1 8. The Power and Purpose of Objectives: The Marks & Spencer Story and Its Lessons

14 One company in the Western world can (as has been said earlier) be compared with Sears, Roebuck: Marks & Spencer.

15 It might even be slightly ahead in growth of sales and profits over a long period of years. ¶¶¶

16 Like Sears, Marks & Spencer is a chain retailer.

17 It opened its first penny bazaar in 1884, or just about the time Richard Sears made his first mail-order offer of cheap but reliable watches to the Midwestern farmer.

18 By 1915 the company was building variety stores.

19 It has been growing fast ever since.

20 Its most spectacular growth period, however, was the ten years between 1963 and 1972—a period in Britain's economic history which was characterized by "stagflation," i. e., inflationary stagnation, rather than growth.

21 During this difficult period Marks & Spencer more than doubled its sales volume (from £184 million to £463 million, or in U.S. dollars, $460 million to $1,100 million).

22 Profits went up just as fast, from £22 million to £54 million ($55 million to $135 million).

23 Equally remarkable was the profit margin—almost 12 percent on sales before taxes—which is double what any other retail merchant (except Sears) would consider fully satisfactory.

24 Social Revolution as Business Mission

25 By the mid-twenties the four brothers-in-law (Simon Marks, Israel Sieff, Harry Sacher, and Norman Laski) who had built the penny bazaars of 1915 into a major chain of variety stores owned a successful business.

26 They might have been satisfied to rest on their laurels and to enjoy their considerable wealth.

27 Instead they decided—following a trip to America by Simon Marks in 1924 in the course of which he carefully studied Sears, Roebuck—to rethink the purpose and mission of their

business.

28 The business of Marks & Spencer, they decided, was not retailing.

29 It was social revolution. ¶¶¶

30 Marks & Spencer redefined its business as the subversion of the class structure of nineteenth-century England by making available to the working and lower middle classes upper-class goods of better than upper-class quality, and yet at prices the working and lower-middle-class customer could well afford. ¶¶¶

31 Marks & Spencer was by no means alone in the England of the twenties in seeing a major opportunity in the rapid social changes of the post-World War I period (another contemporary example was Montague Burton, the "Fifty Shilling Tailor").

32 What made Marks & Spencer unique and successful, however, was its conversion of the definition of "what our business is, and should be" into clear, specific, operationally effective and *multiple objectives*. ¶¶¶

33 This required first a decision as to what to concentrate on, that is, a *basic strategy objective*. ¶¶¶

34 Marks & Spencer had been a variety store chain like many others, offering a large assortment of products which had nothing in common except low price.

35 Now the company decided to concentrate on wearing apparel (to which it soon added household textiles such as towels and draperies). ¶¶¶

36 This was a rational decision.

37 In the England of that time dress was still highly class-determined and the most visible of all class distinctions.

38 Yet all of Europe, after World War I, had become fashion conscious.

39 At the same time mass-production facilities for good-quality but inexpensive fabrics and clothes had come into being, in large part as a result of the huge demand for uniforms during World War I. New textile fibers, such as rayon and acetate, were coming on the market.

40 There was still, however, no mass-distribution system in England for well-designed, up-to-date, and inexpensive clothing for the masses. ¶¶¶

41 Within a few years the new Marks & Spencer had become the leading clothing and textile distributor in England, a position held ever since.

42 By 1972 clothing sales accounted for a full three-quarters of total Marks & Spencer volume, i. e., for £327 million (roughly $800 million). ¶¶¶

43 After World War II the same thinking was applied to a new major product category: food.

44 During World War II the English people, formerly known for their dogged resistance to any innovation in eating, learned to accept new foods.

45 Marks & Spencer's food business accounted, in 1972, for the remaining one-fourth of its sales. ¶¶¶

46 From having been a successful variety chain in the early twenties, and even in the early thirties, Marks & Spencer purposefully changed itself into a highly distinct "specialty" marketer—maybe the largest in the world. ¶¶¶

47 The concentration decision then enabled the company to set specific *marketing objectives*.

48 The decision enabled it to decide who its customer was and should be; what kind of store

it needed and when; what pricing policy to follow; and what market penetration to aim at. ¶¶¶

49 The next area which Marks & Spencer tackled was that of *innovation objectives*.

50 The clothing and textiles Marks & Spencer needed did not exist at the time.

51 Marks & Spencer started out with quality control, like any other large retailer.

52 But it rapidly built its quality-control laboratories into research, design, and development centers.

53 It developed new fabrics, new dyestuffs, new processes, new blends, and so on.

54 It developed designs and fashions.

55 Finally, it went out and looked for the right manufacturer, whom it often had to help get started—for the existing old-line manufacturers were for obvious reasons none too eager to throw in their lot with the brash upstart who tried to tell them how to run their business.

56 And when, after World War II, the company moved into prepared and processed foods, bakery goods, and dairy products, it applied the same innovative approach to a new industry. ¶¶¶

57 Marks & Spencer set innovation goals in marketing.

58 It pioneered, for instance, in consumer research in the early thirties, when such work was still so new* that Marks & Spencer had to develop the needed techniques. ¶¶¶

59 *General Motors had a consumer research activity well before 1929.

60 I doubt that this was known to Marks & Spencer, however; it was not generally known even within the American automobile industry. ¶¶¶

61 Marks & Spencer set objectives for the supply and development of key resources.

62 It early copied and adapted the Sears program for recruiting, training, and developing managers.

63 It set objectives for the systematic development of financial resources, and measurements to control the utilization of these resources.

64 And it set objectives for the development of its physical facilities, that is, for retail stores. ¶¶¶

65 Hand in hand with these objectives for resources went objectives for their productivity.

66 Marks & Spencer had originally taken its measurements and controls from America.

67 In the twenties and early thirties it began to set its own objectives for continuously improving the productivity of key resources. ¶¶¶

68 As a result, Marks & Spencer has a singularly high productivity of capital—surely one of the keys to its success.

69 Unnoticed, by and large—but fully as important—is the productivity of the Marks & Spencer retail store, which exceeds, to my knowledge, anything to be found anyplace else, including even Sears, Roebuck or Kresge, the acknowledged store-management virtuosi of the American retail scene. ¶¶¶

70 Up till the late twenties the expansion of Marks & Spencer had been achieved primarily by opening new stores.

71 Since the thirties Marks & Spencer's expansion has been achieved primarily by making each store more productive and by raising sales per square foot of selling space.

72 Marks & Spencer, measured by the number of its stores, is still a small chain—there are only 250 stores.

73 The stores themselves are not large, even by English standards; the average selling area is only 20,000 square feet per store.

74 (The large American supermarket, by comparison, goes up to 100,000 square feet.)

75 Yet these small stores sell something like $4 million apiece a year, which is many times what even highly successful retail stores of other companies do.

76 The only explanation is continual upgrading of volume per store, that is, upgrading of merchandise, display, and sales per customer.

77 Store selling space is the controlling resource of a retail merchant; Marks & Spencer's success in raising its utilization was central to its performance. ¶¶¶

78 Marks & Spencer set objectives for its social responsibilities, and especially for areas of major impact: its own work force and its suppliers.

79 It introduced "staff manageresses" into its stores to look after the employees, to take care of personal problems, and to make sure employees are treated with intelligence and compassion.

80 Personnel management remains the job of the store manager.

81 The staff manageress was set up to be the "people conscience" of the company. ¶¶¶

82 Similarly Marks & Spencer developed objectives for its relations with its suppliers.

83 The more successfully a supplier works with Marks & Spencer, the more dependent upon the company he will be.

84 To safeguard the supplier against exploitation by the company became a concern of the company's management.

85 It set out to develop a "putting out" system which, unlike its preindustrial predecessor of early eighteenth-century England, would not impoverish the supplier and make him less secure but would, on the contrary, enrich the supplier and give him security. ¶¶¶

86 But what about a profit objective?

87 The answer is that there has never been one.

88 Profit goals have been anathema at Marks & Spencer.

89 Obviously the company is highly profitable and highly profit conscious.

90 But it sees profit not as an objective but as a requirement of the business, that is, not as a goal but as a need.

91 Profit, in the Marks & Spencer view, is the result of doing things right rather than the purpose of business activity.

92 It is, above all, determined by what is necessary to attain company objectives.

93 Profitability is a measurement of how well the business discharges its functions in serving market and customer.

94 Above all, it is a restraint; unless profit is adequate to cover the risks, a company will not be able to attain its objectives. ¶¶¶

95 I do not know how conscious Marks & Spencer's top management was in the early years, the late twenties and early thirties, of the full import of the decisions they then made.

96 There was probably no master plan.

97 But the young key executives who were brought into the firm in those years to take on new jobs such as innovation or the development of productivity objectives and standards were fully aware that their company had committed itself to a definition of what its

business was—and they knew what the definition entailed.

98 They were highly conscious of the company's social and business objectives.

99 They knew what these objectives meant to each of them individually in terms of performance goals, performance standards, and demands for their own contribution. ¶¶¶

100 Marks & Spencer from the start converted objectives into work assignments.

101 It thought through what results and contributions were needed in each objectives area.

102 It assigned responsibility for these results to someone and held him accountable.

103 And it measured performance and contribution against the objectives.

104 The Lessons

105 The Marks & Spencer story reaffirms the central importance of thinking through "what our business is and what it should be."

106 But it also shows that this, by itself, is not enough.

107 The basic definition of the business and of its purpose and mission have to be translated into objectives.

108 Otherwise, they remain insight, good intentions, and brilliant epigrams which never become achievement. ¶¶¶

109 The Marks & Spencer story brings out the specifications for objectives.

110 Each of them will be discussed in some detail in the next chapter.

111 But here is the list:

112 1. Objectives must be derived from "what our business is, what it will be, and what it should be."

113 They are not abstractions.

114 They are the action commitments through which the mission of a business is to be carried out, and the standards against which performance is to be measured.

115 Objectives, in other words, are the *fundamental strategy of a business*. ¶¶¶

116 2. Objectives must be *operational*.

117 They must be capable of being converted into specific targets and specific assignments.

118 They must be capable of becoming the basis, as well as the motivation, for work and achievement. ¶¶¶

119 3. Objectives must make possible *concentration* of resources and efforts.

120 They must winnow out the fundamentals among the goals of a business so that the key resources of men, money, and physical facilities can be concentrated.

121 They must, therefore, be selective rather than encompass everything. ¶¶¶

122 4. There must be *multiple objectives* rather than a single objective. ¶¶¶

123 Much of today's lively discussion of management by objectives is concerned with the search for the "one right objective."

124 This search is not only likely to be as unproductive as the quest for the philosopher's stone; it does harm and misdirects. ¶¶¶

125 To manage a business is to balance a variety of needs and goals.

126 And this requires multiple objectives. ¶¶¶

127 5. Objectives are needed in all areas on which the *survival* of the business depends.

128 The specific targets, the goals in any objective area, depend on the strategy of the individual business.

129 But the areas in which objectives are needed are the same for all businesses, for all businesses depend on the same factors for their survival. ¶¶¶

130 A business must first be able to create a customer.

131 There is, therefore, need for a *marketing objective*.

132 Businesses must be able to innovate or else their competitors will obsolesce them.

133 There is need for an *innovation objective*.

134 All businesses depend on the three factors of production of the economist, that is, on the *human resource*, the *capital resource*, and *physical resources*.

135 There must be objectives for their supply, their employment, and their development.

136 The resources must be employed productively and their productivity has to grow if the business is to survive.

137 There is need, therefore, for *productivity objectives*.

138 Business exists in society and community and, therefore, has to discharge social responsibilities, at least to the point where it takes responsibility for its impact upon the environment.

139 Therefore objectives in respect to the *social dimensions* of business are needed. ¶¶¶

140 Finally, there is need for *profit*—otherwise none of the objectives can be attained.

141 They all require effort, that is, cost.

142 And they can be financed only out of the profits of a business.

143 They all entail risks; they all, therefore, require a profit to cover the risk of potential losses.

144 Profit is not an objective but it is a requirement that has to be objectively determined in respect to the individual business, its strategy, its needs, and its risks. ¶¶¶

145 Objectives, therefore, have to be set in these eight key areas:

146 ▪ Marketing

147 ▪ Innovation

148 ▪ Human Organization

149 ▪ Financial Resources

150 ▪ Physical Resources

151 ▪ Productivity

152 ▪ Social Responsibility

153 ▪ Profit Requirements

154 Objectives in these key areas enable us to do five things:

155 ▪ to organize and explain the whole range of business phenomena in a small number of general statements;

156 ▪ to test these statements in actual experience;

157 - to predict behavior;

158 - to appraise the soundness of decisions while they are still being made; and

159 - to let managers on all levels analyze their own experience and, as a result, improve their performance.

160 The Basis for Work and Assignments

161 Objectives are the basis for work and assignments. ¶¶¶

162 They determine the structure of the business, the key activities which must be discharged, and, above all, the allocation of people to tasks.

163 Objectives are the foundation for designing both the structure of the business and the work of individual units and individual managers. ¶¶¶

164 Objectives are always needed in all eight key areas.

165 The area without specific objectives will be neglected.

166 Unless we determine what shall be measured and what the yardstick of measurement in an area will be, the area itself will not be seen.

167 (On this see Chapter 39 — Control, Controls and Management.) ¶¶¶

168 The measurements available for the key areas of a business enterprise are still haphazard by and large.

169 We do not even have adequate concepts, let alone measurements, except for market standing.

170 For something as central as profitability we have only a rubber yardstick; and we have no real tools at all to determine how much profitability is necessary.

171 In respect to innovation and, even more, to productivity, we hardly know more than that something ought to be done.

172 In the other areas—including physical and financial resources—we are reduced to statements of intentions; we do not possess goals and measurements for their attainment. ¶¶¶

173 However, enough is known about each area to give a progress report at least.

174 Enough is known for each business to go to work on objectives.

175 How to Use Objectives

176 We know one more thing about objectives: how to use them. ¶¶¶

177 If objectives are only good intentions they are worthless.

178 They must degenerate into work.

179 And work is always specific, always has—or should have—clear, unambiguous, measurable results, a deadline and a specific assignment of accountability. ¶¶¶

180 But objectives that become a straitjacket do harm.

181 Objectives are always based on expectations.

182 And expectations are, at best, informed guesses.

183 Objectives express an appraisal of factors that are largely outside the business and not under its control.

184 The world does not stand still. ¶¶¶

185 The proper way to use objectives is the way an airline uses schedules and flight plans.

186 The schedule provides for the 9 A.M. flight from Los Angeles to get to Boston by 5 P.M.

187 But if there is a blizzard in Boston that day, the plane will land in Pittsburgh instead and wait out the storm.

188 The flight plan provides for flying at 30,000 feet and for flying over Denver and Chicago.

189 But if the pilot encounters turbulence or strong headwinds he will ask flight control for permission to go up another 5,000 feet and to take the Minneapolis-Montreal route.

190 Yet no flight is ever operated without schedule and flight plan.

191 Any change is immediately fed back to produce a new schedule and flight plan.

192 Unless 97 percent or so of its flights proceed on the original schedule and flight plan—or within a very limited range of deviation from either—a well-run airline gets another operations manager who knows his job. ¶¶¶

193 Objectives are not fate; they are **direction**.

194 They are not commands; they are **commitments**.

195 They do not determine the future; **they are means to mobilize the resources and energies of the business for the making of the future**.