publishing**, 1970.

M. Keesing, "Theories of Culture", **Annual Review of Anthropology** Vol. 3, pp. 73-79, 1974.

G. Kelly, **The Psychology of Personal Constructs**, W. W. Norton and Company, 1955.

H. C. Kelman, "Compliance, Identification and Internalisation : Three Processes of Attitude Change", **Conflict Resolution**, Vol 2, pp. 51-60, 1958.

P. N. Khandwalla, "Viable and Effective Organisational Design of Firms", **Academy of Management Journal**, Vol. 16, pp. 481-495, 1973.

P. N. Khandwalla, **Design of Organisations**, Harecourt, Brace and Javanovich, 1977.

A. J. F. Kobben, "Cause and Intention" in R. Narroll and R. Cohen (eds.), **A Handbook of Method in Cultural Anthropology**, Columbia University Press, 1973.

D. A. Kolb, "On Management and Learning Process" in D. A. Kolb, I. M. Rubin, J. M. McIntyre (eds.), **Organisational Psychology**, Prentice Hall, 1974.

D. A. Kolb, "Problem Management : Learning from Experience" in S. Srivastara (ed.) **The Executive Mind**, Jossey Bass, 1983.

J. Koziellecki, **Psychological Design Theory**, D. Reidel and Co., 1981.

P. R. Lawrence and J. W. Lorsch, **Organisation and Environment**, Irwin, 1969.

D. Laynder, "Grounded Theory : A Constructive Critique", **Journal for the Theory of Social Behaviour**, Vol. 12 pp. 103-123, 1982.

E. R. Leach, **Rethinking Anthropology**, The Athlone Press, 1961.

M. Linstone and M. Turdoff, **The Delphi Method : Techniques and Applications**, Addison Wesley, 1975.

E. P. Learned, C. R. Cristensen, K. R. Andrews and W. D. Guth, **Business Policy : Text and Cases**, Richard D. Irwin, 1965.

T. Lester, "The Re-Tailoring of Burtons", **Management Today** : February pp. 43, 1980.

K. Lewin, **Field Theory in Social Science**, Tavistock Publications, 1952.

C. E. Lindblom, "The Science of Muddling Through", **Public Administration Review**, Vol. 19, Spring, pp. 79-88, 1959.

C. E. Lindblom, and D. Braybroke, **A Strategy of Decision**, Free Press, 1963.

A. R. Lindesmith, **"Opiate Addiction"** Bloomington, Principia Press, 1947.

A. R. Lindesmith, A. L. Strauss and N. K. Denzin, **Social Psychology**, Holt, Reinhart and Winston, 1977.

S. M. Lipset, "History and Sociology : Some Methodological Considerations" in S. M. Lipset and R. Hofstadler (eds.), **Sociology and History : Methods**, Basic Books, 1968.

J. W. Lorsch and S. A. Allen, **Managing Diversity and Interdependence : an Organisational Study of Multi Divisional Firms**, Division of Research, Graduate School of Administration, Harvard University, 1973.

M. R. Louis, "Organisations as Culture Bearing Milieux", in L. R. Pondy, P. J. Frost, G. Morgan, T. C. Dandridge (eds.), **Organisational Symbolism**, JAI Press, 1983.

G. Luffman and R. Reed, Unpublished personal communication on doctoral thesis undertaken at Bradford Management Centre cited in G. Johnson and K. Scholes **Exploring Corporate Strategy**, Prentice-Hall, 1984.



M. A. Lyles, "Formulating Strategic Problems - Empirical Analysis and Model Development", **Strategic Management Journal**, Vol. 2, pp. 61-75, 1981.

J. V. Maanen, "The Fact of Fiction in Organisational Ethnography", **Administrative Science Quarterly**, Vol. 24, pp. 539-550, 1979.

N. Machiavelli, **The Prince**, Penguin, 1982.

I. MacMillan, "Business Strategies for Political Action", **Journal of General Management**, Vol. 2, No. 1, pp. 51-63, 1974.

I. MacMillan, **Strategy Formulation : Political Concepts**, West Publishing, 1978.

B. Malinowski, "Culture", **Encyclopaedia of the Social Sciences**, Vol. iv, pp. 621-46, New York, 1931.

J. G. March and H. A. Simon, **Organisations**, Wiley, 1958.

R. Marris, **The Economic Theory of Managerial Capitalism**, Macmillan, 1967.

R. Marris, An Introduction to theories of corporate growth, **The Corporate Economy**, Macmillan, 1971.

R. D. Mason and I. I. Mitroff, "A Teleological Power-Orientated Theory of Strategy" in R. Lamb (ed.), **Advances in Strategic Management**, Vol. 2, JAI press, 1983.

J. McGee and H. Thomas, "Strategic Groups : a Useful linkage between Industry Structure and Strategic Management", paper presented to The Workshop in Strategic Management Research, EIASM, Brussels, June 1984.

B. N. Meltzer, J. W. Petras and L. T. Reynolds, **Symbolic Interactionism : Genesis, Vaneties and Criticism**, Routledge and Kegan Paul, 1975.

A. D. Meyer, "How Ideologies Supplement Formal Structures and Shape Responses to Environments", **Journal of Management Studies**, Vol. 19, No. 1, pp. 45-61, 1982.

M. B. Miles, "Qualitative Data as an Attractive Nuisance : The Problem of Analysis", **Administrative Science Quarterly**, Vol. 24, pp. 590-601, 1979.

R. E Miles and C. C. Snow, **Organisational Strategy, Structure and Process**, McGraw Hill, 1978.

D. Miller and P. Friesen, "Archetypes of Strategy Formulation", **Management Science**, Vol. 24, pp. 921-933, 1978.

Mintel, **Retail Intelligence : Consumer Spending**, 1982.

Mintel, **Retail Intelligence : Clothing Retailers**, 1983.

H. Mintzberg, "Strategy Making in Three Modes", **California Management Review**, Vol. XVI, No. 2, Winter, 1973.

H. Mintzberg, "Patterns in Strategy Formation", **Management Science**, May, pp. 934-948, 1978.

H. Mintzberg, **The Structuring of Organisations**, Prentice Hall, 1979.

H. Mintzberg, "An Emerging Strategy of 'Direct' Research", **Administrative Science Quarterly**, Vol. 24, pp. 582-589.

H. Mintzberg, **Power in and Around Organisations**, Prentice Hall, 1983.

H. Mintzberg, O. Raisinghani and A. Theuret, "The Structure of Unstructured Decision Processes", **Administrative Science Quarterly**, Vol. 21, pp. 246-275, 1976.

H. Mintzberg and J. A. Waters, "The Mind of the Strategists(s)" in S. Srivastva (Ed) **The Executive Mind**, Jossey Bass, 1983.

M. Moch and A. S. Huff "Power Enactment Through Language and Ritual", **Journal of Business Research**, Vol. 11, pp. 293-316, 1983.

P. G. Moore and H. Thomas, **The Anatomy of Decisions**, Penguin, 1976.

G. Morgan, P. J. Frost and L. R. Pondy, "Organisational Symbolism", in L. R. Pondy, P. J. Frost, G. Morgan and T. C. Dandridge (eds.), **Organisational Symbolism**, J.A.I. Press, 1983.

E. Mumford and A. L. Pettigrew, **Implementing Strategic Decisions**, Longman, 1975.

T. P. Murphy, "To Live is to Grow", **Forbes**, May 15, 1978.



G. Newbould and G. Luffman, **Successful Business Policies**, Gower Press, 1979.

W. H. Newman and J. P. Logan, **Management of Expanding Enterprises**, Columbia University Press, 1955.

F. F. Neubauer and N. B. Solomon, "A Managerial Approach to Environmental Assessment", **Long Range Planning**, Vol. 10, pp. 13-20, 1977.

D. Norburn and P. Grinyer, "Directors without Direction", **Journal of General Management**, Vol. 1, pp. 37-48, 1973/74.

R. O'Day, "Intimidation Rituals : Reaction to Reform", **Journal of Applied Behavioural Science**, Vol. 10, pp. 373-386, 1974.

R. Ornstein, **The Psychology of Consciousness**, W. H. Freeman, 1975.

C. E. Osgood and P. H. Tannenbaum, "The Principle of Congruity on the Prediction of Attitude Change", **Psychology Review**, Vol. 62, pp. 42-55, 1955.

W. G. Ouchi, "Markets, Bureaucracies and Clans", **Administrative Science Quarterly**, Vol. 25, pp. 129-141, 1980.

W. Ouchi, **Theory Z - How American Business Can Meet The Japanese Challenge**, Addison-Wesley, 1981.

T. E. Parsons, **Politics and Social Structure**, The Free Press, 1969.

R. J. Pavan, "Strategy, Structure of Italian Enterprise", Unpublished Doctoral Dissertation, Harvard Business School, 1972.

J. A. Pearce and R. B. Robinson, **Strategic Management**, Irwin, 1982.

D. Pemberton, "Foster Brothers Clothing Company Limited : A Case Study and Commentary", University of Aston Management Centre MBA Project Report, 1982.

S. C. Pepper, "World Hypotheses", Berkeley, University of California, 1942.

C. Perrow, **Complex Organisations : A Critical Essay**, Scott, Foreman and Co., 1979.

A. M. Pettigrew, "Information Control as a Power Resource", **Sociology**, Vol. 6, No. 2, pp. 187-204, 1972.

A. M. Pettigrew, **The Politics of Organisational Decision Making**, Tavistock, 1973.

A. M. Pettigrew, "Towards a Political Theory of Organisational Intervention", **Human Relations**, Vol. 28, No. 3, pp. 191-208, 1975.

A. M. Pettigrew, "Strategy Formulation as a Political Process", **International Studies of Management and Organisation**, Vol. VII, No. 2, pp. 78-87, 1977.

A. M. Pettigrew, "On Studying Organisational Cultures", **Administrative Science Quarterly**, Vol. 24, pp. 570-581, 1979.

A. M. Pettigrew, "Contextualist Research : a Natural Way to Link Theory and Practice", paper presented to the conference on "Conducting Research with Theory and Practice in Mind, University of Southern California, Los Angeles, November, 1983.

A. M. Pettigrew, "Culture and Politics in Strategic Decision Making and Change" in J. M. Pennings (ed.) **Strategic Decision Making in Complex Organisations**, Jossey-Boss, forthcoming, 1984.

J. Pfeffer, **Power in Organisations**, Pitman, 1981.

J. Pfeffer and H. Leblebici, "The Effect of Competition on Some Dimensions of Organisational Structure", **Social Forces**, Vol. 52, pp. 268-279, 1973/74.

J. Pfeffer and G. R. Salancik, "Organisational Decision Making as a Political Process : The Case of a University Budget", **Administrative Science Quarterly**, Vol. 19, pp. 135-151, 1974.

J. Pfeffer and G. R. Salancik, **The External Control of Organisations : A Resource Dependence Perspective**, Harper and Row, 1978.

L. R. Pondy, "Union of Rationality and Interaction in Management Action", in S. Srivastva (ed.), **The Executive Mind**, Jossey-Bass, 1983.

M. E. Porter, **Competitive Strategy**, Free Press/Collier MacMillan, 1980.

F. H. Quinlan, "The Burton Group", Care Cleaning House of Great Britain and Ireland, 1978.



J. B. Quinn, **Strategies for Change**, Irwin, 1980.

G. Pooley-Dyas, "Strategy and Structure of French Enterprise", Unpublished Doctoral Thesis, Harvard Business School, 1972.

D. S. Pugh, D. J. Hickson, C. R. Hinings, and C. Turner, "Dimensions of Organisation Structure", **Administrative Science Quarterly**, vol. 13, pp. 65-105, 1968.

B. D. Reed and B. W. Palmer, **An Introduction to Organisational Behaviour**, Grubb Institute, 1972.

Retail Business/EIU Report on Menswear Market : No. 211 September 1975

Retail Business/EIU Report on Menswear Market : No. 269 July 1980.

Retail Business/EIU Report on Menswear Market : No. 270 August 1980.

Retail Business/EIU Report on Menswear Market : No. 308 October 1983.

Retail Business/EIU Report on Menswear Market : No. 309 November 1983.

Retail Business/EIU Report on Clothing and Footwear Shops : No. 227 January 1977.

Retail Business/EIU Report on Clothing and Footwear Shops : No. 275 January 1981.

Retail Business/EIU Report on Clothing and Footwear Shops : No. 299 January 1983.

Retail Business/EIU Report on Clothing and Footwear Shops : No. 311 January 1984.

E. Rhenman, **Organisation Theory for Long Range Planning**, Wiley, 1973.

S. A. Richardson, B. S. Dohrenwand and D. Klein, **Interviewing : It's Forms and Functions**, Basic Books, 1965.

G. L. Rose, "Assessing the State of Decision Making", in J. W. McGuire (ed.), **Contemporary Management**, Prentice-Hall, 1974.

A. J. Rowe, R. O. Mason and K. E. Dickel, **Strategic Management and Business Policy : A Methodological Approach**, Addison Wesley, 1982.

R. P. Rumelt, **Strategy, Structure and Economic Performance**, Harvard University Press, 1974.

G. R. Salancik, J. Pfeffer and J. P. Kelly, 'A Contingency Model of Influence in Organisational Decision Making', **Pacific Sociological Review**, Vol. 21, pp. 239-256, 1978.

V. Sathe, "Managerial Action and Corporate Culture", Book Manuscript, Harvard Business School, 1982.

L. Schatzman, and A. L. Strauss, **Field Research : Strategies for a Natural Sociology**, Prentice Hall, 1973.

E. H. Schein, "Organisational Socialization and the Profession of Management", in D. A. Kolb, I. M. Rubin and J. M. McIntyre (eds.), **Organisational Psychology : A Book of Readings**, Prentice Hall, 1974.

E. H. Schein, "Personal Change Through Interpersonal Relationships" in W. G. Bennis, D. E. Barlow, E. H. Schein and F. L. Steel, **Interpersonal Dynamics**, The Dorsey Press, 1973.

D. E. Schendel and C. W. Hofer, **Strategic Management : A New View of Business Policy and Planning**, Little Brown and Co., 1979.

S. Schoeffler, R. D. Buzzell and D. F. Heany, "Impact of Strategic Planning on Profit Performance", **Harvard Business Review**, pp. 137-145, 1974.

A. Schutz (trans. G. Walsh and F. Lehnert) **The Phenomenology of the Social World**, Northwestern University Press, 1967.

C. R. Schwenk, "Effects of Inquiry Methods and Ambiguity Tolerance on Prediction Performance", **Decision Sciences**, Vol 13, pp. 207-221, 1982.

C. R. Schwenk and A. S. Huff, "Group Contribution to Strategy Formulation : Argumentation in Established Group Decision Making", paper presented at the Third Annual Strategic Management Society Conference, Paris, October, 1983.

B. R. Scott, "The Industrial State : Old Myths and New Realities", **Harvard Business Review**, Vol. 51, pp. 133-148, 1973.



W. R. Scott, "Field Methods in the Study of Organisations", in J. G. March (ed.), **Handbook of Organisations**, Rand McNally and Co., 1965.

H. Sharman, "Tailor Made Disaster at Burtons", **Marketing**, September, p. 124, 1977.

C. R. Shaw, **The Jack Roller**, University of Chicago Press, 1966.

H. Sherwood, "How Top Shop Stays Top", **Marketing**, June 25, p. 24, 1980.

A. Silberston, "Factors Affecting the Growth of the Firm: Theory and Practice", Paper delivered at AUTE, March, 1979.

S. Slatter, **Corporate Recovery**, Penguin, 1974.

J. C. Spender, "Strategy Making in Business", Ph.D. Thesis, School of Business, University of Manchester, 1980.

R. A. Smith, **Corporation in Crises**, Doubleday, New York, 1963.

P. Soelberg, "Unprogrammed Decision-Making", **Industrial Management Review**, Spring, pp. 19-29, 1967.

P. A. Sorokin and R. H. Merton, "Social Time : A Methodological and Functional Analysis", **American Journal of Sociology**, Vol. 42, March, pp. 615-629, 1937.

B. M. Staw, "The Escalation of a Commitment to a Course of Action", **Academy of Management Review**, Vol. 6, pp. 577-587, 1981.

B. M. Staw and J. Ross, "Commitment to a Policy Decision : a Multi-theoretical Perspective", **Administrative Science Quarterly**, Vol. 23, pp 40-64, 1978.

H. Tanneiser, "Strategy and Structure of German Enterprise", Unpublished Doctoral Dissertation, Harvard Business School, 1972.

W. I. Thomas and D. S. Thomas, **The Child in America**, New York Knopf, 1928.

J. D. Thompson, **Organisations in Action**, McGraw Hill, 1967.

N. M. Tichy, **Managing Strategic Change, Technical, Political and Cultural Dynamics**, Wiley, 1983.

S. Tilles, "How to Evaluate Corporate Strategy", **Harvard Business Review**, July-August, 1963.

E. C. Tolman, **Purposive Behaviour in Animals and Men**, D. Appleton-Century, 1932.

E. C. Tolman, "There is More Than One Kind of Learning", **Psychological Review**, Vol. 56, pp. 144-155, 1949.

R. Townsend, **Up the Organisation**, Michael Joseph Ltd., 1970.

B. Turner, **Exploring the Industrial Sub-Culture**, MacMillan, 1971.

B. Turner, "Some Practical Aspects of Qualitative Data Analysis : One Way of Organising the Cognitive Process Associated with the Generation of Grounded Theory, **Quality and Quantity**, Vol. 15, pp. 225-247, 1981.

A. T. Tversky and D. Kahneman, "Judgements Under Uncertainty : Heuristics and Biases", **Science**, Vol. 185, pp. 1124-1131, 1975.

G. Upton, "Hepworth's Next Step", **Marketing**, 20 October, p. 23, 1983.

A. E. R. Ulyterhoeven, R. W. Ackeman and J. W. Rosenblum, **Strategy and Organisation**, Irwin, 1977.

K. E. Weick, **The Social Psychology of Organizing**, Addison Wesley, 1969.

K. E. Weick, "Enactment Processes in Organisations" in B. M. Staw and G. R. Salancik (eds.) **New Directions in Organisational Behaviour**, St Clair Press, 1977.

K. E. Weick, "Cognitive Processes in Organisation" in B. M. Staw (ed) **Research in Organisational Behaviour, Vol. 1**, JAI Press, 1979.

T. L. Wheelan and J. D. Hunger, **Strategic Management and Business Policy**, Addison Wesley, 1983.

A. B. Wildavsky, "The Self-Evaluation Organisation", **Public Administration Review**, Vol. 32, pp. 509-520.

D. E. Williamson, **The Economics of Discretionary Behaviour : Managerial Objectives on a Theory of the Firm**, Prentice Hall, 1964.



A. L. Wilkins, "Organisational Stories as Symbols which Control the Organisation", in L. R. Pondy, P. J. Frost, G. Morgan, T. C. Dandridge (eds.), **Organisational Symbolism**, JAI Press, 1983,

A. L. Wilkins and W. G. Ouchi, "Effective Cultures : Exploring the Relation Between Culture and Organisational Performance", **Administration Science Quarterly**, Vol. 28, pp. 468-481, 1983.

A. Wood, **A Theory of Profits**, Cambridge University Press, 1975.

J. Woodward, **Industrial Organisation : Theory and Practice**, Oxford University Press, 1965.

L. Wrigley, "Divisional Autonomy and Diversification", Unpublished doctoral dissertation, Harvard Business School, 1970.

D. H. Zimmerman, "The Practicalities of Rule Use", in J. D. Douglas, (ed.), **Understanding Everyday Life**, Routledge and Kegan Paul, 1971.

## NEWSPAPER REFERENCES

References are made explicitly in the text to short unattributed pieces in newspapers as follows.

### The Financial Times

May 8, p. 36, 1970.

April 27, pp. 23, 36, 1971

March 27, p. 32, 1972

May 12, p. 44, 1972

May 13, p. 30, 1972

February 10, p. 22, 1973

April 17, p. 15, 1973

December 11, p. 21, 1973

May 9, pp. 22, 38, 1974

October 15, p. 27, 1974

November 6, p. 18, 1974

December 14, p. 26, 1974

January 25, p. 4, 1975

October 29, p. 23, 1975

May 19, p. 14, 1976

March 6, p. 26, 1978

November 19, p. 24, 1980

October 31, p. 44, 1980

November 19, p. 32, 1980

May 22, p. 24, 1981

October 16, p. 23, 1981

January 25, p. 38, 1983  
Mar 23, p. 44, 1983  
November 3, p. 24, 1983

In Menswear

January 13, p. 11, 1983  
January 27, p. 58, 1983  
February 17, p. 3, 1983  
March 24, p. 3, 1983  
April 14, p. 3, 1983  
May 5, p. 17, 1983  
June 23, p. 20, 1983  
September 29, p. 11, 1983  
December 1, p. 18, 1983

In the Investors Chronicle

December 24, p. 1218, 1971  
July 2, p. 66, 1971  
May 19, p. 822, 1972  
December 14, p. 1208  
December 19, p. 807, 1980

In the Observer

January 24, 1982

In the Guardian



November 23, p. 20, 1983

In the Sunday Telegraph

April 20, 1975

April 27, 1975

In the Sunday Times

July 5, 1981

January 23, 1983

In the Economist

May 26, p. 89, 1979

In Retail the Distribution Management

March/April 1976

January/February 1979

March/April 1980