
Evaluating the failure of British Home Stores: a case study using Taffler Z-score model and SWOT analysis

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Abstract: This case study explores the significant reasons for the failure of British Home Stores (BHS). We employed a case study analysis based on Taffler's bankruptcy model and SWOT analysis to predict the failure of BHS Group. Our results reveal that the management and leadership of the BHS Group are accountable for the eventual failure of the BHS Company. The crucial insight for this case study was to discuss 'what incorrect business decisions were taken and led to drop precipitously in 3 to 4 years'. We argue that retail companies must seek proactive financial services if they face financial distress. In addition, this study recommends reducing borrowings and adjusting staff levels by adopting 'click and collect' services or expanding online shopping spaces. More importantly, irresponsible management, weak governance practices, less up-to-date technological enhancement, and failure to predict companies' financial health are all crucial elements of the retail companies' failure.

Keywords: British Home Stores; BHS; BHS products; retail companies; Taffler model; SWOT analysis.

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1 Introduction

In general, the phenomenon of highly successful companies facing a survival crisis is well known (Mellahi et al., 2002; Pal et al., 2006). However, the prior researcher does not comprehensively cover the commercial importance of organisational failure in all aspects of managerial, operational, and business start-up level (Quinn, 2016; Mellahi et al., 2002). Using the case study of British Home Stores (BHS), this explanatory case study evaluates the successful company's process engulfed by crisis and collapse at the end. Therefore, this case study aims to understand the causes of BHS failure, place this case in the context of the literature on organisational loss and crisis, and synthesise the lesson from this analysis for further studies.

This case study presents the firm level of a BHS, a UK retailer founded by a group of American entrepreneurs in 1928, which operated as a UK department store chain until 2016.

Before Philip Green notionally acquired the BHS Plc for £200 million, BHS was a 'quoted' public company on FTE 100. However, since they converted it into a private company, BHS was exempted from the rules of the London Stock Exchange and subject only to the comparative lack of oversight of a private company (Ireland, 2018). How could BHS, which was so often hailed an exemplar of retailer indeed of British business generally, suddenly find itself in such dire straits?

BHS Ltd. group was able to hide the possible significant information and adopt the possible way to generate dividends quickly from the company. For instance, from 2002 through 2004, £208 million post-tax profit was generated where £408 million dividends were paid, including £307 million dividends paid to the 'Green family' (Hudson, 2016). As a result, the owners have been draining cash and liquidating other company assets in the company for their benefit. Additionally, various companies controlled by the Greens, e.g., Carmen Proprietor Ltd., which registered in Jersey, acquired 12 premises from BHS for £105 million and raised the rent around £12 million per year from the same proprietor by leasing them back to BHS (Financial Times, 2016). In the end, the main losers were the employees and the member of the corporate pension fund.

1.1 Learning objectives

After analysing this case study, students should understand the following points.

- 1 Identify the issues and challenges that impeded the BHS Group.
- 2 Evaluate the financial situation of the BHS Group using the Taffler's model and SWOT analysis.
- 3 List the key reasons that led to the BHS collapse.

1.2 Discussion questions

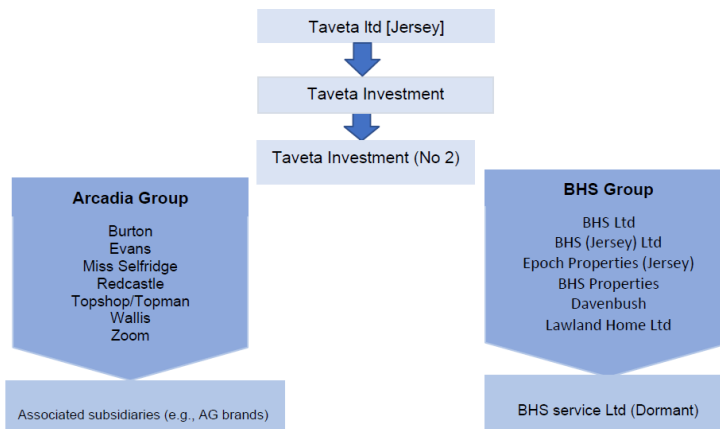
This case study addresses the following questions:

- 1 What are the main challenges that impeded the BHS Group?
- 2 How have the management decisions affected the financial situation of the BHS Group?
- 3 What were the main reasons for the failure of BHS Group?

1.3 How was the BHS Group organised?

Figure 1 simplified the structure of the BHS Group as shown below. BHS had a complex organisational structure, and it was a part of the Taveta and Arcadia family. Taveta Investment Ltd. is the parent company of Taveta Investment Ltd. (No. 2), which determines the strategies related to commercial and retail. Taveta 2 was the parent of Arcadia group and BHS Group. Taveta Ltd. registered in Jersey, and Lady Green was the unlimited beneficiaries' owner (Parliament UK, 2016a, 2016b).

Figure 1 BHS Group structure (see online version for colours)



Source: Parliament UK (2016a, 2016b)

1.4 Who was involved in the BHS Group?

Table 1 presents the key individuals involved in BHS directly or indirectly where most of the company directors were involved in more than one company. Where, principally, the company director is a member of the board of a company who is active in achieving organisational strategic objectives and accountable for the company outputs on the economy, society, and environment (King IV, 2016). Likewise, the company director should promote the company’s success for the benefit of its members rather than the personal benefit (Company Act, 2006). However, Sir Philip Green is director of Taveta Investments, Taveta Investments 2, and Arcadia Group. His wife was the director of the parent company Taveta Ltd. that controls all these three companies. Therefore, there was a question mark about financial affairs and corporate transparency between the Green family accounts.

Table 1 Company directors of the Green family business (see online version for colours)

<i>Name of director</i>	<i>Taveta Investment</i>	<i>Taveta No. 2</i>	<i>Arcadia Group</i>	<i>BHS</i>
Karren Brady				
Paul Budge				To March 2015
Richard Burchill			Since December 2015	To March 2015
Siobhan Forey				
Mary Geraghty				To March 2015
Lord Anthony Grabiner			To December 2015	
Ian Grabiner				
Sir Philip Green		To March 2015	To December 2015	To March 2015
Chirstopher Harris				
Gillain Hague		Since September 2015	Since September 2015	
Brett Palos				
David Shepherd				

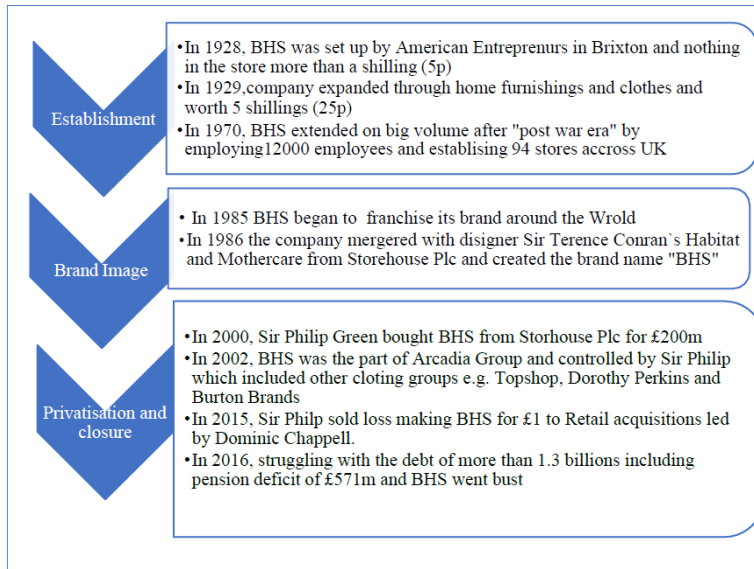
Source: Authors own construction

1.5 Historic formation of the BHS Group and the management of its resources

Figure 2 demonstrates the historical formation of the BHS Group from 1928 to 2016. As demonstrated in Figure 2, when Sir Philip Green bought BHS in May 2000 for £200 million, the primary financial resources were based on Philip Green’s hand. The business plan was prepared by BHS and approved by the Arcadia board was over-optimistic about future sales and margins. Additionally, the plans for renegotiating rents and property disposal were not supportive enough to come out from loss-making strap (Parliament UK, 2016a, 2016b). On the other hand, there was a lack of business models during business operations. For instance, it is controversial to enter the market as a low price

specialist and diversify its product range and up-scaling prices. The department store held a strong position amongst its competitors within the UK market (Quinn, 2016). Likewise, BHS owners and senior management ignored the market digitalisation and rapid changes in products. There might be a reason why Sir Philip Green did not recognise his weakness because of the success of Topshop as a high-street giant. Alternatively, BHS management perhaps disregarded the compelling marketing mix and adopted their product range to shoot new market trends and customer demand (Macoby, 2000). As a result, a substantial profit-making company was turned into bankruptcy in 2016.

Figure 2 The historical formation of the BHS Group (see online version for colours)



Source: Authors own construction

2 The issues and challenges faced the BHS Group

The BHS management faced various problems and challenges, which led to their business failure.

2.1 E-commerce

Online service development is crucial for the retail sector, and various technologies through the internet could be an urgent innovation. However, BHS failed to develop a competent online offering. Likewise, the lower rate scored by BHS apps, e.g., 3.4 stars on Google Play, justify the lack of understanding of the significance of online shoppers' demand (Quinn, 2016). Therefore, BHS management could not tackle the high volume of one customer's needs.

2.2 *Store design and brand image*

If the company does not provide investment much in the store or is less creative, their outlet or store seems dull or uninteresting (Pugh et al., 2002). Practically, most BHS stores were not fun, bright, or dynamic, and the neglected consumer desire for a more personalised shopping experience collapsed BHS brand name (Quinn, 2016). Likewise, as a retailer, “what they sold was neither unique nor well-priced”, product mix does not worth value for money, including product quality, choices, and performance of the consumers (Tate, 2016).

2.3 *Corporate governance practice*

The Taveta Group parent company of BHS, characterised as closely related companies and board of directors, have overlapping memberships (Parliament UK, 2016b). The company act 2006 has clearly defined the role and responsibilities of the company directors

- 1 work for the best interest of company employees
- 2 decide for the company’s long-term success
- 3 adhere to the desirability of the company to maintain a reputation of a high standard for business conduct (Company Act, 2006).

However, poor management, leadership failure, and personal greed have led to the BHS collapse (Parliament UK, 2016b). As the company director, Sir Philip Green was an irresponsible person. His reckless mismanagement increased the poor financial management, high-cost structure ended with company debt and a pension deficit of £571 million (Fuller, 2016).

Additionally, Cadbury (1992) identified and underpinned a couple of reasons why the companies collapse, such as unreliable financial reporting, which shows the unclear picture of the entity. Another reason is the company being run according to the interest of the executive director than the shareholders. Due to this fact, referring to the BHS collapse, Philip Green declared £423 million as dividends from 2002 to 2004, mostly given to the Green’s family and BHS parent company, which was owned by the Green family (Prescott, 2019). This decision is against the UK corporate governance rule if any director can decide their remuneration package (Martin, 2016).

2.4 *Inter-company transactions and less financial disclosure*

Several companies are incorporated under the Green family group and interrelated with the BHS. For instance, Carmen properties combined in Jersey and the Lady Green were the unlimited beneficiaries of this company, bought and leased back to BHS ten properties in 2001, which transferred to BHS as part of the deal (Parliament UK, 2016a, 2016b). Again, BHS made another sale and leased back deal with Mildenhall Holdings Ltd. Jersey registered company, which was under the control of Lady Green, for the property between 2005 and 2012, including BHS, paid £2.7 million rent. The combination of long leases and a massive number of rents of many stores across countries give significant milestones for BHS failure (Fuller, 2016).

2.5 Internal control risk

Internal audit has a significant positive impact on assuring and evaluating the organisational progress (Simpson and Taylor, 2013). In 2004 September, the Committee of Sponsoring Organisation (COSO) provided a benchmark for organisational risk management improvement. Therefore, according to COSO, the company could embed risk management procedures with internal control (Endaya and Hanefah, 2016). However, in the BHS case, due to poor internal control and risk management, within 13 months after Dominic Chappel owned the BHS Company, he did not make any difference between his money and the BHS money. Even in the final days before BHS collapsed in administration, he tried to extract £1.5 million and asked the accounting department for £90 k to pay his tax bill (Parliament UK, 2016a, 2016b). Furthermore, he attempted to pay his family holiday flight to the Bahamas through BHS's travel budget, but chief executive Darren Top blocked the payment (Williams, 2016).

2.6 Corporate social responsibilities and ethical consideration

According to the CSR fundamental principle, all organisations should align their mission, vision, and value with the need and expectation of economic, societal, and environmental perspectives (Ajayi and Mmutle, 2021). Likewise, business entities have responsibilities to their stakeholders such as customers, employees, government, suppliers, investors, communities, and societies. Therefore, the company needs to be aware of their decision's effect on their stakeholders' needs and expectations because financial performance relies on good stakeholder management (Simpson and Taylor, 2013). But in the BHS case, the effect of their collapse rippled through society and damaged the societal value. After BHS collapsed, 11,000 employees lost their jobs, and more jobs were also lost from companies that relied on the BHS income, and unpaid creditors only received 3P from a £1 investment (Parliament UK, 2016a, 2016b). In addition, £571 million black holes in a pension fund that impact 20,000 pensioners lower benefit that needs to be paid back by the government. More importantly, the government needs to pay benefits to 11,000 unemployed public members and 20,000 pensioners who will not pay tax back to the country. In addition to less money, all of these will hugely affect the money spent on NHS, schools, education, personal social services, and social protection (Simpson and Taylor, 2013). As an ethical consideration, the ethical behaviour of an entity embeds with corporate governance and corporate social responsibility. In practice, sometimes, an individual may think action is ethical, whereas another individual may disagree and think it is unethical. Therefore, there are 'no moral absolutes' (Simpson and Taylor, 2013). However, the right organisational culture and appropriate organisational structure will make it harder for anyone to behave unethically (Hartman et al., 2018).

3 Analysing the financial situation of the BHS Group

Table 2 presents financial information about the BHS Company. The financial data are gathered from Bloomberg Database to obtain financial information about the BHS Group from 2006 to 2014. We have collected financial information about the BHS Company, including income statements, financial position statements, and three financial ratios,

namely credit ratios, profitability ratios, and liquidity ratios. Hence, analysing the financial situation of BHS has been done by using Taffler bankruptcy model and SWOT analysis to assess how management decision affect their financial health.

Table 2 The income and financial position statement of BHS Group from 2006 to 2014

<i>BHS Ltd: income statement and balance sheet (in millions of USD)</i>									
	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Revenue	1,520.4	1,638.8	1,706.7	1,753.0	1,244.7	1,186.8	1,101.9	1,056.2	1,104.4
Operating income or losses	56.8	67.3	30.5	-88.1	-9.7	-211.6	-173.7	-94.7	-127.2
- interest expense	50.3	54.7	6.6	1.0	44.7	44.3	0.1	13.0	45.2
Pre-tax Income	6.5	12.6	23.9	-89.0	-54.4	-255.9	-173.8	-107.7	-172.4
- income tax expense (benefit)	19.7	24.8	9.0	-8.2	—	—	-46.0	-22.4	-29.3
Net income/ net profit (losses)	45.6	52.4	34.9	-97.0	-11.0	-59.0	-129.3	-86.4	-114.2
Reference items operating margin	3.74	4.11	1.79	-5.02	-0.78	-17.83	-15.77	-8.96	-11.52
<i>Profit margin</i>	3.00	3.20	2.04	-5.53	-0.88	-4.97	-11.74	-8.18	-10.34
<i>Assets</i>									
+ cash and near cash items	—	76.2	—	7.3	11.8	12.3	11.4	12.0	9.1
+ accounts and notes receivable	16.2	19.8	19.2	21.4	22.2	19.4	27.7	23.0	24.2
+ inventories	124.7	157.0	155.2	127.1	94.2	120.3	107.6	110.6	129.9
Total current assets	186.6	313.7	232.6	210.9	158.9	243.0	224.7	214.8	183.4
+ net fixed assets	496.2	574.3	619.4	457.2	414.8	387.3	376.2	328.2	303.7
Total long-term assets	496.2	574.3	619.4	457.2	414.8	387.3	376.2	328.2	303.7
<i>Total assets</i>	685.6	891.2	860.0	670.7	576.3	632.9	603.4	545.4	489.7
<i>Liabilities and shareholders' equity</i>									
+ accounts payable	74.9	140.2	135.4	139.3	87.6	109.6	83.9	89.4	92.8

Source: Bloomberg Terminal

Table 2 The income and financial position statement of BHS Group from 2006 to 2014 (continued)

<i>BHS Ltd: income statement and balance sheet (in millions of USD)</i>									
	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
<i>Liabilities and shareholders' equity</i>									
+ short-term debt	19.0	2.5	5.2	2.7	2.6	1.2	1.8	1.2	0.5
Total current liabilities	292.1	389.3	314.7	355.1	308.5	324.6	388.8	450.5	492.3
+ long-term debt	10.9	11.7	10.7	20.5	2.9	1.8	1.9	0.4	—
+ other long-term liabilities	155.5	126.0	84.1	245.4	261.0	306.0	339.9	370.3	422.5
Total long-term liabilities	166.4	137.7	94.8	265.9	263.8	307.8	341.8	370.7	422.5
<i>Total liabilities</i>	458.5	527.0	409.5	621.0	572.4	632.3	730.6	821.2	914.8
+ share capital and APIC	116.0	131.4	132.9	108.7	103.5	109.0	105.6	103.3	110.7
+ retained earnings and other equity	111.0	232.7	317.6	-59.0	-99.6	-108.5	-232.8	-379.0	-535.7
Total equity	227.1	364.1	450.5	49.7	3.9	0.5	-127.2	-275.8	-425.0
<i>Total liabilities and equity</i>	685.6	891.2	860.0	670.7	576.3	632.9	603.4	545.4	489.7
<i>Financial ratios</i>									
<i>Credit ratios</i>									
Common equity/total assets	33.12	40.86	52.38	7.41	0.68	0.09	-21.07	-50.56	-86.79
Long-term debt/equity	4.81	3.22	2.38	41.26	73.36	334.85	—	—	—
Long-term debt/capital	4.25	3.10	2.30	28.11	30.73	50.66	-1.56	-0.16	—
Long-term debt/total assets	1.59	1.31	1.25	3.06	0.50	0.29	0.32	0.08	—
Total debt/equity	13.20	3.90	3.52	46.77	138.71	560.91	—	—	—
Total debt/capital	11.66	3.76	3.40	31.87	58.11	84.87	—	—	—

Source: Bloomberg Terminal

Table 2 The income and financial position statement of BHS Group from 2006 to 2014 (continued)

<i>BHS Ltd: income statement and balance sheet (in millions of USD)</i>									
	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>	<i>FY</i>
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Financial ratios</i>									
<i>Credit ratios</i>									
Total debt/ total assets	4.37	1.59	1.84	3.47	0.94	0.48	0.61	0.30	—
<i>Profitability ratios</i>									
Return on common equity	—	17.52	8.45	-48.32	-42.37	-2,584.06	—	—	—
Return on assets	—	6.53	3.93	-14.71	-1.79	-9.70	-21.37	-15.07	-21.33
Return on capital	—	-0.23	9.12	—	—	—	—	—	—
Return on invested capital	—	-20.29	4.46	—	—	—	—	—	—
<i>Liquidity ratios</i>									
Cash ratio	—	0.20	—	0.02	0.04	0.04	0.03	0.03	0.02
Current ratio	0.64	0.81	0.74	0.59	0.52	0.75	0.58	0.48	0.37
Quick ratio	0.06	0.25	0.06	0.08	0.11	0.10	0.10	0.08	0.07

Source: Bloomberg Terminal

3.1 Financial analysis using the Taffler's Z-score model

This case study employs Taffler's Z-score model, which includes several financial ratios to predict the failure of BHS. According to Taffler's (1984) Z-score model, four financial ratios can be incorporated and used to identify any potential solvency. Therefore, Taffler's Z-score model is an effective statistical method to predict any business failure, especially for companies with solvency and bad financial health. Taffler's Z-score model the extent to which companies can fulfil their short-term and long-term financial obligations using their internal financing sources, and the formula is defined as shown below:

$$Z(t) = 0.53 X1 + 0.13 X2 + 0.18 X3 + 0.16 X4$$

- $X1$ = profit before tax/current liabilities (53%)
- $X2$ = current assets/total liabilities (13%)
- $X3$ = current liabilities/total assets (18%)
- $X4$ = revenue/total assets (16%).

According to Taffler's (1983) model, if Z-score values are over than 0.4, this means that the company has a low risk of failure (safe zone). While if the Z-score value is less than 0.2, then the company is expected to have a high risk of loss (distress zone). If the Z-score value is between 0.2 and 0.4, the company is at risk of bankruptcy (grey zone). Accordingly, Table 3 presents Taffler's Z-score classification for predicting the bankruptcy of BHS Company over the period from 2006 to 2014. Table 3 shows that the BHS Company was at risk in 2010 (grey zone), and it faced severe financial trouble in 2011 (distress zone). Similarly, the BHS Company stayed in the grey zone from 2012 to 2014. This result shows that the financial situation of BHS Company did not improve, particularly since the company was incorporated into the Green's Arcadia Group in 2009.

Table 3 Taffler's Z-score results for predicting the bankruptcy of BHS Company over 2006–2014 (see online version for colours)

<i>BHS</i>	<i>X1</i>	<i>X2</i>	<i>X3</i>	<i>X4</i>	<i>Z</i>	<i>Taffler's classification</i>
FY 2006	0.022253	0.406979	0.42605	2.21762	0.496209	Safe zone
FY 2007	0.032366	0.595256	0.436827	1.838869	0.467385	Safe zone
FY 2008	0.075945	0.56801	0.36593	1.984535	0.497485	Safe zone
FY 2009	-0.25063	0.339614	0.529447	2.613687	0.424804	Safe zone
FY 2010	-0.17634	0.277603	0.535311	2.159813	0.384556	Grey zone
FY 2011	-0.78835	0.384311	0.512877	1.875178	0.024479	Distress zone
FY 2012	-0.44702	0.307555	0.644349	1.826152	0.211231	Grey zone
FY 2013	-0.23907	0.261568	0.825999	1.93656	0.365828	Grey zone
FY 2014	-0.35019	0.200481	1.005309	2.255258	0.382257	Grey zone

Source: Authors own construction

3.2 Financial analysis using SWOT analysis

This case study employs the SWOT analysis model to examine the four pillars suggested by SWOT analysis, namely Strengths, Weaknesses, Opportunities, and Threats of an organisation. Generally, SWOT analysis identifies the internal and external factors and reasons that make BHS collapse and obtain unfavourable accomplishments. The collapse of the BHS Company led to the company's falling into administration has led to questions about how it was managed. This situation led to the closure of 164 high street shops, the loss of 11,000 jobs, and left a £571 m pension deficit (Ruddick, 2016). Several factors led to the collapse of BHS, including lack of brand clarity, changing consumer demands, increased competition from supermarkets and online retailers, expensive long-term leases, and huge pension burdens.

Sir Philip Green bought BHS for £200 m in March 2000. In December 2001, BHS sold 12 stores to Carmen Properties Limited for £105.9 m and then rented them back for about £12 m a year. The BHS pension deficit of £571 m was one of the significant factors that led to the falling into administration (Curwen, 2016). The financial time's report noted that the BHS pension scheme slipped into pension deficit in 2006, following a large number of dividends were paid to the Green family after he took control of BHS (Vandeveldt, 2016). In 2013, BHS agreed to put £9.5 m into the pension scheme for 23

years to fill the pension burdens (Curwen, 2016). Sir Philip Green sold BHS Company to Dominic Chappell for £1 in March 2015.

SWOT analysis provides an overall picture of the BHS financial standings. It helps to understand the internal strengths and weaknesses of the financial situation and offers external insights into the opportunities and threats that led to surviving the failure of BHS. This analysis can help to explain the major causes of BHS collapse. It is essential to identify the reasons why BHS Company's performance has dropped, particularly after being integrated into Green's Arcadia Group in 2009.

3.2.1 Strengths

Although the BHS Company had widely spread since it had over 160 stores in the UK, it also had approximately 74 international stores across 18 regions (Wright, 2020). By 2016, the BHS retail group in the UK had about 11,000 jobs for staff who were working in 164 high street stores in the UK (Chiu, 2016). Additionally, BHS Company was selling a range of expanded goods, including clothing, furniture, electrical goods, and food stores (Varley, 2014).

3.2.2 Weakness

The contest between the BHS Company and its rivals was very competitive. Most of those competitors offer excellent fashion value with affordable prices, including Primark, New Look, and H&M (Fuller, 2016). Furthermore, the BHS culture remained unchanged, which affected the BHS business since it was merely relying on traditional business models, which were not a good option for future retailers. Moreover, a combination of long financial leases with rent hikes of many BHS stores was one of the main weaknesses behind the collapse of BHS retails (Fuller, 2016). Internally, the BHS is a victim of lousy leadership practices and poor management skills. According to the BBC News Report (2020), Sir Philip's paid a £1.2 bn dividend to his wife Cristina in 2005 since she was the owner of Arcadia group. She did not pay any tax to the UK Government because she lived in Monaco. Externally, Sir Philip Green, the former owner of BHS, funded the business up by debts and paid out millions in dividends for his family. The company has a total of £1.3 bn in debt on the date of liquidation due to the cumulative years of losses and pension fund deficit of £571 million. The BHS Company was bought by Dominic Chappell company for £1 just in 2015 and led to the falling into administration (Gye and Burton, 2016). Table 1 shows that the company has horrible financial health (profitability and liquidity financial ratios), especially since the BHS joined the Green's Arcadia Group in 2009. Table 1 also shows that the long-term liabilities had significantly increased from 84.1 M in 2008 to 245.4 M in 2009, and the long-term obligations were double the number of debts borrowed by 2014, which reached 422.5 million.

3.2.3 Opportunities

There are several opportunities that the management team could have done to survive. First, the company should seek advice from financial experts and appoint efficient management teams. The management team could cut some unnecessary operating expenses, which will positively enhance profitability. The BHS Company could close some of the high street stores in the UK to reduce their rental costs and replace them with

online services. The BHS Company could also force staff to take their holiday compulsorily or offer them a part-time job to cut costs. Finally, the company should seek new suppliers who can offer a better price for high-quality goods or negotiate the prices with their current suppliers.

Table 4 A summary of SWOT analysis for BHS from 2006 to 2014

<i>Strengths of BHS</i>	<i>Weaknesses of BHS</i>
<ul style="list-style-type: none"> • The BHS stores were internationally extended. • It has 160+ stores located on high street in the UK. • BHS has relatively low short-term debts. • BHS products expanded to a range of goods. • It has over 11,000 employees working for the BHS. 	<ul style="list-style-type: none"> • High operating costs. • Corporate culture. • BHS Company had a limited online service. • Liquidity and profitability ratios that are too low. • BHS has relatively high long-term liabilities.
<i>Opportunities of BHS</i>	<i>Threats of BHS</i>
<ul style="list-style-type: none"> • Appoint efficient management and seek advice from financial experts who would have proper backup plans before it gets out of control. • Cutting operating expenses which will positively lead to enhance the profitability. • Concentrate on selling more profitable goods that generate more profit for the BHS Company. • Close some of the high street BHS stores to reduce its rental costs and replace it with online services. • Cut or eliminate dividends paying out to shareholders and use the money to pay back short-term debts first. • Having a sound inventory control which saves cash flow that can be better used in marketing or business development. • Offering staff part-time options to cut costs and produce big savings. • Negotiate with good suppliers and seek new suppliers who can offer a better price for high-quality. 	<ul style="list-style-type: none"> • Around 11,000 employees have lost their jobs after BHS collapsed into administration in 2015. • Close of 164 BHS stores located on the high-street in the UK. • BHS has been left with a pension deficit of £571 m. • No buyer has been found for BHS or its stores. • BHS still has debts of more than £1.1 bn. • Negative impact of long-term liabilities, including finance leases, deferred tax liabilities and pension liabilities on the BHS financial performance.

Source: Authors own construction

3.2.4 Threats

The collapse of the BHS Company has led to several rising threats. First, leadership failures and personal greed led to the destruction of BHS. Second, failures of the corporate governance practice of BHS and Sir Philip's cupidity had threatened the BHS reputation. Third, about 11,000 employees working in BHS lost their jobs because of the

BHS Company collapse. Forth, all the BHS 164 UK stores have already closed their doors due to BHS failure, which made most of them close for a long time. Fifth, the failure of BHS has been left with a pension deficit of £571 m, and this pension deficit has just become more extensive over time. Finally, BHS collapsed into administration in 2016, leaving more than £1.1 bn debts. Table 4 outlines the summary of SWOT analysis for analysing the financial situation of BHS over 2006–2014.

4 The key reasons that led to the BHS retail failure

The retailer's failure occurs if they cease the trading and exit from the market or collapse through bankruptcy. However, the complex failure is comprehensively blamed on poor and person-cantered leadership (Quinn, 2016). More interestingly, various factors play a crucial role in the BHS's revenue collapse.

4.1 Internal factors

Internal factors are those factors within a business that can be controlled by the management team of the BHS Group.

4.1.1 Weak internal management and lack of long-term vision

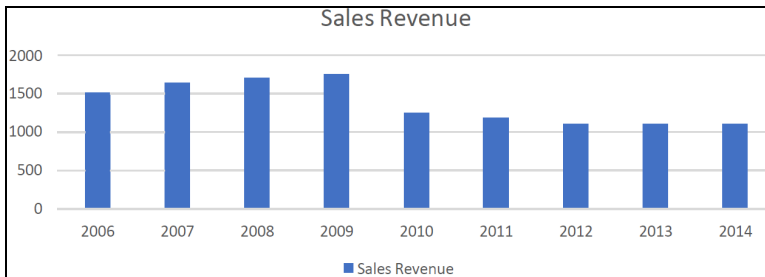
Company failure could suddenly happen if the company's internal management team or senior figure has the dominant management style lacks the willingness to make positive changes to rectify the declined performance (Mellahi et al., 2002). This weakness was demonstrated by the BHS leader Sir Philip Green. For example, Sir Philip Green was irresponsible, and his reckless mismanagement increased the poor financial management, high-cost structure ended with company debt and a pension deficit of £571 million (Fuller, 2016). Furthermore, the management leader did not listen to the subordinates' voices and believed in their strength. Such as Sir Philips' previous success as a high street branded retailer may have blinded his vision making him unable to identify his weakness (Zajac and Bazerman, 1991).

4.1.2 Failure on marketing mix application

Retailers' strategies should be appropriately considered and altered to apply the suitable product, price, promotion, place, and people as a core value of management (Safari and Gelter, 2019; Pal et al., 2006). However, concerning BHS, management does not appear to apply an appropriate marketing mix. For instance, BHS failed to use competent e-commerce and fell behind for the 'click and collect' offering. In contrast, other retailers (e.g., John Lewis and House of Fraser) launched an online buying platform and reward collection system. Furthermore, BHS could not keep up with shoppers' demand and neglected more personalised shopping, e.g., any discount or concession applied to their competitors (Quinn, 2016). Because product and price are fundamental components of the marketing mix for the retailers' success, BHS product was neither unique nor well priced (Quinn, 2016). The inability to adjust its branding product, including balancing price and product offering, forces the retailer to become a lesser competitor or exit the

market. Therefore, the sales revenue was dropped from 2010 onwards, as shown in Figure 3.

Figure 3 A summary of BHS sales revenue over the period from 2006 to 2014 (see online version for colours)



4.1.3 Weak governance practice

Poor management and high-cost structure could cause competitive disadvantages and company failure (Safari and Gelter, 2019). Despite this fact, one of the critical factors to BHS's collapse was its poor governance practice (Parliament UK, 2016a, 2016b). In terms of BHS failure, along with Dominic Chappell, Sir Philip Green behaved unethically on various counts throughout his reign at BHS. Both unethically withdrew money from BHS. For instance, Sir Philip Green paid out £423 million in dividends, which went to him and his family. Dominic Chappell withdrew £1.5 million from company funds in BHS's end days (Armstrong, 2016). Considering tragedies like BHS, the UK Government has proposed reforms in three main aspects of corporate governance. The proposed plans have three key components: Fixing executive pay, strengthening the employee, customers, and supplier's voice, and extending the corporate governance code to large privately held businesses (Safari and Gelter, 2019).

4.2 External factors

Most of the early explanation of the organisational crisis lies on radical changes in competitive landscape (Dawson, 2000). If we focus on environmental factors for BHS organisational failure, there are number of issues worthy of consideration.

4.2.1 Technological uncertainty

In the case of BHS, it could be said that the technology rarely pitched the company into the realms of uncertainty. Likewise, BHS failed to adopt shopper habits to shift from high street shoppers toward online services (Quinn, 2016). So, BHS's slow and half-hearted responses to the technological changes and failure to succeed on online platforms led them to exit from the market.

4.2.2 Competitors

The number of firms operating within the same sector has considerably impacted the BHS failure. The BHS Group did not compete well with the other retailers such as

Primark, Next, and Debenhams were performing much better at that specific period (Ireland, 2018). Hence, it could be said that the intense competition between BHS and the other retailers has also led to cause the BHS collapse.

4.2.3 Industry life cycle

The industry life cycle theory suggests that a company's decline is an inevitable process of the clinical nature of the business (Mellahi et al., 2002). By the end of 2009, BHS had reached maturity in the UK, as shown in Figure 3, the highest revenue generated. However, BHS's inability to keep up with the rapid pace of industry change within the fashion sector may have contributed to its overall failure.

5 Conclusions and recommendations

Though it may be obvious that the management and leadership are accountable for the eventual failure of BHS Company, the crucial insight for this case study was to discuss "what incorrect business decisions were taken and led to drop precipitously in 3 to 4 years." Therefore, we recommend that retail companies should seek sound and proactive financial advice if they face any financial distress. We also recommend that retail businesses must reduce borrowings and adjust staffing levels. Moreover, a retail business that meets any financial distress must reduce rental costs by closing several of its high street stores to reduce their rental price. Additionally, we recommend retail companies to use online services and reduce the cost of hiring many people to work in stores and use the click and collect services or online delivery services to reduce their cost and help their companies to survive.

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