2. Discussion Which of the control systems and techniques can be most useful to EA's next round of business decisions, and why?

3. Problem Solving Break the video-game production process down into its various components, a start-to-finish workflow model. Identify for each phase in the process the control standards that could be set so that managers make the process work best overall.

4. Further Research What is the latest in Electronic Arts' quest to regain its former glory as among the top gaming publishers? How is it doing? What's the quality of its games? Is it positioned for future competitive advantage in an industry moving fast into mobile? Overall, is EA's executive team in control and keeping the company on "top of its game"?

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AP Images/Nathan Denette

Case 10 Hudson's Bay Company | From Fur to Fendi to an Uneasy Future

After 350 years, Canada's oldest retailer knows a thing or two about change. Older than the country it serves, Hudson's Bay Company (HBC) has remained a landmark institution in Canada, navigating its way from rural outposts to over 250 locations and nearly 30,000 associates located in every province. Known best for its flagship department store Hudson's Bay (formerly The Bay), HBC also operates Saks Fifth Avenue and Saks Off Fifth.

Despite its long and glorious past, all is not well at Canada's historic company. Leadership changes, increased competition, a fragmenting retail market, and plummeting sales have plagued HBC well into the new millennium. Will HBC be able to successfully weather the seas of change or will it sink into history?

History

Two centuries before confederation, a pair of European explorers discovered a wealth of fur in the interior of Canada accessible by an inland sea, Hudson Bay. In 1670, with permission from the King of England, trading began and HBC traded goods and furs in a few forts and posts around James Bay and Hudson Bay throughout the next century. Later, competition forced HBC to expand into Canada's interior and a string of outposts grew up along river networks that would eventually become the modern cities of Winnipeg, Calgary, and Edmonton.

By the end of the 19th century, changing tastes caused the fur trade to lose importance, while western settlements and the gold rush introduced new clientele to HBC—ones who paid in cash, not fur. Trading posts gave way to sales shops with a greater selection of goods, transforming HBC into a modern retail organization. During this time, HBC also started selling homesteads to newly arrived settlers, eventually diversifying into a full-scale commercial property holding and development organization. Shipping and natural resources, particularly oil and gas, were important sidelines. The company has evolved many times in its history, adapting to changes in the market and in the competition.

New Challenges

Early in 2001, HBC tried to reinvent itself with a more fashionable image for The Bay and reduced the focus on steep discounts. The economy, and frustrated customers, forced it to abandon the move and return to its value-based focus. To try to remain competitive with other low-cost retailers, HBC diversified, although unsuccessfully, through Designer Depot/Style Depot, which operated from 2004 to 2008. After remaining a Canadian company for over 330 years, HBC was bought in 2006 by U.S. financier Jerry Zucker. He sought to revive the firm by focusing on improving operations and customer satisfaction. In 2008, after Zucker's death, HBC was bought by U.S. private equity firm NRDC Equity Partners, which also owned the U.S. department store chain Lord & Taylor. NRDC's strategy was once again to revitalize HBC with better brands and better service.

Under NRDC's leadership, HBC quickly focused on re-attracting customers by dropping over 60 percent of its former brands and re-launching "The Room," a plush VIP suite at one of its Toronto locations, with high-end designers such as Armani, Ungaro, and Chanel. Despite the economic downturn in 2008 and while other organizations were laying off workers, HBC was in the black. Another coup for HBC was becoming the official clothing outfitter for the Canadian Olympic team. The $100-million deal made HBC the clothing provider for the 2006, 2008, 2010, and 2012 games. The HBC apparel for the 2010 Winter Olympics in Vancouver was extremely popular, and new customers and those who hadn't shopped at HBC in years flocked back to snap up hoodies, coats, hats, and the iconic red mittens as fast as the merchandise could be put on the shelves. HBC's Olympic sponsorship was renewed through 2020.

The last several years have not been kind to HBC's bottom line. The company has continued to navigate its way through the wake of a weakened economy, changing consumer tastes, and intense competition. The popularity of big-box stores such as Walmart shifted consumer behaviour away from department store shopping, forcing HBC to compete on selection of merchandise and price. And then Amazon was added into the consumer mix.

Moving Forward

HBC continued its reinvention, spearheaded a number of initiatives to make the retailer the country's top seller of women's shoes, along with introducing more British-based "cheap-chic" Topshop stores-within-stores. In 2016, HBC announced it would acquire online flash sales site the Gilt Groupe for $250 million (U.S.). According to HBC spokesperson Jerry Storch, "The two most rapidly growing areas in retail today are Internet and off-price. We think this is a marriage made in heaven." The company hoped the deal would contribute $500 million to HBC's fiscal year. Just a few months later, HBC announced that it would open up to 20 Hudson's Bay and Saks Off Fifth stores in the Netherlands—the first Hudson's Bay stores outside of Canada. Things looked bright for HBC.

Fast-forward to 2018 when a hack of five million confidential credit and debit cards compromised transactions at Saks Fifth Avenue and Lord & Taylor stores. Then in 2019, the ill-fated European expansion concluded with the closing of their last store and the announcement that the Lord & Taylor stores were to be sold. It was clear HBC were downsizing their operations. *Bloomberg* suggested that millennial shoppers prefer to make purchases online, or direct from various brands' own stores, and that HBC "has yet to offer something they can't find somewhere else and risks drifting into irrelevance."

In the midst of all of the challenges facing HBC, they also went through a privatization bid that was finalized in 2020. "Whether we are a public or private company, our strategy remains the same," said the then-CEO Helena Foulkes, highlighting a commitment to making focused investments designed to drive growth, enhancing customer experience, reducing operating costs, fixing fundamentals, and capitalizing on real-estate value. HBC has a strong brand, customer loyalty and deep Canadian roots. Despite some successes, many are questioning whether HBC is on the right track.

May 2, 2020 should have been an epic celebration for the 350-year-old company. Instead, the iconic department stores were closed due to the COVID-19 crisis. This was an added burden on the company. With Richard Baker at the helm now as CEO, will they again become a premier Canadian shopping destination or is it too late to revive the historic department store?

Case Analysis Questions

1. Discussion What does an analysis using Porter's five forces model reveal about the industry that HBC competes within and what are its strategic implications for the company?

2. Discussion Describe the competitive strategy used by HBC after its sale to Zucker and NRDC. What strategy is HBC adopting now?

3. Problem Solving What types of things should Richard Baker, as HBC's CEO and "strategic leader," be doing with respect to the company's employees to ensure successful strategy implementation?

4. Further Research Are there other successful chains in the world that HBC could learn from by examining their innovative strategic path? If so, which ones, and why? What online competitors should HBC keep an eye on? Is the shopping model changing? Is HBC changing fast enough?

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Richard Clement/REUTERS

Case 11 Nike | Spreading Out to Win the Race

Nike is indisputably a giant in the athletics industry. But the Oregon company has reached the top by knowing how to stay small. Nike has managed to become an industry leader by focusing on core competencies—and outsourcing other tasks and functions. But can it stay out in front?

Where's the Company

If you don't make anything, what do you actually do? It's not a joke or a Buddhist riddle. Rather, it's a conundrum about one of the most successful companies in the world—Nike. The company is known worldwide for its products, none of which it actually makes. But if you outsource everything, what's left? The answer, for starters, is a whole lot of brand recognition.

Since captivating the shoe-buying public in the early 1980s with legendary spokesperson Michael Jordan (who has made an estimated $1.3 billion endorsing the brand), Nike continues to outpace the athletic shoe competition while spreading its brand through an ever-widening universe of sports equipment, apparel, and paraphernalia. The ever-present Swoosh graces everything from bumper stickers to sunglasses to amateur sports uniforms. Nike products embody a love of sport, discipline, ambition, practice, and other athletic traits.

Outsourcing Wins the Race

Nike has cleverly kept its advertising agency nestled close to home, but has relied extensively on outsourcing many nonexecutive and