



3.1 STRATEGY IN ACTION

Value Creation at Burberry

When Rose Marie Bravo, the highly regarded president of Saks Fifth Avenue, announced in 1997 that she was leaving to become CEO of ailing British fashion house Burberry, people thought she was crazy. Burberry, best known as a designer of raincoats with a trademark tartan lining, had been described as an outdated, stuffy business with a fashion cachet of almost zero. When Bravo stepped down in 2006, she was heralded in Britain and the United States as one of the world's best managers. In her tenure at Burberry, she had engineered a remarkable turnaround, leading a transformation of Burberry into what one commentator called an "achingly hip" high-end fashion brand whose famous tartan bedecks everything from raincoats and bikinis to handbags and luggage in a riot of color from pink to blue to purple. In less than a decade, Burberry had become one of the most valuable luxury fashion brands in the world.

When asked how she achieved the transformation, Bravo explained that there was hidden value in the brand, which was unleashed by constant creativity and innovation. Bravo hired world-class designers to redesign Burberry's tired fashion line and bought in Christopher Bailey, one of the very best,

to lead the design team. The marketing department worked closely with advertisers to develop hip ads that would appeal to a younger, well-heeled audience. The ads featured supermodel Kate Moss promoting the line, and Burberry hired a top fashion photographer to shoot Moss in Burberry. Burberry exercised tight control over distribution, pulling its products from stores whose image was not consistent with the Burberry brand, and expanding its own chain of Burberry stores.

Bravo also noted that "creativity doesn't just come from designers . . . ideas can come from the sales floor, the marketing department, even from accountants, believe it or not. People at whatever level they are working have a point of view and have something to say that is worth listening to." Bravo emphasized the importance of teamwork: "One of the things I think people overlook is the quality of the team. It isn't one person, and it isn't two people. It is a whole group of people—a team that works cohesively toward a goal—that makes something happen or not." She notes that her job is to build the team and then motivate the team, "keeping them on track, making sure that they are following the vision."

Sources: Quotes from S. Beatty, "Bass Talk: Plotting Plaid's Future," *The Wall Street Journal*, September 9, 2004, p. B1; C. M. Moore and G. Birtwistle, "The Burberry Business Model," *International Journal of Retail and Distribution Management* 32 (2004): 412–422; M. Dickson, "Bravo's Legacy in Transforming Burberry," *Financial Times*, October 6, 2005, p. 22.

procurement through production and into distribution. The efficiency with which this is carried out can significantly lower cost, thereby generating profit. A company that has benefited from very efficient materials management, the Spanish fashion company Zara, is discussed in Strategy in Action 3.2, see Figure 3.4.

Human Resources There are numerous ways in which the human resource function can help an enterprise create more value. This function ensures that the company has the right combination of skilled people to perform its value creation activities effectively. It is also the job of the human resource function to ensure that people are adequately trained, motivated, and compensated to perform their value creation tasks. If the human resources are functioning well, employee productivity rises (which lowers costs) and customer service