CHAPTER 3

Organizational Structures

After reading this chapter, you should be able to discuss:

- The differences between line and staff positions as shown on organization charts.
- How an organization chart is structured showing the lines of authority.
- The different types of organizational structures presently used by retailers.
- The beginnings of organization structuring for large department stores and how they have changed to suit today's companies.
- Reasons why chain organizations conduct their businesses as centralized operations.
- Why some chains have decentralized some of their functions.
- Reasons for separating the buying and selling functions.

Once the decision has been made to begin a retail venture, it is necessary to plan its **organizational structure** in a way that maximizes efficiency and profitability. All of the duties and responsibilities of those in the company must be identified, and lines of authority must be carefully delineated so that all members of the organization will understand what their job responsibilities are. By doing so, everyone knows who will report to whom, who the decisionmakers are, and which advisory personnel is on hand to assist in the decision-making process. No matter how large or small the operation, whether it is a major department store or single-unit boutique, each company must be structured in such a way that best serves its needs and makes the business a success.

To clarify their organization's structure so that all employees can understand it, most companies prepare a graphic presentation called an organization chart. The chart clearly spells out the various divisions of the company, the roles they play, lines of responsibility and authority, decision-making positions, advisory roles (if there are any in the organization), and areas of responsibility. Such charts allow employees at any level of the organization to immediately learn their place in the company, to whom they are responsible, and, in turn, their own paths of responsibility.

Each retail classification has certain traditional organizational structures. Department stores structures, for example, are somewhat dissimilar from those of the chain organizations, as are small retail operations from their giant counterparts. Each company tailors a chart that best suits its specific needs. Often, companies undergo structural changes that fit their needs to address any new directions they take. Most department stores, for example, at one time exclusively brick-and-mortar operations, are now engaged in multichannel retailing that necessitates placing their catalog and E-tail divisions on the organizational chart.

As small companies develop into larger ones, and as the giants expand their operations globally, their organizational structures must be adapted to fit their latest needs.

THE NEED FOR ORGANIZATIONAL STRUCTURES

Organizations need structuring so that lines of authority along with individual duties and responsibilities can be understood by every company member. There are, however, additional ways that these structures optimize the operation. Some of the more important ones, as offered by OrgPlus, a consulting firm that deals with the complexities of organizational structuring and chart creation, include:

- Turning groups of individuals into teams and getting everyone pointed in the same direction.
- Helping to orient new employees to the company and supplying them with career and succession plans.
- Understanding the complex nature of the structures and helping to simplify relationships.
- Empowering people to understand the strategic vision of the company by defining dependencies and relationships.

A wealth of additional information regarding organizational structuring is available on **www.orgplus.com.**

Once the different company leadership, divisions, departments, and other components needed to efficiently run the organization have been identified, they must be laid out in chart form.

ORGANIZATION CHART COMPONENTS

At first glance, an **organization chart** looks like a stack of different **boxes**. They are positioned by job titles to depict the various **company divisions** or **functions**, the relationships of these positions to each other, the decision-making positions as well as those that are advisory in nature (if they are present), **lines of authority**, and the overall size of the company.

To "read" organization charts and comprehend their meaning, it is necessary to understand the basic components and principles upon which they are based. Essentially, the charts are composed of only two major components: line positions and staff positions.

Line Positions

In every retail organization, no matter how large or small, decision making is a key to its success. Those who hold these positions are **company producers** in that they are directly involved in making money for the company. Whether they are the merchandisers who have the responsibility for the buying function, the sales associates who sell the products, or those involved in advertising and promotion, they all have a hand in "producing" revenue for the company. Collectively, they are the holders of **line positions**.

By examining Figure 3.1, excerpted from a typical merchandising division of a department store, it is easy to understand **line relationships**. The most senior person is at the top, in this case the divisional merchandise manager, followed directly below by the buyer, who is next in command, and ultimately by the assistant buyer who is least senior. Each line position is presented in a rectangular box that is attached to the others with vertical lines.

The nature of the placement of the positions and the use of the traditional lines makes it easy for the observer to understand who is responsible to whom, who plays the most important decision-making roles, and the direct lines of authority and communication. Employees are expected to follow the formal delineations of communication when discussing company problems. For example, in the chart in Figure 3.1, the assistant buyer communicates only with the buyer, the immediate supervisor, and not with the divisional merchandise manager (DMM). Only the buyer has the authority to deal directly with the DMM. It is only appropriate to deal with someone in higher authority if one's immediate supervisor permits it. Of course, in some organizations, an informal structure might exist that enables some people to communicate with others out of the formal order.

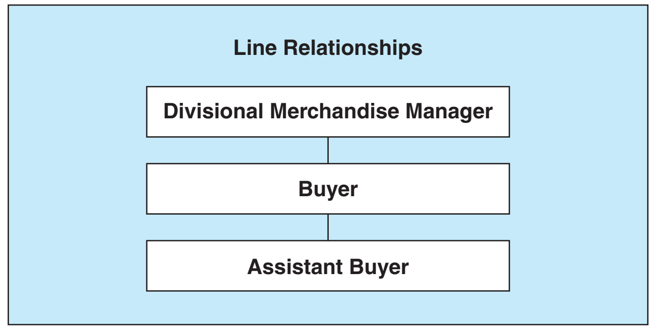

Figure 3.1 Line relationships.

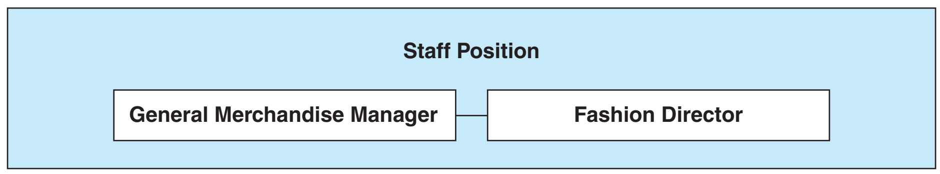

Figure 3.2 Staff position.

In smaller companies, the use of a **line structure** is typical since there might not be a need to have employees other than decisionmakers operate the business. Small companies also generally do not have the funds to employ people other than those who are the company producers.

Staff Positions

Stores that have either grown from smaller companies into larger ones or were initially conceived to be large-scale operations often have the need for advisory or support positions, technically classified as **staff positions**. They are specialists within the organization who work at the behest of the line people to whom they report. An example of this type of relationship is depicted in Figure 3.2.

In this example, the general merchandise manager (GMM), is a line executive who heads the merchandising division and has the ultimate power to determine guidelines and philosophies concerning product assortments for the entire company. Adjacent to the GMM box, connected by a horizontal line, is the fashion director. The fashion director is in a staff position and advises and makes suggestions to the GMM on areas such as fashion trends, silhouettes, fabric preferences, and color forecasts but does not have any decision-making powers. The GMM and the subordinates in the merchandising division make the actual merchandizing selections.

Staff members play an important role in retail operations. Their salaries are often higher than those of many in line positions, and they are not lower-level employees even though they do not make the actual decisions. It is their advice and counsel that often makes an organization operate more efficiently and productively.

Large retailers that use a combination of line positions with staff positions are called **line and staff organizations.**

CONSTRUCTING AN ORGANIZATION CHART

The creation of the chart used to be a complex undertaking that required not only an understanding of the different components that needed placement on the graphic presentation but also the ability to draw the boxes in a manner that was visually meaningful.

Today, computer programs such as SmartDraw assist those who have no artistic ability to quickly and efficiently construct the charts. "Connector lines" automatically format the chart, and built-in colors and shadows result in the perfectly created organization chart.

Fashion Retailing Spotlights

SMARTDRAW.COM

In 1994, CEO Paul Stannard founded SmartDraw to provide diagramming software over the Internet. Since then, the company has grown rapidly to become the major Internet source for constructing organization charts. SmartDraw has more than half of the Fortune 500 companies as its customers and has received accolades from. *Inc Magazine,* Deloitte & Touche, *Smart Computing Magazine,* Shareware Industry Awards, and others. Its Web site receives more than two million visitors a year, placing it in the top 0.1 percent of the most visited sites on the Internet.

The most attractive feature of SmartDraw's products is in their software designs. They are self-teaching, with built-in hints, tips, and examples that help the users obtain professional-looking results quickly and easily. SmartDraw Photo enables users to enhance their organization charts with digital photography, which makes them visually more exciting.

By accessing the company Web site at **www.smartdraw.com**, customers are able to examine a wealth of different organizational charts and choose one that fits their organization. Such needs as basic organization chart shapes, a company organization chart explanation, a human resource structure, an information technology organization chart, a management organizational structure, and others that are appropriate for retail enterprises are available on the site.

SmartDraw also provides businesses with additional resources and books about organizational charting that may even further educate companies in terms of their chart planning.

With SmartDraw's ability to provide French, German, and Japanese versions of their programs, the company is now able to satisfy the needs of the global market.

FASHION RETAILING ORGANIZATION CHARTS

Fashion retailers are divided into three main types: **on-site classifications**, which include the smallest operation, the single-unit small specialty store; the specialty store operation with several units; the small department store; large department stores; department store groups; and large chain operations; the **off-site operations**, which include catalog and Web site only retailers; and the multichannel operations, which include brick-and-mortar retailers with catalog and Internet divisions.

Each of their organizational structures is generally based upon a set of standardized practices, that are tailored to fit specific company needs.

On-Site Classifications

The brick-and-mortar operations, or on-site retailers, use a variety of organizational structures based on the size of the company and the activities in which it is engaged.

SINGLE-UNIT SPECIALTY STORES

These operations, which include boutiques, usually operate with a minimum number of people. Typically, the owner is the ultimate decisionmaker, with a few employees hired to perform more than one task, such as sort and ticket incoming merchandise, place the goods in the appropriate spots on the selling floor, make changes to existing visual presentations, and handle returns to vendors. The owner makes decisions that pertain to buying, store management, promotional endeavors, and the like. When stores are too big for their owners to handle all of the major decision-making responsibilities, they may hire managers to assist them.

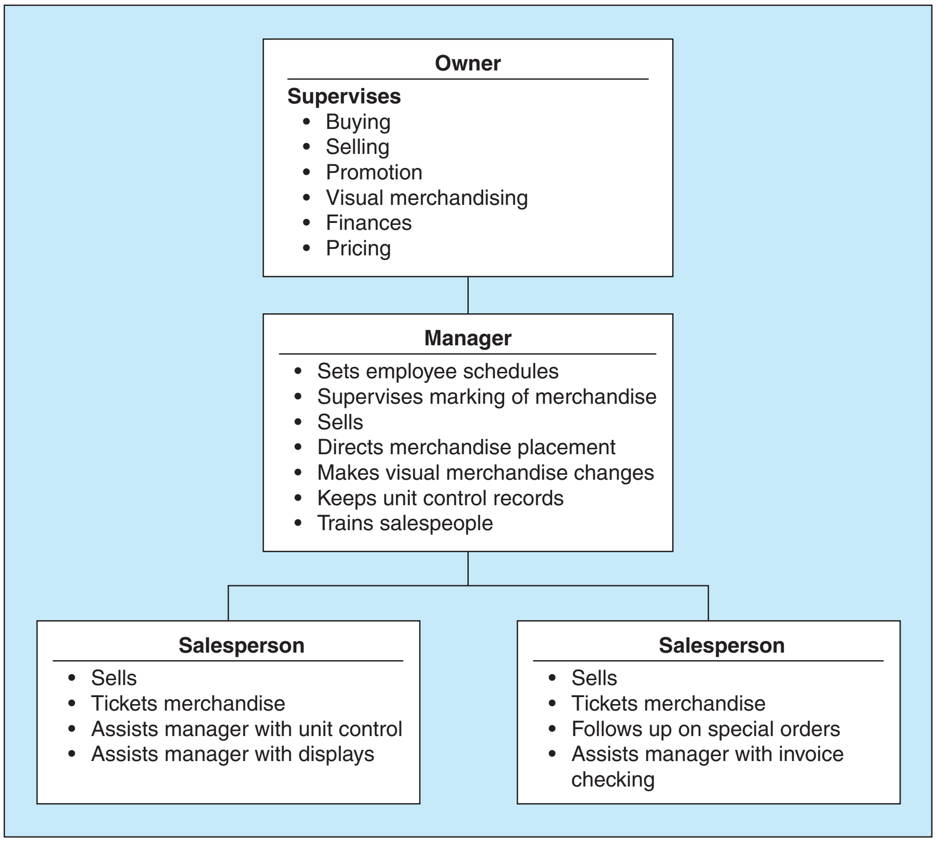

Figure 3.3 Single-unit specialty store organization chart.

The chart shown in Figure 3.3 is typical of single-unit specialty stores, and it follows the line organization concept in which each of the people in the company is either a decisionmaker or revenue producer. Figure 3.3 spells out the duties and responsibilities performed by each person.

In Figure 3.3, it is quite clear that the owner is in charge of the overall functioning of the operation, with the manager performing some specific tasks. The two sales associates on the chart, in addition to selling and merchandise sorting and ticketing, are required to assist in other areas.

When a company grows from a single-unit operation, not only does the number of employees increase but the different types of people are generally hired to perform more specialized tasks.

SMALL MULTIUNIT SPECIALTY CHAINS

Many small operations achieve success with their first stores and expand their operations with other units. Consequently, they must adjust their tables of organization to show the increased number of employees and their functions (see Figure 3.4).

When the chain grows to five or more individual units, such activities as merchandising, advertising and promotion, store management, human resources, and receiving are centralized in one facility. The company management, led by the **chief executive officer (CEO)** operates from this location and leaves the stores to attend to the selling of the merchandise.

SMALL DEPARTMENT STORES

The structure of many small department stores consists of two divisions. Headed by the company CEO, it often has a **chief financial officer (CFO)** to handle areas such as accounting and credit, and a **chief operating officer (COO)** to deal with matters of store protection, traffic and facilities management, and so forth.

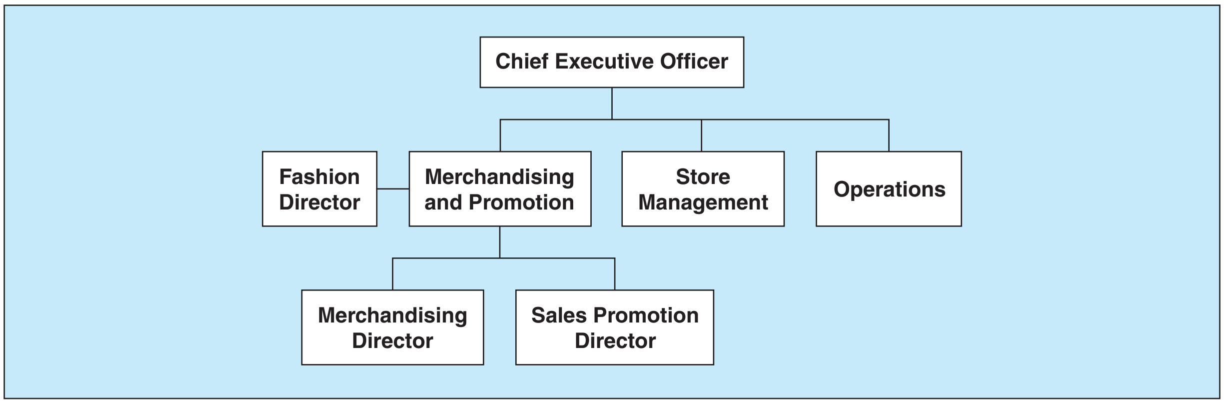

Figure 3.4 Small multiunit specialty chain organization chart.

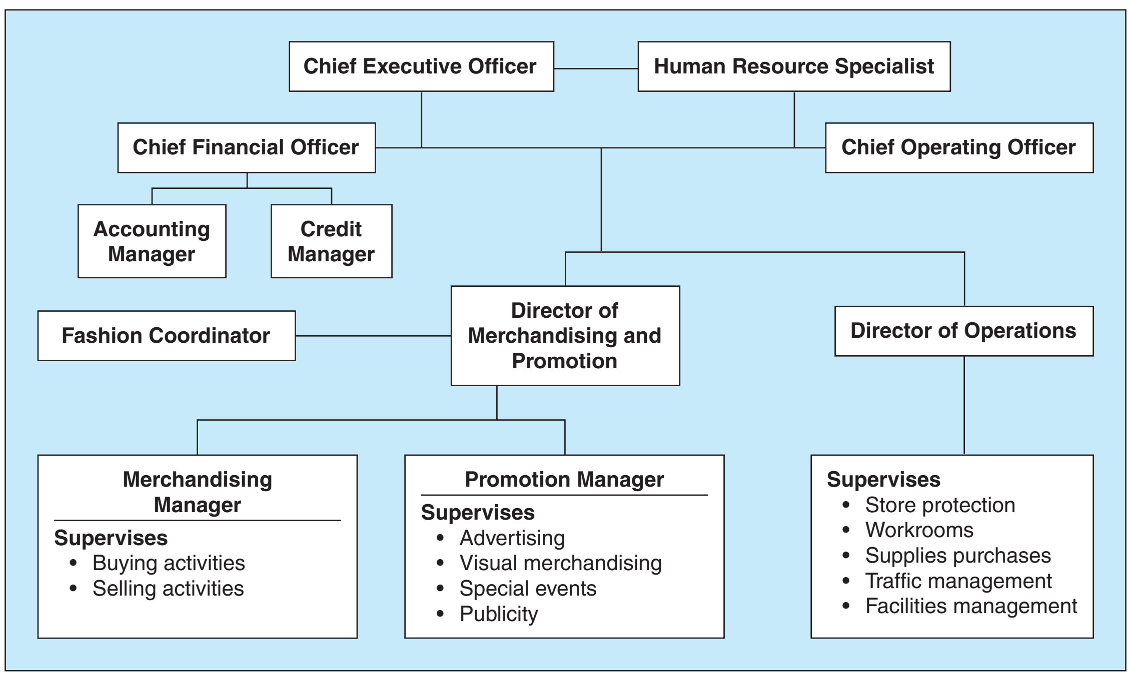

Figure 3.5 Small department store organization chart.

As shown in Figure 3.5, there are several departments within each of the two divisions, a fashion coordinator who operates in an advisory capacity and reports directly to the merchandising and promotions director, and a human resources specialist who works for both the CEO and the two division heads.

This organizational structure allows for a certain degree of specialization in the company but guarantees coordinated store effort.

LARGE DEPARTMENT STORES

At the turn of the twentieth century, department store expansion was at the forefront of retailing. Companies such as Macy's, Bloomingdale's, and Marshall Field's recognized that they needed expanded organizational structures to handle the growth. Some companies went from the two-function format that they used in their early days, to four, five, and even six divisional arrangements.

Early in the century, the National Dry Goods Association, later to be called the National Retail Merchants Association and now known as the National Retail Federation (NRF), was called upon to suggest the best manner in which department stores would successfully operate. Under the direction of Paul Mazur, the situation was studied and the four-function plan, or Mazur plan was introduced. For many years it was the basis of most major department store structures.

Today, leading department stores still use some of the Mazur Plan functions but have amended their structures to address the complexities of their organizations. Initially, the four-function plan had controller, merchandise, publicity, and store manager divisions. While these functions are still important to department store organizational structuring, some of the titles have changed—publicity is most often called promotion—and others have been added.

By and large, the present-day department store's **tables of organization** generally utilize anywhere from five to seven divisions. They are described in the following sections.

Merchandising. While each division is important to the overall success of the organization, the **merchandising division** is considered by most industry professionals to be the lifeblood of the retail operation. Most often, it has more upper-level and middle-management executives than any other division in a department store organization.

Merchandise planning and procurement takes a considerable amount of time and employs a variety of different line executives as well as staff positions such as fashion directors. The activities for which they are responsible are:

1. Purchasing merchandise from the four corners of the earth. With global acquisition so important to these companies, their buyers and merchandisers are in offshore markets year round.
2. Determining the product mixes not only for the brick-and-mortar operations but also for the off-site divisions such as the catalogs and Internet Web sites. Since the off-site operations generally have no geographical boundaries, the items sold through these outlets are often different from those found in the stores.
3. Developing private brands and labels for their company's exclusive use. With the enormous amount of competition between department stores and the widespread use of similar marque brands, the creative aspect has become commonplace for many buyers and merchandisers.
4. Determining the appropriate product mix in terms of price points that will best serve their clienteles' needs.
5. Pricing the merchandise in a manner that provides the profitability necessary for the company to remain a viable business enterprise, while staying competitive with the prices of other retailers.
6. Establishing the proper rapport with vendors that assures the best possible buying terms, such as getting discounts, prompt delivery, accepting returns, and so on, to maximize profitability.
7. Obtaining the highest vendor allowances for advertising and promotional purposes that will help deliver their company's message to the consumer at a minimum of company expense.
8. Interacting with industry experts such as resident buyers and market consultants who provide information on color, fabric, style, and other fashion trends.

Promotion. Today's retail atmosphere has reached such competitive proportions that the dollar amounts that department stores spend to make themselves visible to their regular and potential customers have skyrocketed. Coupling this increase with the realities of budget shortfalls has made it necessary for the **promotional division** to apportion the funds spent on these areas with great care. Included among the activities that it oversees are the following:

1. Dividing the allocations for advertising among the various media available to them. Since not every medium provides the same return on the dollars invested, care must be exercised in making certain that expenditures are in line with the sales they are expected to generate.

2. Selecting the appropriate media outlets within a classification that promise the highest awareness rate. If, for example, the trading area has more than one daily newspaper, the one with the greatest potential for consumer response should merit the largest percentage of the newspaper advertising budget.
3. Developing distinctive advertisements that are appropriate for the store's image.
4. Choosing an advertising agency that specializes in department store promotion and has the ability to create signature ads for the company.
5. Designing special events that will capture consumers' attention and motivate shoppers to buy.
6. Creating and installing interior and window visual displays that will produce sales for the store.
7. Producing press releases and kits that will attract the attention of the fashion world's editorial press.

Control. Behind the scenes in any department store operation are the people who make certain that the company's assets are protected and accurately spent. The **control division** serves in a multitude of capacities that include accounting, expense and control, and consumer credit. Specifically, its tasks are:

1. Developing the appropriate accounting procedures that address both account payables and receivables. In the establishment of these bookkeeping tasks, the best available computer programs must be procured or developed to fit the company's specific requirement.
2. Preparing reports for the merchandisers and buyers, human resources team, promotional executives, and other divisional managers as well as outside government agencies, as required by law.
3. Planning and supervising the taking of perpetual and physical inventories.
4. Establishing a credit card program that involves both in-house charge accounts and revolving credit, and third-party credit such as American Express, MasterCard, and Visa.
5. Developing a procedure that establishes customer credit card accounts in a timely manner.

Store Management. With department stores expanding through the opening of full-line branches and specialized units, the need for in-house managers continues to grow. The **store management division** is charged with overseeing the managerial positions and carrying out the practices that were established by the company's upper-level executives. Some of its responsibilities include:

1. Selecting the individual stores' managers, group managers, and department managers.
2. Determining the appropriate hours of operation for the flagship and branch stores.
3. Interfacing with the stores' managers to notify them of changes in corporate policies.
4. Communicating through means of personal contact, telephone, E-mail, and faxes to learn about potential problems in the stores.
5. Managing the customer service departments.

Store Operations. The management of the store's physical operations are under the jurisdiction of the **store operations division**, developed by the company's top management team. It then carries out the specific tasks and responsibilities to which it has been assigned. These include:

1. Maintaining the physical plant.
2. Managing the security of the facility and protecting the merchandise from being stolen by shoplifters and employees.
3. Purchasing supplies that are used to run the stores such as light bulbs, cleaning compounds, and office materials.
4. Managing the receipt of incoming merchandise and the functions used in marking and ticketing.

Human Resources. All of the activities that relate to the company's personnel, such as recruitment, training, and labor relations, are in the domain of the **human resources division.** Its decision making is extremely important to the proper functioning of the company, and its duties and responsibilities include:

1. Establishing the job specifications of the various positions in the company so that the right person will be hired to perform the specific job.
2. Developing recruitment programs that will attract the best-qualified candidates for employment.
3. Training new employees and retraining those already employed with the latest in-house systems.
4. Designing benefits packages that will be competitive with other companies in the industry.
5. Evaluating employee performance.
6. Establishing compensation programs that will attract the best employees.
7. Participating in labor relations between management and rank-and-file employees.

The organization chart shown in Figure 3.6 represents a six-division table of organization as described by the preceding material.

DEPARTMENT STORE GROUPS

As was discussed in Chapter 1, "An Introductory Analysis of On-Site Fashion Retailing," many department stores that were once independently operated are now divisions of major retailing giants. As these organizations grow, there is a constant need to redefine their operations and adjust their structures to reflect the changes. Also, some of these major department store groups sell off divisions to more profitably operate. The chart shown in Figure 3.7 depicts a typical table of organization for a **department store group.**

The May Department Stores Company typifies the department store group concept. The following spotlight describes its rise from a single company operation to a major force in retailing.

Fashion Retailing Spotlights

THE MAY DEPARTMENT STORES COMPANY

When David May opened his first store in 1877 in the mining town of Leadville, CO, it is doubtful that he or anyone else expected it to become the May Department Stores Company. Little by little, May and three partners began their climb by acquiring stores that were already established.

Their route toward the top began with the purchase of the Famous Clothing Store in St. Louis, MO, and a department store in Cleveland, OH; they renamed both stores May Company. Among the stores that became part of the company early on were Famous-Barr, Hecht's, Kaufman's, and G. Fox. By 1967, company sales reached the $1 billion mark.

The acquisition that made the May Company the fourth-largest department store company in the world occurred in 1986 when Associated Dry Goods Corporation became part of the group. The stores in that network included Sibley's, J.W. Robinson, Denver Dry Goods Corporation, Hahne's, L.S. Ayres, Strouss, and the jewel in the crown, Lord & Taylor.

Not satisfied to remain at that level, the May company purchased such well-known operations as Wanamaker's in Philadelphia, Woodward & Lothrop in Washington, D.C., Strawbridge & Clothier, and the Jones Store in Kansas City.

Rounding out the company's empire are three specialty stores: David's Bridal, the largest retailer of bridal gowns; Priscilla of Boston, a major upscale bridal chain; and After Hours Formal, the largest tuxedo rental and sales retailer in the nation.

The growth of the company necessitated the continuous reformatting of their organizational structure. Some of the acquired companies were renamed and merged into existing divisions that had greater consumer recognition. The present structure has seven quality regional department store divisions operating under fifteen different names. They are Lord & Taylor, Famous-Barr, Filene's, Foley's, Hecht's, Kaufmann's, L.S. Ayers, Meier & Frank, Robinson's May, Strawbridge's, the Jones Store, David's Bridal, After Hours, Priscilla of Boston, and Marshall Field's.

With sales of more than $14 billion in 2002, the May company is among the most successful retail groups in the world.

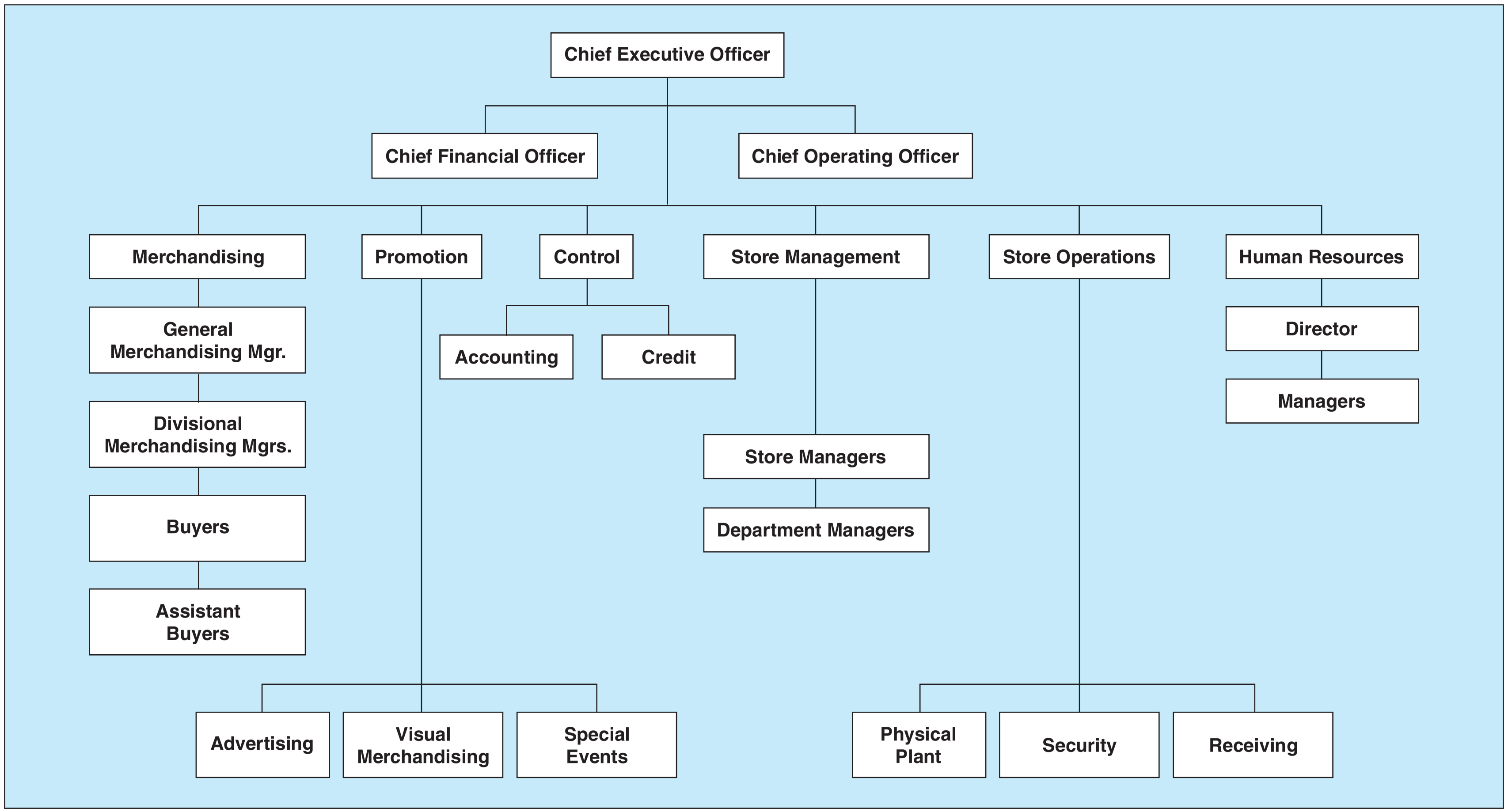

Figure 3.6 Large department store organization chart.

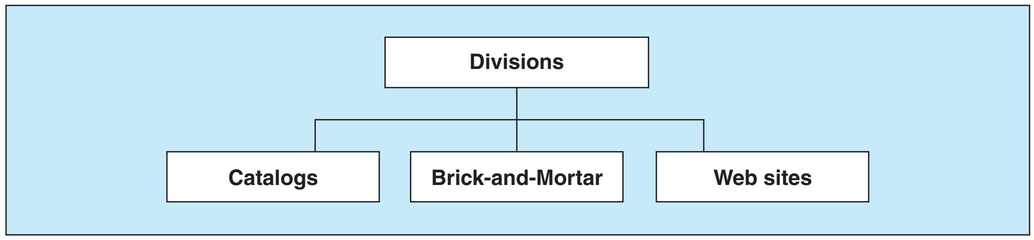

Figure 3.7 Department store group organization chart.

LARGE CHAIN ORGANIZATIONS

Large chain organizations have anywhere from one hundred to more than one thousand units. Among those with highly visible names are companies such as Gap, which operates many different retail concepts such as Gap Kids, Baby Gap, Banana Republic, and Old Navy. Some are traditional stores, and others are either discount or off-price operations such as Wal-Mart and SteinMart.

Their success is generally attributed to their centralized organizational structure that involves management from a home base or company headquarters. Typically, all of their decision making is accomplished there and includes buying and merchandising, advertising and promotion, warehousing, product development, human resources, accounting, purchasing of supplies, real estate development, and marketing research. In the giant chain organizations, there is often some form of **decentralization**, such as regional warehousing, which allows for shipments to stores to be accomplished in less time. In companies such as J.C. Penney, for example, some of the merchandising decisions are decentralized and left in the hands of the store managers and their in-store team. In this case, merchandise planning and procurement arrangements are left to the central buying team, which prepares "catalogs" of available products that store managers select from to develop their own merchandise mixes. In this way, each store in the chain can tailor the assortment to fit the needs of the individual trading areas.

In some chain operations, associate buyers purchase lines that are earmarked for specific locations. For example, if a limited number of units in the chain have markets that are atypical from the rest of the company's stores, their unique merchandise requirements can be better satisfied with this type of buying arrangement.

Although **centralization** is and will always be the manner in which chains can control their entire operation and curtail costs, there will often be the need to decentralize their operations in some ways, as described above.

Figure 3.8 is a typical example of the tables of organization of large chains.

Off-Site Classifications

Just as the brick-and-mortar operations find the need to make changes in their tables of organization to address their present-day businesses, so do the off-site companies. Many retail catalogers, for example, have opted to add Internet Web sites as a means of attracting a broader marketplace. Conversely, so have the companies that initially entered retailing as online merchants. Some have opened catalog divisions to serve shoppers accustomed to that form of purchasing and have even developed "tie-ins" with brick-and-mortar operations that will sell their goods. Even the home shopping channels have entered the catalog arena to make certain that they have covered all bases in terms of marketing their goods.

The following organizational structures are examples of some of the various divisions and functions within each of the off-site classifications.

CATALOGS

Unlike brick-and-mortar retailers, which utilize stores to generate the greatest proportion of their sales, the catalog companies sell merchandise primarily through the pages of their

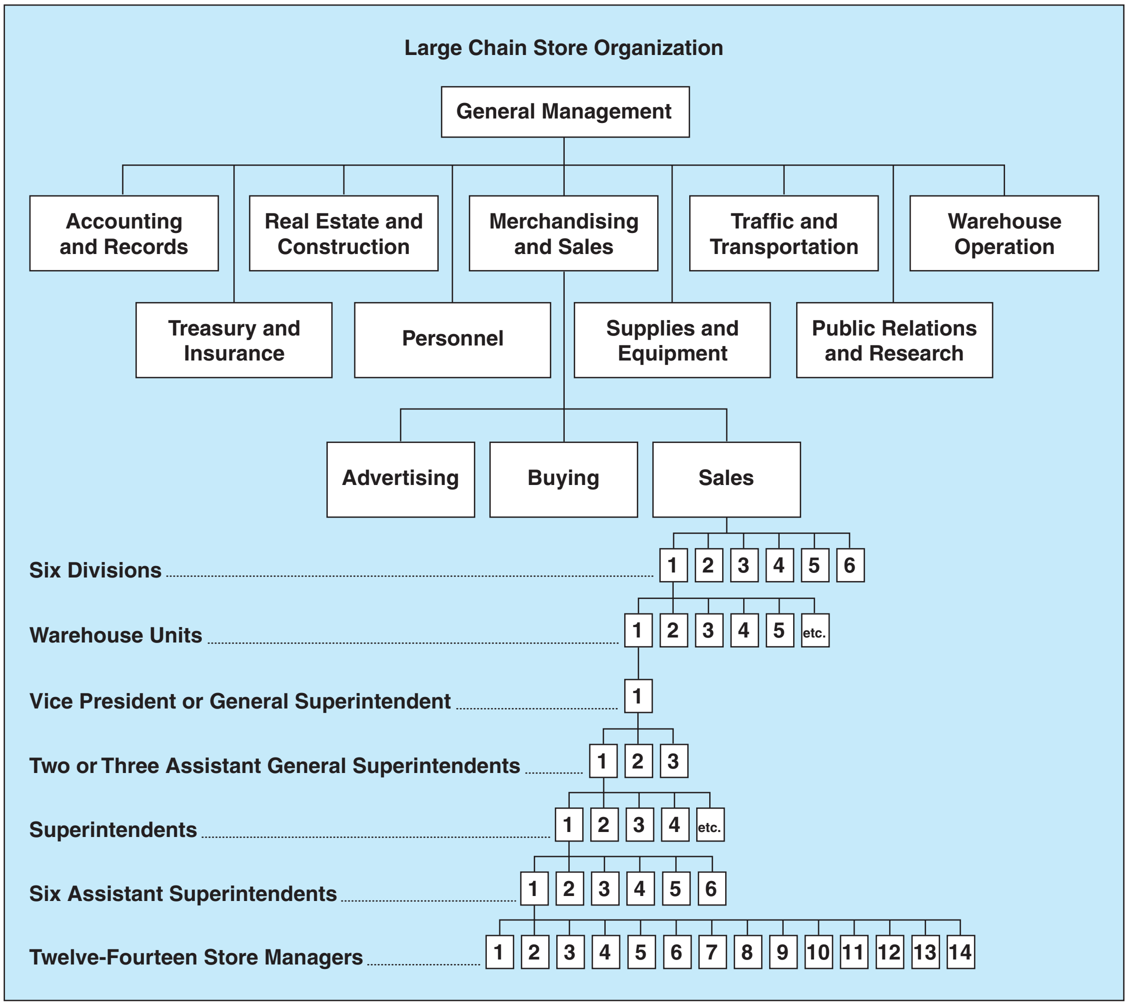

Figure 3.8 Large chain store organization chart.

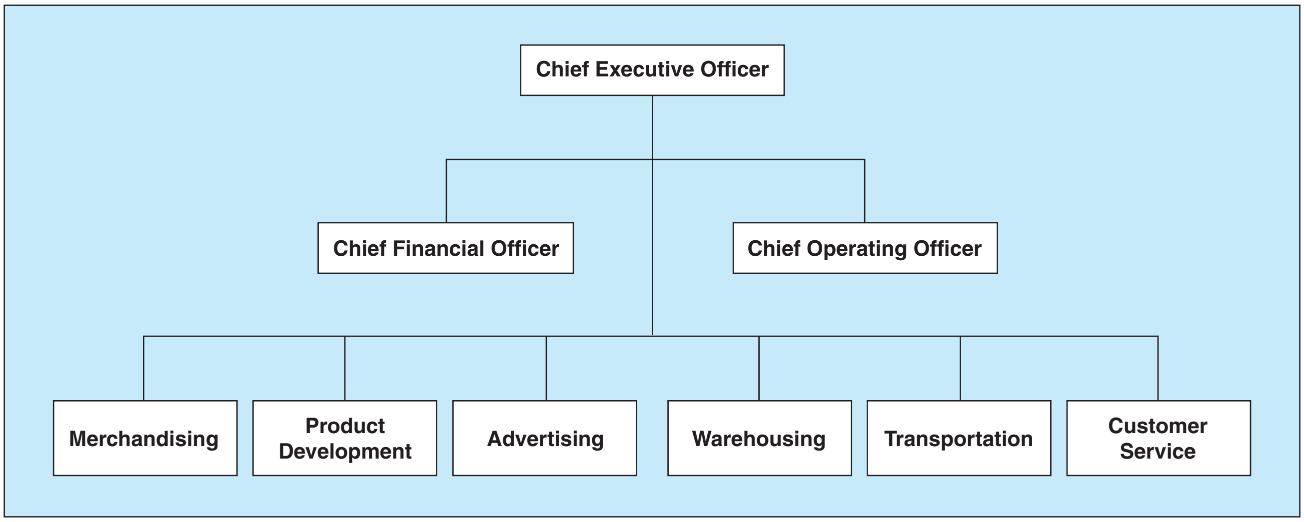

Figure 3.9 Catalog operation organization chart.

"books," though they are using on-line Web sites more and more. Thus, catalog retailer organization charts feature only those divisions and functions such as merchandising, product development, advertising, warehousing, transportation, and customer service. The chart shown in Figure 3.9 provides the general structuring of a catalog company.

INTERNET WEB SITE ORGANIZATIONS

By and large, the Web sites with fashion orientations limit themselves to the Internet to reach potential customers. Their organization charts, like their cataloger counterparts, deal primarily with product acquisition, visual presentation, warehousing, transportation, and customer services.

HOME SHOPPING ORGANIZATIONS

The main distribution channel for the home shopping shows is on cable television. Most, however, have expanded their operations to include direct marketing through the Internet. In this way, they are able to appeal to the vast array of potential customers who shy away from on-site purchasing and prefer to make their purchases either by ordering goods that they see on products-oriented television programs or the Internet.

Multichannel Operations

Retailers, large and small, have become proponents of multichannel retailing. Brick-and-mortar companies, in particular, have come to the conclusion that limiting themselves to in-store operations will prevent them from reaching wider trading areas.

In addressing these new opportunities, most have redirected their tables of organization to reflect all of the selling channels available to them. The organization chart depicted in Figure 3.10 is typical of large department stores, the largest of the multichannel merchants. In this example, in-store operations, catalogs, and on-line outlets are presented in three separate divisions. Although this is becoming the norm for these merchants, some merchants continue to maintain all of their selling channels under one division.

In retailing's rapidly changing playing field, the organizational structures that were "engraved in stone" are now flexible. To stay current and meet the challenges of the competition, retailers must restructure.

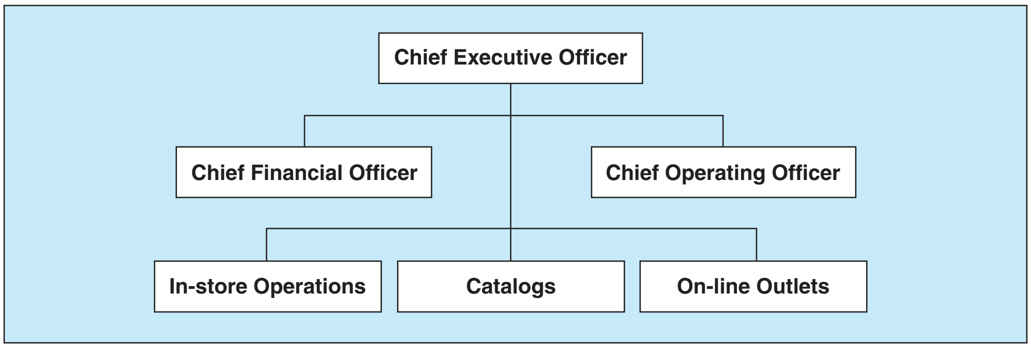

Figure 3.10 Multichannel organization chart.
This is for a department store but is easily adapted to a chain organization.

TRENDS IN ORGANIZATIONAL STRUCTURES

The growth in retailing, both on-site and off-site, has required merchants to readdress their tables of organization so that they will better serve the needs of their customers and make their companies more profitable.

Some of today's trends in organizational structuring for the fashion-retailing arena are described in the following sections.

Restructuring to Accommodate Multichannel Expansion

When department stores in particular expanded their catalog operations, many initially opted to make this division part of their brick-and-mortar operations. Similarly, when retailers saw that the Internet had the potential to increase revenues, they changed their organizational structure to reflect this and to make the overall operation function more efficiently. Today, the trend is for the major multichannel retailers to adjust and expand their tables of organization and separate the three functions into separate channels. Macy's, for example, is one of the giants in the industry that has changed to that format.

Consolidation of Divisions

The acquisition of department stores by major retail groups has become a dominant trend. May Department Stores and Federated Department Stores, for example, are two companies that have expanded their operations by purchasing other retail companies. In their pursuit of maximizing profits, these groups have, in many cases, decided to merge the new acquisitions into some of their own stores. May, for example, purchased sixteen Wanamaker's stores and three Woodward & Lothrop stores and merged some into their Hecht's division and some into the Lord & Taylor group.

Through this practice, fewer buyers and merchandisers were needed as were other executives who previously worked exclusively for one store. As this acquisition trend continues, this staff consolidation is likely to continue as well.

Decentralization

Much of the growth in large-scale retailing has come about by expansion into new trading areas. Although centralization was once the forte of the chain organization, this expansion has necessitated some decentralization of functions. Merchandise distribution, for example, has now been decentralized to include regional operations. When stores were so far from the single distribution center, the time it took for merchandise to reach many of the units was both inefficient and costly.

SMALL STORE APPLICATIONS

The manner in which small stores are organized is unlikely to change, because these operations require few employees to run them. The key roles are usually performed by the owner or partners with the remainder of the functions such as selling and stock keeping left to the sales associates.

When there isn't a store manager on site, as is often the case, a particular salesperson should be designated to take charge and assign tasks such as handling temporary changes in sales associates' hours.

When outside tasks, such as advertising and visual merchandising, are required, outside agencies should be hired to take care of them. The need for in-house specialists to perform these tasks is limited and is too costly for small businesses to afford.

Chapter Highlights

1. Both large and small companies should present their tables of organization on organization charts so that employees at all company levels may visualize the lines of authority.
2. Organization charts should not be left in place for long periods. They should be periodically reviewed and adjusted to fit the needs of the company as it changes.
3. An organization chart is a graphic presentation of the company and is presented in a series of boxes that are easy for everyone to understand.
4. Essentially, today's retailers utilize charts that feature line and staff positions, except in the cases where the companies are very small.
5. Line positions are used to indicate company producers and staff positions for the purpose of showing support personnel. The former group represents the company's decisionmakers; the latter, the advisory people.
6. Organization charts may be hand drawn or computer generated.
7. As retail organizations grow, the need to add staff specialists also grows. This enables the company to use advisory personnel who can make a favorable difference in the running of the company.
8. Large department store organizations use a variety of different charts to depict their organizational structures, with the number of different divisions typically ranging from five to seven.
9. Most professionals agree that the merchandising division is the lifeblood of the retailing structure.
10. The promotional division of a major retailer is responsible for advertising, special events, visual merchandising, and publicity.
11. Department store acquisitions of other companies have accounted for the restructuring of their tables of organization. In many cases, some of the newly acquired stores are merged into existing divisions.
12. Large chains primarily operate under centralized organizational structures, with the result being more efficiency in their everyday operations.
13. Some chains have decentralized certain functions as they have moved into numerous geographical markets.
14. As major companies move toward multichannel retailing, they have restructured their tables of organization.

Terms of the Trade

organizational structure
organization chart
organization chart boxes
company divisions
company functions
lines of authority
company producers
line positions
line relationships
line structure
staff positions
line and staff organizations
on-site classifications
off-site operations
chief executive officer (CEO)
chief financial officer (CFO)
chief operating officer (COO)
tables of organization
merchandising division
promotional division
control division
store management division

store operations division
human resources division
department store group
centralization
decentralization

For Discussion

1. Why is it important for all retail operations to graphically present their tables of organization?
2. What is meant by the term *lines of authority?*
3. In what way are the major components shown on an organization chart, and what are the traditional designations?
4. How do line positions differ from staff positions?
5. Why doesn't a small fashion retail operation, such as a boutique, use staff positions in its organizational structures?
6. What is the major function of a *company producer* in a retail operation?
7. What purpose do the *boxes* serve in an organization chart?
8. How does the structure of a small retail operation differ from a major company?
9. What are the major responsibilities of CEOs, CFOs, and COOs?
10. How many divisions are typically used in the structuring of large department stores, and what are they?
11. Why do many industry professionals consider the merchandising division to be the lifeblood of the company?
12. What are the areas of specialization that come under the jurisdiction of the promotional division?
13. How do the store operations and store management divisions differ from each other?
14. What is the key organizational principle on which large chain operations are based?
15. Why has it become necessary for many department stores that have become multichannel retailers to restructure their tables of organization?

CASE PROBLEM 1

Tailored Woman began as a small retail operation with one unit in New Hampshire in 1988. After only two years, the partners, Pam and Eleanor, decided to open another unit about forty miles from the first store. There too the store was greeted with enthusiasm, and Pam and Eleanor were on their way to having a successful chain operation.

With their third store, this one in Vermont, the partners began to realize that their informal approach to organizational structure was no longer appropriate for their business but still neglected to develop a formal structure for the company. All of the major decision-making responsibilities were handled by the two. Pam was the buyer, and Eleanor handled store operations for the three units. The only employees other than the sales associates were store managers for each unit.

At this time, Tailored Woman is considering additional units in Maine and Massachusetts. Their profitability warrants the expansion but their informality in terms of organizational plans seems to be causing concerns for Pam. While she agrees that they have achieved more success in such a short time than either of them expected, she believes that a more formal approach would maximize profits. She envisions a small central warehouse for receiving, handling, and marking merchandise; an office for buying and merchandising; a computer installation for inventory control and other essential recordkeeping; and a shipping station for sending goods to the units. A small building that is central to the operation could be leased, and ultimately purchased, if the arrangements work well.

In contrast, Eleanor believes that the informal approach has been good to them and wants to continue that way. She still wants to use the first store's basement as their headquarters for recordkeeping. Merchandise would still be ordered separately for each unit, shipped directly to each by the vendors, and priced and marked by each. Each store would maintain its own computer for inventory purposes.

At this time, no decision has been made concerning any possible organization restructuring.

Questions

1. With which partner do you agree? Why?
2. Briefly describe a new organizational structure you would suggest for the company.

CASE PROBLEM 2

Beverly Hills is a small specialized fashion-oriented department store, with its flagship in southern Florida and four branches within one hundred miles of the flagship. The company has been structured as a four-divisional operation in the manner used by many department stores in the early 1900s. In this table of organization, the sales staff is managed by the company's buyers. With all of the merchandising duties and responsibilities required of the buying team, many buyers have complained that they simply do not have enough time to perform their sales management tasks.

Mr. Green, founder and CEO of the operation, feels that since its inception, Beverly Hills' buyers have always managed the sales areas and should continue to do so. The buyers' reaction has been that the fundamentals of buying have changed, and the markets that need to be covered are often times offshore. To allow them to perform their duties at the highest level possible, the buyers insist that an organizational restructuring is necessary.

John Thomas, Mr. Green's operations manager, agrees with the buyers and believes that the change is imperative so that the buyers may better carry out their daily tasks. Since buying is considered to be the lifeblood of a retailing company by many industry professionals, buyers would be wise to spend their time attending to purchasing responsibilities.

At this time, Mr. Green is ready to entertain some adjustments to the table of organization if he could be convinced of the necessity.

Questions

1. Prepare a list of reasons why the buyers are not able to manage the sales staff as they once did.
2. Suggest a table of organization that would make the company more manageable.

EXERCISES AND PROJECTS

1. Contact a member of a large retailer's management team to learn about its organizational structure. Make sure you identify yourself as a student who is preparing a research project for your class. Once you have the information, prepare an organization chart that features all of the divisions and departments of the company, making certain that the staff positions are included in the appropriate places on the chart.
2. Use any one of the many search engines such as **www.askjeeves.com**, to learn about organizational structures and computer companies that provide software for graphically presenting the company's structure. One such company is Smartdraw.com, but there are many others that provide this service. After you choose a software company's Web site, prepare a report telling about the specific services it provides to retailers for organizational planning and structuring.