

Human Resource Management

CHAPTER 09

Questions

- In what way does the management of human resources play a vital role in a retailer's performance?
- How do retailers build a sustainable competitive advantage by developing and managing their human resources?
- What activities do retail employees undertake, and how are they typically organized?
- How does a retailer coordinate employees' activities, and motivate them to work toward the retailer's goals?
- What are the human resource management programs for building a committed workforce?
- How do retailers manage diversity among their employees?

Gaining Competitive Advantage through Human Resource Management

Why does human resource management give a sustainable competitive advantage?

- Labor costs account for a significant percentage of a retailer's total expenses
- The customer experiences are determined by the activities of employees (selecting merchandise, providing information and assistance, etc.)
- These potential advantages are difficult for competitors to duplicate

Objectives of Human Resource Management

- Short Term
 - Increasing Employee Productivity
 - Productivity = Sales/ Number of Employees
- Long-Term
 - Employee attitude → customer satisfaction and loyalty → long-term performance
 - Increasing Employee Satisfaction → Reducing Turnover
 - Employee turnover
= # of employees leaving their job during the year
of positions

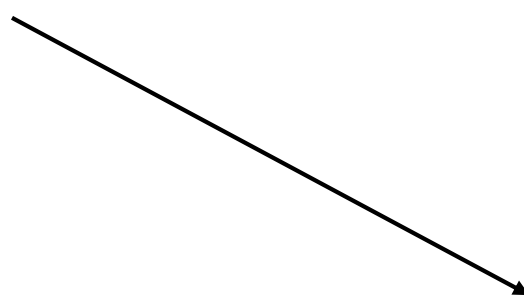
Human Resource Management Challenges in Retailing

Work Environment

- Open Long Hours
- Peak Sales Periods
- Emphasis on Cost Control

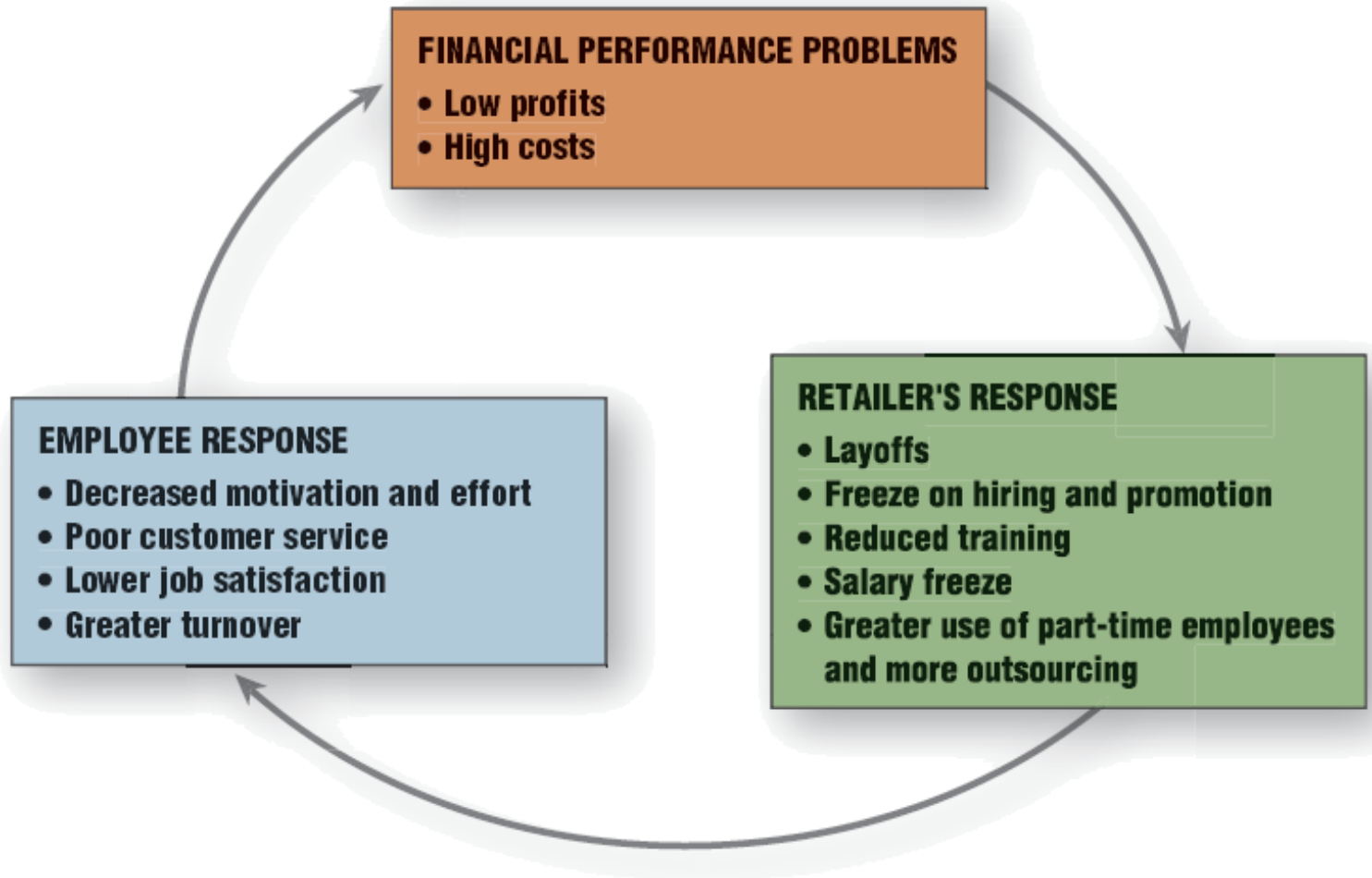
Employees

- Unskilled
- Part-Time
- Diverse Backgrounds



High Turnover

Downward Performance Spiral



Human Resource Triad



Issues in Retail Human Resource Management

- Expense Control
 - Control expenses to be profitable
 - Retailers often hire people with little or no experience
 - A modest investment in hiring more staff may result in a significant increase in sales

Issues in Retail Human Resource Management

- Part-Time Employees
 - Employee need vary depending on the time of day, day of week, time of year, and promotion schedule
 - To minimize costs, retailers should complement their full-time employees with part-time workers
 - Part-time employees are less expensive than comparable full-time employees

Issues in Retail Human Resource Management

- Utilizing Diverse Employee Groups
 - Increased efforts to recruit, train, manage, and retain mature, minority, and handicapped workers
 - Different approaches need to be used to manage younger and older employees

Issues in Retail Human Resource Management

- International Human Resource Issues
 - Differences in work values, economic systems, and labor laws mean that HR practices must differ
 - The legal/political system in countries often dictates the human resource management practices

Increasing Workforce Diversity

- Workforce employing more minorities, handicapped people, and the elderly
- Older workers are more reliable than younger workers
- Cost effective as training and recruitment costs are low

Designing the Organizational Structure

- Organizational structure
 - Identifies the activities to be performed by specific employees, and determines the lines of authority and responsibility in the firm

Strategic Management Tasks

Top Management, Board of Directors

- Develop overall retail strategy
- Identify the target market
- Determine the retail format
- Design organizational structure
- Develop private-label merchandise
- Develop Internet/catalog strategy
- Develop global strategy

Merchandise Management Tasks

Merchandise Division

- Buy merchandise
 - Select, negotiate with, and evaluate vendors
 - Select merchandise
 - Place orders
- Control merchandise inventory
 - Develop merchandise budget plans
 - Allocate merchandise to stores
 - Review open-to-buy and stock positions
- Price merchandise
 - Set initial prices
 - Adjust prices

Store Management Tasks

Stores Division

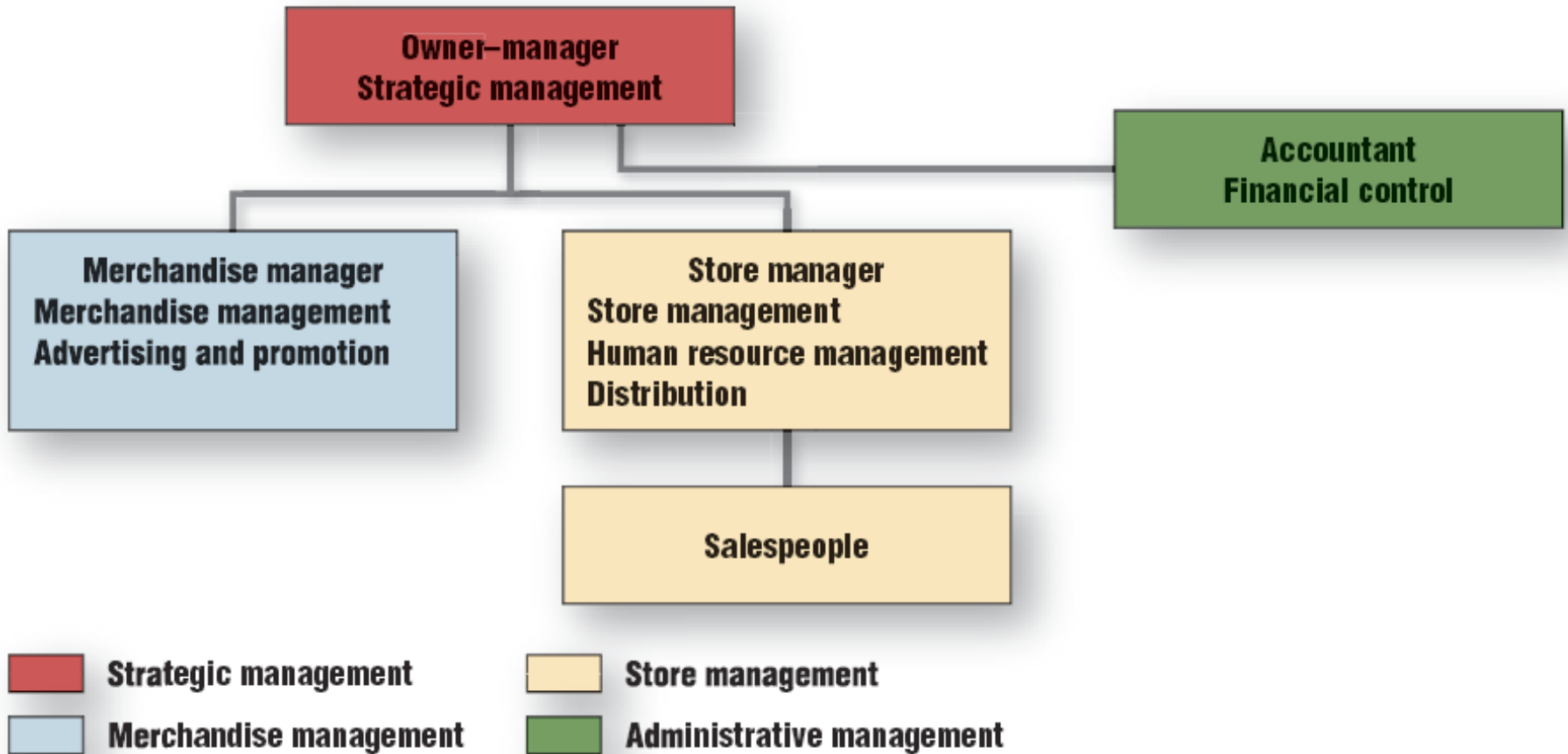
- Recruit, hire, and train store personnel
- Plan labor schedules
- Evaluate store and personnel performance
- Maintain store facilities
- Locate and display merchandise
- Sell merchandise to customers
- Repair and alter merchandise
- Provide services such as gift wrapping and delivery
- Handle customer complaints
- Take physical inventory
- Prevent inventory shrinkage

Administrative Management Tasks

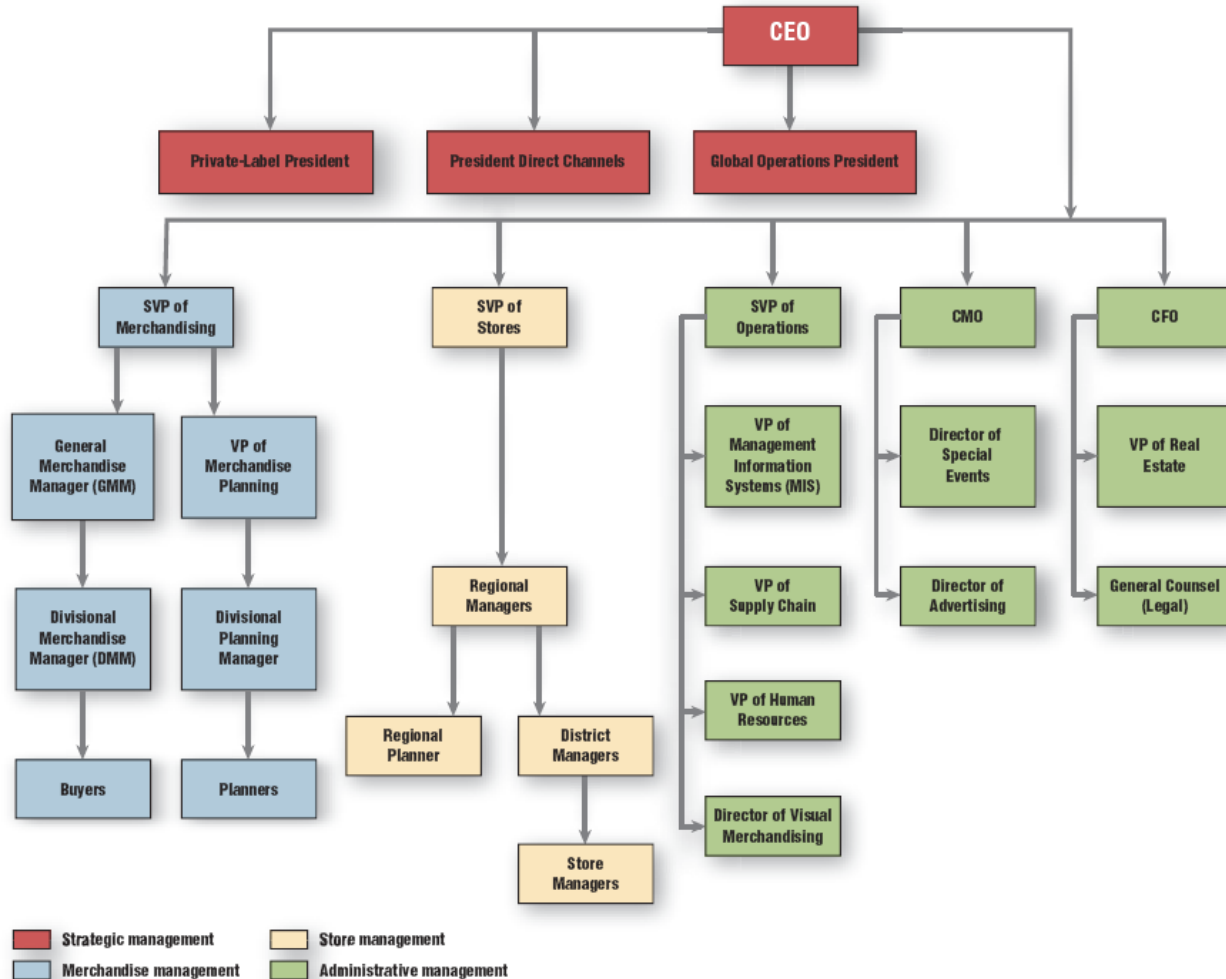
Corporate Specialists

- Marketing
 - Promote the firm, its merchandise, and its services
 - Plan communication programs including advertising
 - Plan special promotions and events
 - Manage public relations
- Manage human resources
 - Develop policies for managing store personnel
 - Recruit, hire, and train managers
 - Keep employee records
- Manage supply chain
 - Receive merchandise
 - Store merchandise
 - Ship merchandise to stores
 - Return merchandise to vendors
- Manage financial performance
 - Provide timely information on financial performance
 - Forecast sales, cash flow, and profits
 - Raise capital from investors
 - Select and manage locations (real estate)
- Visual Merchandising
 - Develop and coordinate displays in stores and windows
- Management Information Systems
 - Work with all functional areas to develop and operate information systems for merchandising, marketing, accounting, finance, etc.
- General counsel (legal)
 - Work with all functional areas to be in compliance with laws and regulations

Organization of a Small Retailer



Organization of a National Retail Chain



Organization of a National Retail Chain

- **Senior vice president (SVP) of merchandising** works with buyers and planners to develop and coordinate the management of the retailer's merchandise offering and ensure that it is consistent with the firm's strategy.
- **Senior vice president (SVP) of stores** supervises all activities related to stores, including working with the regional managers, who supervise district managers, who supervise the individual store managers.

Organization of a National Retail Chain

- **Chief operations officer (COO)** oversees managers in charge of management information systems (MISs), supply chain, human resources, and visual merchandising.
- **Chief marketing officer (CMO)** works with staff to develop advertising and promotion programs.
- **Chief financial officer (CFO)** works with the CEO on financial issues such as equity-debt structure and credit card operations.

Organization of a National Retail Chain

- **Private-label president** is responsible for the conceptualization, design, sourcing, quality control, and marketing of private-label and exclusive merchandise.
- **President of direct channels** is responsible for the selection and pricing of the merchandise assortment offered through the catalog and Internet channels, the maintenance and design of the retailer's Web site, customer call centers, and the fulfillment centers that fill orders for individual customers.
- **Global operations president** oversees retailing operations outside the home country.

Centralization vs. Decentralization

Advantages of Centralization

- It is difficult for a retailer to adapt to local market conditions
- It may have problems responding to local competition and labor markets
- Personnel policies make it hard for local managers to pay competitive wages

Disadvantages of Centralization

- Reduce costs (overhead falls with fewer managers)
- Coordinated buying achieve lower prices from suppliers
- Opportunity to have the best people make decisions for the entire corporation
- Increases efficiency

Coordinating Merchandise and Store Management

- Improving buyer's appreciation for store environment
- Buyers making store visits
- Assigning employees to coordinating roles

Winning the Employee Talent War

- Retailers are engaged in a “war” with their competitors for talent – for effective employees and managers – who can effectively deal with the increased complexities of retail jobs (the use of new technologies, increased profit & loss responsibilities, increased global competition, a diverse workforce).
- Develop programs to attract, develop, motivate, and keep talent

Attracting Talent: Employment Marketing

- Employment marketing (branding)
 - Marketing programs that attract “best and brightest” potential employees
 - Starbucks – “Love What You Do”
 - Southwest – “Free to Actually Enjoy What You Are Doing”

Developing Talent: Selection and Training

- Selective Hiring:
 - Recruit “the right people”
 - Simply seeking the best and the brightest may not always be the most effective approach
- Training:
 - Increasing investments in management training programs and developing leaders
 - Increasing attention to college graduates
 - Generation Y

Motivating Talent: Aligning Goals

- Policies and Supervision
 - Indicate what employees should do
 - Behavior Enforced by Managers
- Incentives
 - Commission, Bonus, Stock Options
- Organization Culture
 - The set of values, traditions, and customs of a firm that guides employee behavior
 - Behavior enforced by social pressure



Use of Incentives

Advantages

- Aligns Employee and Company Goals
- Strong Motivating Force

Disadvantages

- Employees Only Focus on Sales
- Less Commitment to Retailer

Developing and Maintaining a Culture

- Stories
 - Nordstrom – Hero Service Stores
 - Ritz-Carlton – “wow story” reading
 - Whole Foods – working in teams and using its employees in the hiring process
 - Wal-Mart – Saturday Morning Meeting
- Symbols
- CEO Leadership



Keeping Talent: Building Employee Commitment

- Empowering Employees
 - Empowerment is the process of managers sharing power and decision-making authority with employees
 - Gives employees confidence
 - Provides greater opportunity to provide service to customers
 - Employees are more committed to firm's success



Keeping Talent: Building Employee Commitment

- Creating Partnering Relationships with Employees
 - Reducing Status Differences
 - Promotion From Within
 - Balancing Careers and Families
 - [Flextime](#), job sharing

Managing Diversity

- Diversity Training
 - Consists of developing cultural awareness and building competencies.



Managing Diversity

- Support Groups and Mentoring
 - Groups of minority employees that exchange information and provide emotional and career support.

Managing Diversity

- Career Development and Promotions
 - A glass ceiling makes it difficult for minorities and women to be promoted beyond a certain level.



Legal Issues in Human Resource Management

- Equal Employment Opportunity
 - Protect employees from unfair discrimination in the workplace.
- Compensation
 - 40-hour workweek, overtime pay, minimum wage, and employee pensions.
- Labor Relations
 - The process by which unions can be formed and the ways in which companies must deal with the unions.



Legal Issues in Human Resource Management

- Employee Safety And Health
 - The employer is obligated to provide each employee with an environment that is free of hazards that are likely to cause death or serious injury.
- Sexual Harassment
 - Unwelcome sexual advances, requests for sexual favors, and other inappropriate verbal and physical conduct.

Legal Issues in Human Resource Management

- Employee Privacy
 - Employees' privacy protection is very limited.
- Developing Policies
 - HR department is responsible for developing programs and policies to increase awareness of legal restrictions and know how to deal with potential violations.

Keywords

- **centralization** The degree to which authority for making retail decisions is delegated to corporate managers rather than to geographically dispersed regional, district, and store management.
- **decentralization** When authority for retail decisions is made at lower levels in the organization.
- **flextime** A job scheduling system that enables employees to choose the times they work.

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