

Mackintosh Grant

Scenario and requirement



Administration and candidate instructions

You will first be given time to first read this 2 page information file individually providing you with key information on Mackintosh Grant which is a leading UK clothing and footwear designer.

From the information provided, think of as many suggestions as you can on how Mackintosh-Grant can accelerate the growth of the company and increase its profitability. You can use the pens and note paper to jot down your ideas.

You will then work together as a team to discuss your suggestions and brainstorm as many ideas as possible. You should come up with at least 20 ideas and everyone will be expected to contribute.

During the exercise you will be joined by a very opinionated shareholder who may question some of your ideas, drive you to perform at a fast and high level so be prepared to be challenged!

Divisions and market/competitor comparison

The company is organised into three divisions, the Footwear division (FWD), the Specialist Sportswear division (SSWD) and the Streetwear division (SWD).

1. The primary footwear products (FWD) are sports shoes aimed at customers aged 12-30 years that are fashion and exercise conscious at the same time. The average product price is in the lower quartile when compared against competitors. 90% of sales in this area come from UK and EU markets.
2. The specialist sportswear (SSWD) is aimed at high net income customers aged 25-45 years who value status and emerging materials, design and technology on their high performance product. The average product price is the upper quartile when compared against direct competitors and 75% of sales for these products come from North America.
3. The streetwear products (SWD) are aimed at customers aged 8-30 years who like to wear the latest trends and styles and have great control and choice over their look. The average product price is in the lower quartile when compared against direct competitors. Sales for these products are divided 40% UK and EU / 37% North America / 23% Asia Pacific.



Organisational structure

Mackintosh-Grant is organised along these three lines of business described above and sell products direct to consumers by mail order, through retailers, aggregated wholesalers and also create 'white label products' and sell clothing components and blueprints to other manufacturers. The present structure was established by Company Mackintosh in 2005 and continued after the merger with Company Grant. The Board considers continuity to be a very important value. Many of Mackintosh-Grant's competitors have carried out structural reorganisations since then. In 2015, Mackintosh-Grant commissioned a review of its organisational structure from a human resource consultancy. The consultants suggested alternative structures which they thought Macintosh-Grant could employ to its advantage. However, Mackintosh-Grant's Board felt that continuity was more important and no change to the organisational structure took place.

Product and service delivery

Consumers, retailers and wholesalers are increasingly seeking to collaborate with the designers of their products and the associated manufacturing and assembly processes. Mackintosh-Grant's Board views this as a growth area. The Board has recognised that Mackintosh-Grant needs to develop web-based services and tools which can be accessed by these partners. The traditional method of listing the company's range of products, designs and components in a catalogue is becoming less effective, costly and cumbersome because customers are increasingly seeking specially designed custom made products as the industry becomes more sophisticated.



Financial Data

Mackintosh-Grant's historical financial record, denominated in UK currency of UK £, over the last 3 years is shown below.

	2016 £m	2015 £m	2014 £m
Revenue	620	433	360
Operating Profit	39	20	13
Profit for the year	21	9	5
Earnings per share (£)	0-117	0-050	0-028
Dividend per share (£)	0-058	0	0

Performance Review

Mackintosh-Grant's three divisions have been profitable throughout the last three years. The revenue and operating profit of the three divisions of Mackintosh-Grant for 2010 were as follows:

	FWD Division £	SSWD Division £	SWD Division £
Revenue	212	284	124
Operating Profit	20	6	13

Financial objectives of Mackintosh-Grant

The Board has generally taken a cautious approach to providing strategic direction for the company. Most Board members feel that this has been appropriate because the Mackintosh company was unprofitable for the three years preceding the merger and needed to be turned around. Also, most Board members think a cautious approach has been justified given the constrained economic circumstances which have affected Mackintosh-Grant's markets since 2012.

While shareholders have been disappointed with Mackintosh-Grant's performance over the last three years, they have remained loyal and supported the Board in its attempts to move the company into profit. The institutional shareholders however are now looking for increased growth and profitability combined with a strategic vision for the future.

Capital budget overspends

Mackintosh-Grant has an internal audit department. The Chief Internal Auditor, who leads this department, reports directly to the Finance Director. Investigation by the Internal Audit department has revealed that managers with responsibility for capital expenditure have often paid little attention to expenditure authorisation levels approved by the Board. They have justified overspending on the grounds that the original budgets were inadequate and in order not to jeopardise the capital projects, the overspends were necessary. It is perceived by the designers and most staff members that the need to allow a great deal of customisation on products leads to difficulty in predicting costs being incurred.

Strategic development

Mackintosh-Grant applies a traditional rational model in carrying out its strategic planning process. This encompasses an annual exercise to review the previous plan, creation of a revenue and capital budget for the next five years and instruction to managers within Mackintosh-Grant to maintain their expenditure within the budget limits approved by the Board.

The Board stated in its annual report, published in March 2016 that the overall strategic aim of the company is to:

"Achieve growth and increase shareholder returns by continuing to design produce and distribute high quality clothing and footwear products and components and develop our international presence through expansion into new overseas markets."

Consultancy advice for Mackintosh Grant

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Ideas for growth acceleration

