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# UNIT 1 MANAGEMENT PERSPECTIVES IN RETAILING

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## 1.0 OBJECTIVES

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After studying this unit, you should be able to:

- Explain the meaning and concept of management;
- Distinguish between management and administration;
- Discuss the functions of management,
- Discuss the principles and features of scientific management,

- Explain the principles of management;
- Identify the skills required by a manager, and
- Discuss about the ethical issues involved in managing a retail organization

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## 1.1 INTRODUCTION

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We come across these words like management, managers, administration planning, organization, coordination and so on very often. Sometimes these words are also used interchangeably. It is very important to understand that management is a field that is not very far away from daily life. If we look closely into our life, we apply this concept of management at every point of our life. We try to utilize time effectively by planning a schedule for work to be done. We try to utilize money effectively by making a budget for expenses. In other words, we try to "manage" our lives more effectively.

In this unit, you will learn the concept of management and how it serves as a tool for successfully running a retail organization. You will also learn the various functions that are involved in the process of managing a firm and the essential skills of a good manager. In other words, you will learn as to how the knowledge of management can help in your profession

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## 1.2 CONCEPT OF MANAGEMENT

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Management is essential at all levels of an organization. No organization can survive without proper management. That is why it is essential to learn clearly what the concept of management is?

### 1.2.1 Definition of Management

Management is the process of planning, organizing, leading and controlling the efforts of an organization to utilize the organization's resources effectively to achieve its goals. In simpler words, management can also be defined as the art getting work done with and through formally organized groups. For instance, the success of a shopping mall would depend on how the people come together to utilize their money, time and intelligence to locate, procure and sell goods in order to make profit.

However, definitions of management can be broadly classified into four groups based on various schools of thought. These schools are:

1) Process School, 2) Human Relations School, 3) Decision School. 4) Systems and Contingency School. Let us learn them briefly

- 1) **Process School:** The Process School looks at management as a series of functions combined to achieve the common organizational purpose. According to Henry Fayol, management means to forecast, plan, organize, command, coordinate and control.

- 2) **Human Relations School:** This school perceives management as the interplay of the social system on the organizational resources. In simple words, it perceives management as the process of developing human resources through managing interpersonal relations. Here the focus is on the people and their development.
- 3) **Decision School:** This school looks at management as a process of choice making. So, if an organization is performing well, then this school interprets the success as a result of the right kind of decisions made by the managers. So the advocates of this school look at enforcing the managers with the right amount of decision making power.
- 4) **Systems and Contingency School:** According to systems school, organizations are considered as dynamic systems with specific objectives to achieve. Each system contains smaller units or subsystems with specific goals. To achieve the subsystem's goals would result in achieving a part of the system's goals. So, effective management means to maintain balance among the conflicting objectives of all the subsystems in order to improve the efficiency of the overall system. On the other hand, the Contingency School believes that there is no best way to manage organizations. Managers should design organizations, define goals and formulate policies and strategies in accordance with the prevailing environmental conditions.

### 1.2.2 Management and Administration

The words 'management' and 'administration' are used synonymously. Some believe that whatever their level in the organization, all managers perform the same functions. Hence, there is no point in distinguishing between management and administration. On the other hand, there is another perspective that based on the nature of the company and levels, there can be seen a difference in the terms management and administration at the managerial levels.

- 1) **Based on the Nature of Enterprise:** According to one view, the word administration is purely used with respect to government enterprises that have a social or political orientation and whose objective is non-economic in nature. For instance, public administration services. On the other hand, management would be a term preferred with respect to enterprises that are profit or surplus generation oriented.
- 2) **Based on the Managerial Levels:** American school of thought believes that administration is more of a policy and objective setting function and management is an operative function within those policies and objectives set by administration. In other words, administration is a broader concept than management. On the contrary to the above American School perspective, the British school believes that management is a broader concept than administration. However, both these concepts basically

differentiate management and administration based on the level of hierarchy of the functions.

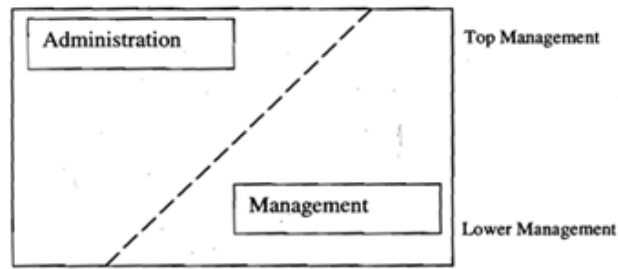


Fig. 1.1: Management Vs Administration

### 1.2.3 Management - Science Vs Art

This is an age-old argument since the formation of management as a discipline whether to consider management as an art or a science. Before going into further discussion on this, let's first try to understand the meaning of science and art. Science is a systematic body of knowledge which mainly looks at the why's and how's of aspects. In other words, science is a body of principles, techniques and theories framed after careful observation and experimentation. On the other hand, art refers mostly a skill and ability to do something. If science provides the knowledge and understanding of how to do an activity, art is the fine-ness achieved in the activity due to constant practice.

The management theory provides a broad framework for understanding the dynamics of managing an organization which have been derived after studying a wide range of applications and practices within an industry. This theory can provide insights to improve performance across various organizations. However, implementing such principles will need great skill. Able managers are those who can understand organizational problems and take timely and right kinds of decisions. In simple terms, the concept of management in theory is a science however, in practice it is an art

### 1.2.4 Nature and Scope of Management

The following are the essential features of the management.

- 1) **Universality:** Management is a universal phenomenon in the sense that it is a common and essential element in all enterprises. The management theory can be applied in all organizations in all managerial situations regardless of the size, nature and location of the organizations. For instance, whether it is a small convenience store or a local supermarket or a multi-product large hypermarket, management can be implemented in all the organizations.
- 2) **Social Process:** Management is the art of getting work done with and through people. It means that management is impossible without the involvement of people and relations. Management involves activities

such as employing, developing, retaining and motivating people. Hence, it is seen as a social process.

- 3) **Intangible:** Management is something that cannot be seen or touched. However, it is an unseen force that runs an organization. It is the most essential part of an organization. Only the results of the process can be seen in-terms of sales, profits, satisfaction of employees or stakeholders and so on.
- 4) **Continuous Process:** Management is an ongoing process. Although the objectives that an organization tries to achieve are time bound, the cycle of management continues to operate as long as there is an organization.
- 5) **Composite Process:** Although management functions can be studied and learnt separately, they cannot be implemented independent of each other. So, each function is linked to the other or each function serves as a means to achieve the other. For instance, the controlling function is a process of comparing actual performance against standards. However, the planning process frames the standards. Hence, it is not possible to execute the control function unless it is preceded by the planning function.
- 6) **Coordinating Force:** Management is a binding force of all elements of an organization. It is through management that all men, material, money machinery, markets are brought together for business activity. Management forms the synergy of the activities of various departments within the organization.
- 7) **Goal-Oriented:** Management is always aimed at achieving organizational objectives. The performance of an organization is measured by the extent to which the desired objectives are attained. So, every function and department of the organization aims at achieving predetermined objectives.
- 8) **Creative Organ:** The constant pursuit of the management theory is to innovate. Generation of new methods, strategies, and processes is the essence of management. Although management derives solutions to organizational problems from past experiences, at the same time, it works towards re-inventing or conceiving new solutions.

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### 1.3 APPROACHES TO MANAGEMENT THOUGHT

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As discussed earlier, management is a body of systematic knowledge of principles, techniques and theories developed through constant study of the practices within organizations. However, the following section will be dealing with the perspectives of various management gurus and the principles they advocate.

Although it is impossible to pinpoint the origin of the management concept, the most important pre-twentieth century influence on management was the Industrial Revolution. The Revolution resulted in a massive increase in production for manufacturers and at the same time opened a wide stretch of markets. This made the operations more complex and demanded a higher level of skill from the managers. Although the pursuit to create a discipline had been going on, it was not until early 1900 that the first step towards developing such a theory was taken

### 1.3.1 Scientific Management

FW Taylor, Frank & Lillian Gilberth, Henry Gantt and so on were the early theorists of this school of thought. The basic aim was to bring a more logical and systematic method of applying management theory to work. Scientific management as proposed by Fredrick Winslow Taylor revolutionised the work practices since 1910.

#### 1) Principles of Scientific Management

- i. Replacement of Rules-of-Thumb with Science:** The first and foremost aspect of scientific management is to refine methods of work. According to Taylor, most activities that are done using traditional methods have to be replaced with researched scientific approaches. Frank & Lillian Gilberth's time and motion studies and Henry Gantt's Gantt chart are some efforts in this line. This helped not only to simplify the effort but also to increase the productivity of individuals.
- ii. Cooperation Between Management and Labour:** Productivity function is a function of synergy between the people who plan and the people who execute. That is why cooperation and coordination is essential between the management and labour.
- iii. Harmony in Group Action:** There should be a common purpose for the action for all members in a group. In other words, all the members in a group should be directed towards achieving the same organizational goals.
- iv. Maximum Output:** Productivity is the ratio of output and input. The greater the output the greater is the productivity. Hence, the management should always aim at maximising its output. Output also reflects organizational efficiency.
- v. Development of Workers:** Organization is a social system. Hence, people should be the first and foremost concern for the organization. Its principal focus should be on providing opportunities for the workmen in the organization to grow along with the firm. Development is not just in terms of work knowledge and skill but overall development of the standards of living.

### Example of Employee development:

Most of the retailers have the learning and development program for the employees, so that the employees can also grow internally. The primary task of the department is to plan and execute the various interviews and assessment for the next level of growth. E.g shoppersstop held their assessments every year for the various positions to give a growth to the employees internally across all functions.

## 2) Features of Scientific Management

- i. **Separation of Planning and Execution:** Scientific management proposes that planning and execution should not be done at the same levels. The concept of line and staff functions is a result of this feature. Line function in an organization is responsible for the execution of a task and staff. This is an advisory function, and it is used frequently in planning and control. This enables to keep an outside view on execution of the plans and also easier to identify deviations and plan for corrective actions
- ii. **Functional Foremanship:** This is the early form of departmentation and functional assignment of jobs. Keeping the concept of separating planning from execution in view, the early functional foremanship suggested by Taylor has been shown in Figure 1.2:

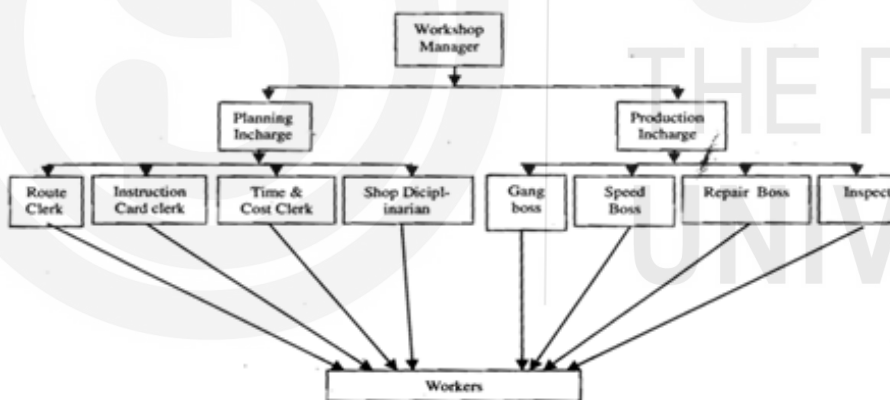


Fig. 1.2: Functional Foremanship

- iii. **Job Analysis:** It is the process of defining a job and the behaviours that are necessary to perform those jobs which enables individuals to understand their job profiles more clearly and reduces role conflict that comes with a job.
- iv. **Standardisation:** For procedures and activities that involve complexity and are done over a period of time it is convenient to standardise. For example, billing and cash receipts in a huge retailing organization can be very complex and time consuming. However, in modern day markets, bar codes, point-of-sales systems have simplified the process and made the process more effective.
- v. **Scientific Selection and Training of Workers:** Another major feature of scientific management is that it proposes a systematic and scientific

testing for choosing employees. Aptitude, attitude and psychometric tests give greater amounts of accurate information on an individual's psychological aspects. This helps in choosing the right kind of people for the jobs. In the same way training can also be more scientific.

- vi. **Financial Incentives:** Taylor's perspective towards employee compensation was hugely in terms of financial rewards as he felt that the basic impetus for motivation of employees was financial expectations. So, it is the need that has to be met first.
- vii. **Economy:** Higher productivity levels can be achieved by increasing the output. However, they can also be achieved by achieving the same output levels with reduced input. This means better capacity utilisation or reduction of wastage which results in economy of resources but working at higher levels of efficiency.
- viii. **Mental Revolution:** Mental revolution refers to the phenomenon of evolution of the organization and its people as a whole. The important essence of mental revolution is that individuals in the organization should be flexible enough to think and innovate. The management process should be able to accommodate the evolution. Changing environments and conditions pose a constant challenge to every organization. Mental revolution focuses on the company's ability to respond to productively and successfully

### 1.3.2 Henry Fayol's Principles of Modern Management Theory

Almost contemporary to scientific management thought, during the Second World War evolved another school of thought. This was developed by the administrative theorists. Their principal focus was on creating management system that focused on building a general order for activities within an organization One such contributor who is considered as the father of modern management thought was Henry Fayol, who in his book proposed the following principles for administration

- 1) **Division of Work:** All work has to be divided into simpler activities and jobs and given a sphere of operation This is done to reduce job conflict and interference and also to develop specialisation of work
- 2) **Authority and Responsibility:** Power and accountability should go hand in hand When a specific work is assigned to an individual in a retail organization, a certain amount of authority to utilise resources should also be given. However, at the same time, the individual should be made responsible and accountable for the job and people assigned.
- 3) **Discipline:** It is pertinent that every individual adhered to the rules and regulations within the organization, reduces chaos and create an environment for the harmony and smooth functioning of the organization



- 4) **Unity of Command:** It is necessary to ensure that employees receive commands from one source. There is a possibility that multiple command centres can give contradicting or confusing orders to the employee. These may be difficult to be executed within the same time frame or might be difficult to prioritise. To reduce such problems unity of command should be maintained.
- 5) **Centralisation:** Fayol believed centralisation was essential and that decision making should always be controlled at one centre. He believed that this would save time and also reduce the confusion caused due to the misinterpretation within channels
- 6) **Unity of Direction:** According to this principle, a set of activities having the same objective should be under the direction of a single manager. Similarly, there should be only one plan of action for such a set of activities since the objective is the same. This principle promotes smooth coordination of activities, efforts and resources
- 7) **Scalar Chains:** Scalar chain helps in providing unity of command in the organization. Scalar chain ensures linear relationships between the superior and subordinate. This in turn creates a clear two-way communication channel that can be handled easily and effectively.
- 8) **Subordination of Individual Interest to General Interest:** This is one of the main principles of this theory. The manager should ensure that the employee puts the company's interest in high priority to his own needs. The concept also professes that if the individual is motivated to align his goals with the organization's goals, then organizational goals can be achieved smoothly. By prioritising the company's interest and achieving them, the employee in turn achieves his own goal as well.
- 9) **Remuneration:** The pay of the employee should commensurate with the kind and level of the job that the employee performs. There should be a systematic way of relating the work, performance and the pay that is given to him.
- 10) **Order:** There is always a right place for everything in the organization. This reduces effort and time of doing work.
- 11) **Initiative:** The manager should not only just lead by example but also be able to provide the necessary stimulation to the employees to be self-motivated. The better the motivation level, the better the performance standards
- 12) **Stability of Tenure:** Any employee who has a constant fear of losing a job will work at very low levels of motivation. Job security has a very important role in motivating employees. The more job security, the more the employees are committed to the tasks of the organization. However, there is a risk with an excessive amount of job security without the necessary amount of control.

- 13) **Equity:** All employees should be treated equally as far as law and policy is concerned. The employees should not be discriminated against in terms of cadre, especially in terms of social justice.
- 14) **Esprit De Corps:** It means in unity lies strength'. The manager should be able to create a harmonious environment in the organization. He/she should build up an organization culture where the individuals share a strong sense of belonging to each other and the organization. This will improve teamwork in the organization and automatically result in better productivity

### Check Your Progress 1

- 1) Apply unity of command principle to a retail organization

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- 2) Explain how order reduces effort and time of doing a work.

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## 1.4 FUNCTIONS OF MANAGEMENT

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Functions within companies differ on the nature of their operations. For example, procurement and sales might be the two major functions in the case of a local grocery shop. But for a shopping mall, functions would be more complex and diverse. They might range from complex supply chain activities like physical distribution and logistics to administrative functions like human resources, finance management and regular functions such as sales and marketing. However, irrespective of the size and the nature of operations there are some common functions that every organization has to perform for its survival and those shall be discussed in this section:

### 1.4.1 Planning

Planning means pre-determining a future course of action. The most fundamental function of management is planning because it precedes all functions and activities in an organization. Planning principally involves choosing from among alternative future courses of action. There are various phases of planning and various kinds of plans.



Fig 1.3: Types of Plans

- 1) **Mission or Purpose:** Mission is the ultimate purpose of the existence of a company. In other words, stating a mission would enable the organization to direct all its efforts towards a common cause. A mission is a long term plan that is usually stated for the life period of the firm. It can encompass the business definition of a firm by stating what business the firm undertakes and which customer it caters to. Wal-Mart, an international giant in retailing business does not state its business in terms of its products but in terms of the need that it caters to. It says "To give ordinary folk the chance to buy the same thing as rich people". The mission statement clearly identifies the need that it caters to and the customers that it serves.
- 2) **Objectives & Goals:** Objectives and goals are the ends towards which all the business activity is directed. Objectives should be specific, measurable, achievable, realistic and time-bound. Objectives are the standards against which the firm's performance is measured. Objectives can be long term or short term. The time period of achieving an objective will depend on the nature of the business, market conditions and so on. Acquiring 20% of the market within a span of 2 years can be an objective.
- 3) **Policies:** Policies are usually long-term standing plans of a company that reflect the governance issues and the philosophy of the top management. Policy is a plan of action to guide decisions and actions. Policies are the guidelines that establish the parameters for decision making. So, an organization can have many policies such as policies on wage, credit, recruitment, labour and so on. Policies are generally referred to as solutions to recurring problems.
- 4) **Strategies:** A strategy is a game plan that is designed to achieve the objective. Strategy is a plan that usually gives the company a competitive advantage. For instance, the company has a target of achieving a sales figure of 10 lakhs by the first quarter of a year then the strategies could offer a price discount to increase sales, or to offer free gifts or to start a few smaller outlets at some strategic location and so on. So, the strategy is a plan that will enable the company to achieve the objectives.

- 5) **Procedure:** A procedure would be a series of interrelated steps that can be used to respond to a structured problem. Organizations encounter problems every day. The main challenge will be in identifying the problem itself. After identifying a problem the steps of solving them are clearly laid out and are implemented one by one.
- 6) **Rule:** A rule is an explicit statement as to what an employee can and cannot do. It is also a code for employee behaviour. A rule is never flexible.

### 1.4.2 Organizing

The process of defining and grouping activities and creating authority relationships among them is known as organizing. In simpler words, it is the process of dividing work into convenient tasks and duties in the form of positions, grouping of various positions into departments and sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned.

- 1) **Job Analysis & Design:** After setting the mission and objectives of the firm, the next step is to identify and classify activities necessary to achieve the objectives. Complex tasks have to be broken into simpler activities and jobs have to be defined along with their work profiles. Then for each job clear job description (details about the job in terms of the rank, job title, work profile and responsibilities) and job specification (the qualities and qualification that is required in anyone who would take up the job) has to be stated.
- 2) **Departmentation:** In the light of the resources available, the above jobs that are identified have to be grouped according to the nature of their functions. For example, all activities related to buying a shopping centre can be grouped into a Purchase Department. Similarly all activities related to salaries, recruitment and selection and training can be grouped into the Human Resource Department. The fundamental use of departmentation is to define the work sphere, eliminate repetition and encourage specialisation.
- 3) **Span of Management:** The next step is to decide the span of authority for each job. In simple words, span of management (also known as span of control and span of supervision) means the number of people that report to a superior job. Based on the number of relations formed for each designation, wide or tall spans can be formed.
- 4) **Delegation:** The next phase is to assign a certain amount of power to each job. For the execution of every job a certain amount of decision making power is necessary. However, it is also essential to make that individual accountable for the resources and the work assigned. Hence, every job has to be delegated with authority and responsibility.

- 5) **Organizational Structure.** This is the process of tying groups together horizontally and vertically through authority, relationships and information flows. It is a graphical representation of the total organization in terms of the hierarchy of relationships and responsibilities. An organization structure helps to identify any job and its position in the whole organization. However, organizational structures vary from company to company as per requirement and as per complexity of the work within the organization.

### 1.4.3 Staffing

Staffing is the process of planning the organization with suitable personnel. It is the process of providing the right kind of people for all the jobs designed in the organizing function. However, staffing mainly consists of the following activities:

- 1) **Procurement:** This phase involves searching for the right kind of individuals as per the job specification by inviting them for the selection process and then choosing the most suitable candidates from them. This phase includes functions such as recruitment, selection and induction.
- 2) **Development:** This phase involves functions such as training and development. The organization has to provide work-based knowledge and refine the skills of the employees from time to time. At the same time, it also has to ensure that it caters to the overall development of the employee not just in terms of his work skill but also in terms of his knowledge, personality and standards of living.
- 3) **Maintenance:** Maintenance phase revolves mostly on how the employee is retained in the organization. Remuneration and compensation issues, motivational issues and other benefits become a major part of this phase. However, along with wage and salary administration this phase will also consist of performance appraisal, the process through which the employee performance is measured and acknowledged for further growth
- 4) **Separation:** Another important phase that involves the employee leaving the organization. There could be many reasons such as retirement, death, dismissal. Voluntary Retirement Scheme (VRS), Compulsory Retirement Scheme (CRS) and so on for the separation of an employee with an organization and each of them need to be dealt with in a different manner. So, separation is one of the complex activities of staffing.

### 1.4.4 Directing

Directing is the process of securing willing obedience from the subordinates without destroying their initiative and creativity. The superior should issue orders and instruction without arousing any resentment amongst the subordinates. Directing involves managing people and the work through the means of the following functions.

- 1) **Motivation:** Motivation is the willingness to exert high levels of effort to reach organizational goals, conditioned by the effort's ability to satisfy some individual need. In simpler words, it means motivation is stimulation induced by self or by others to perform more and better in order to achieve organizational objectives.
- 2) **Leadership:** Leadership is the ability of a manager to get his subordinates to follow him. There are different styles of leadership, although the ultimate objective is to guide the subordinates to work and accomplish objectives. Leader's main objective is to gain respect and acceptance from his subordinates.
- 3) **Communication:** Communication is the process of transferring information from the source to the receiver. Communication is oxygen for any organization. It keeps stability in the organizational structure and helps in timely execution of work. It is also responsible for maintaining harmony in the organization. The communication can be formal or informal in an organization depending on its purpose. The most important tools of communication are listening and feedback. This helps to build a two-way communication channel in the organization which is ideal for modern day organizational setup.

#### 1.4.5 Controlling

Controlling phase is the phase of realisation of organizational efforts. Management is a cyclical function which starts with planning; however, the controlling function leads back to planning. Controlling function enables management to ensure that the achievement is in accordance with the established plans. It involves:

1. Establishment of performance standards
2. Measuring actual performance
3. Comparing actual performance to standards
4. Identifying deviations, if any
5. Taking corrective action

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### 1.5 MANAGERIAL SKILLS

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An effective manager not only possesses the knowledge of how to do things but also the skills to get them done. According to Robert L. Katz there are principally four skills that a manager should invariably possess in order to function effectively. They are as follows

**Technical Skills:** Knowledge and proficiency in designing and formation of Methods Policies and Procedures

**Human Skills:** Interpersonal Skills, Leadership Skills and so on,

**Conceptual Skills:** Ability to recognise the relationship between various elements of an organization.

**Design Skills:** Ability to foresee and solve problems Ability to be innovative and creative and to be able to think out of the box to find solutions to problems.

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## 1.6 STORES ORGANIZATION

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An organization is a formal arrangement of roles and ranks put in place to attain some particular objectives. The arrangement of a retail organization depicts the role of employees and the mode in which the organization operates. To outline an effective retail organization structure, Managers/Owners must describe store objectives, recognize the tasks, categorize the tasks and jobs, and allocate responsibilities and power to different positions, and define the link between them. Organizations can have flat arrangements or vertical (tall) arrangements. A flat organization arrangement has only one or two levels of management, whereas a vertical organization has more than two levels of management. This unit will discuss forms of retail organization and number of organization levels.

### 1.6.1 Organizational Structures

Most store and catalogue/web operations are likely to have different merchandising and inventory planning organization structures. Some of the aspects that need to be considered while integrating stores and direct channel organization structures are:

- Need to maintain single or multiple merchandising and inventory management organizations for different sales channels to determine merchandising direction.
- Define relevant performance metrics to evaluate business functions.
- Manage ownership and accountability for category performance and profitability.
- Ensure that the new organization structure does not impede the flexibility and dynamic responsiveness of the Internet business.

#### **Store Management Takes Care:**

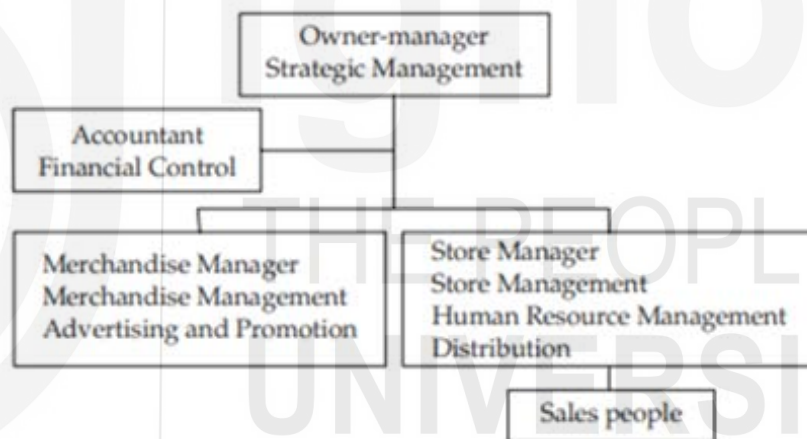
- 1) That the required material is never out of stock.
- 2) That no material is available in excess that required.
- 3) To purchase materials on the principle of economic order quantity so that the associated costs can be minimized.
- 4) To protect stores against damage theft etc. This can be achieved through:
  - i) A proper purchasing practice,
  - ii) An adequate procedure of receipt and issues of materials,

- iii) Proper methods of storing materials,
- iv) An effective system of physical control of materials, and
- v) A proper method of keeping stores records.

### 1.6.2 Forms of Retail Store Organization

Retail organization structures differ according to the type of retailer and the size of the firm. For example, a retailer with a single store will have an organization structure quite different from a national chain.

Organization of a Single-Store Retailer: Owner-managers of a single store may be the entire organization. When they go to lunch or go home, the store closes. As sales grow, the owner/ manager hires employees. Coordinating and controlling employee activities is easier in a small store than in a large chain of stores. The owner-manager simply assigns tasks to each employee and watches to see that these tasks are performed properly. Since the number of employees is limited, single-store retailers have little specialization. Each employee must perform a wide range of activities, and the owner-manager is responsible for all management tasks.



**Figure 1.4: Organization Chart of a Small Retailer**

Source: Everonn\_Retail Management\_Exhibit 6.1: Organization Chart of a Small Retailer

As sales increase, specialization in management may occur when the owner manager hires additional management employees. Figure given above illustrates the common division of management responsibilities into merchandise and store management. The owner-manager continues to perform strategic management tasks. The store manager may be responsible for administrative tasks associated with receiving and shipping merchandising and managing the employees. The merchandise manager or buyer may handle the advertising and promotion tasks as well as the merchandise tasks. Often the owner-manager contracts with an accounting firm to perform financial control tasks for a fee.

Organization of a Regional Department Store: In contrast to the management of a single store, retail chain management is complex. Managers must



supervise units that are geographically distant from each other. In this section, we use Rich and owned Federated Department Stores to illustrate the organization of a large, multi-unit retailer. The Rich Stores merged three regional department store chains. While the store carries the name of the regional chains, their full name of the division, we traditionally, department stores were family-owned and managed.

Organization of these firms was governed by family circumstances. Executive positions were designed to accommodate family members involved in the business. Then, in 1927, Paul Mazur proposed a functional organization plan that has been adopted by most retailers. The organization structures of retail chains, including Rich management tasks into separate divisions.

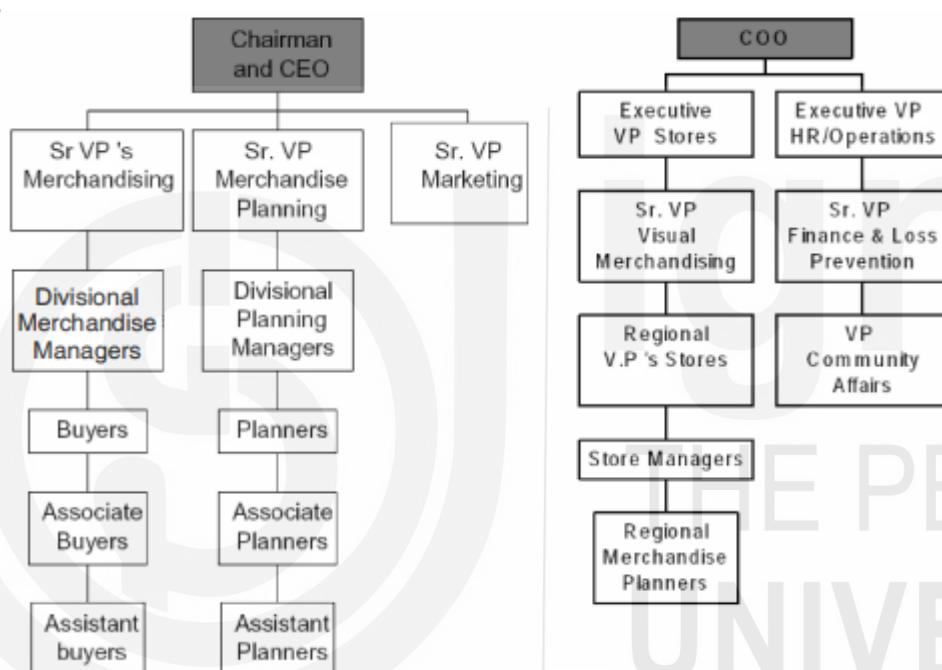


Figure 1.5: Organization Chart of a Regional Store

Source: Everonn\_Retail Management\_Exhibit 6.2: Organization of a Regional Department Store

In most retail firms, the two senior executives typically called the CEO and COO, work closely together in managing the firm. They are frequently referred to as principles or partners. One member of the partnership is primarily responsible for the operating divisions. Here, the VP is responsible for merchandising and the COO is responsible for operations. However, these responsibilities and employees work at corporate headquarters.

**Merchandise Division:** The merchandise division is responsible for procuring the merchandise sold in the stores and ensuring that the quality, fissionability, assortment, and pricing of merchandise are consistent with the firm.

GMMs reports directly to the chairperson and CEO, the partner in charge of the merchandising activities.

**Buyers:** Buyers are responsible for procuring merchandise, setting prices and markdowns, and managing inventories for specific merchandise categories. They attend trade and fashion shows and negotiate with vendors on prices, quantities, assortments, delivery dates, and payment terms. In addition, they might specify private-label merchandise or request modifications to tailor the merchandise to the retailer.

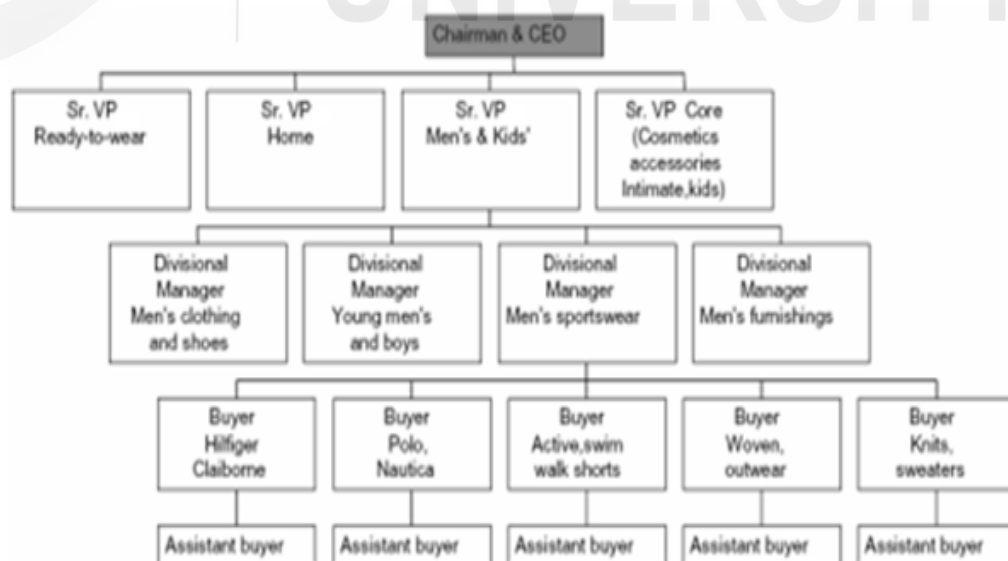
Although buyers are given considerable autonomy to “run their own business,” they must adhere to an inventory budget that will vary from season to season. The budget is the result of a negotiation between the buyers and their superiors, divisional merchandise managers.

In recent years, the buyers’ role in supermarket chains has evolved into a category manager.

Traditional supermarket buyers were vendor focused. For example, they would just be responsible for buying merchandise from a vendor such as Campbell or Kraft. They developed close relationships with vendors and were more concerned with maintaining these vendor relationships than selling products to customers. This focus was partially caused by evaluation systems that rewarded supermarket buyers more for securing price discounts rather than sales, gross margins, and inventory turns.

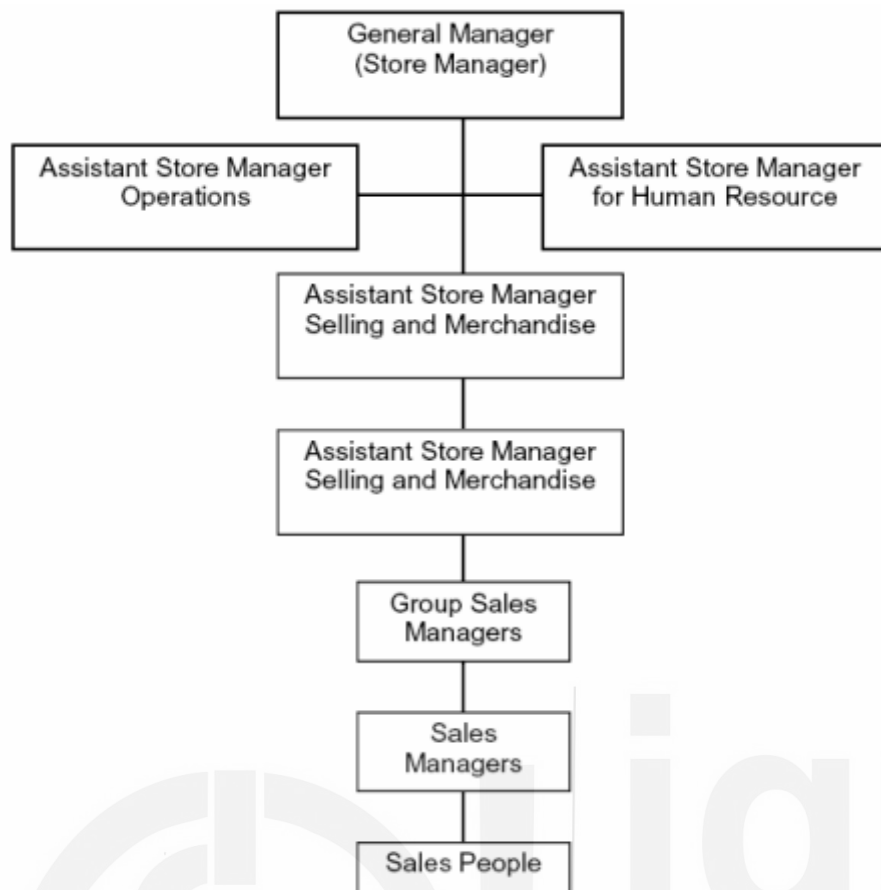
Category managers are responsible for a set of products that are viewed as substitutes by customers. For example, a category manager might be in charge of all pastas packaged, or canned. Category managers are evaluated on the profitability of their category and these are motivated to eliminate buyers in most other types of retail firms who have always been responsible for merchandise categories.

Thus, the term category manager is used primarily by supermarket retailers.



**Figure 1.6: Structure of Merchandise Division**

Source: Everonn\_Retail Management\_Exhibit 6.3: Merchandise Division Organization



**Figure 1.7: Structure of Operations Division**

Source: Everomn\_Retail Management\_Exhibit 6.4: Store Organizations

## 1.7 ETHICAL RESPONSIBILITIES OF A RETAILER

One of the most important concerns for modern day managers is social responsibility. Managers have to keep a very keen eye on how ethical the practices of the organization are. The fact that organizations deal with human beings internally and externally, it naturally confers responsibility on them to be ethical

It is more imperative for a retailer to be ethical than any other business because they are the one that are in direct contact with the final consumers. However the social responsibility of the organization can be basically classified from three perspectives which are as follows:

### 1.7.1 Responsibility Towards Stakeholders

In every business there are a large number of individuals and organizations that hold stake. For example, Planet M, a music retail giant, has a large range of stakeholders. First of all, the customers, then the suppliers of the products, the facilitators, the mother organization, the shareholders, its employees and so on - everybody from the stakeholders of the company. It automatically becomes the responsibility of the organization to protect the interests of all these parties. This could be achieved by setting up ethical employee policies,

or making policy and process more transparent, proper disclosure of financial statements, providing timely bonus and dividends and so on. This not only ensures satisfaction from the stakeholders but also builds trust giving the company a very strong goodwill in the business.

### **1.7.2 Responsibility Towards Customers**

The most important aspect of any business is its customers, rightly referred to as the king. Businesses survive solely because of their customers. This means that the organizations have a greater amount of responsibility to protect the interests of the customer. This can be a multi-fold strategy. A firm that can provide great customer trust and lead to brand loyalty and goodwill ensure future business through customer retention. On the other hand, it can keep in tune with customer requirements. Ethical practices in business such as providing proper information and support to consumers, educating customers, and ethical pricing can be some practices that can contribute to fulfilling the obligations towards customers.

### **1.7.3 Responsibility Towards Society**

Apart from the above-mentioned phenomena, the company also has a greater task of protecting the interests of its society. It derives human resource from the society hence it is essential that the company keeps society happy This can be achieved through developing products that are harmless to the society, Companies now-s-days have been focussing on Corporate Social responsibilities Companies build public utilities, establish sports clubs, do social service and so on to fulfil their obligation towards the society.

#### **Check Your Progress 2**

1. Apply the concepts of job analysis, job description, and job satisfaction to your position and explain.

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2. Describe the organization structure of the retailing company wherein you are working.

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## 1.8 LET US SUM UP

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The concept of management is applicable at every point of our life. There are three levels in an organization i.e., top level, middle level, lower level and management is essential at all levels of an organization. In this context management serves as a tool for running a retail organization too

Management is the process of planning, organizing, directing and controlling the activities and resources of an organization for the purpose of achieving common objectives.

Definitions of management can be divided into four groups based on various schools of thought. These schools are - Process school, Human Relations school, Decision school, Systems and Contingency school.

The essential branches of management are universality, social process, intangible, continuous process, composite process, coordinating force, goal oriented and creative organ. All these features are equally important in retailing as well.

The attention of the people in business management has been attracted to the development of new approaches during the last few years although the concept of management is as old as the birth of the first organization. The main approaches to management are the scientific management approach and Henry Fayol's functional approach. These approaches are equally useful to the management in retailing also.

Functions of an organization differ on the basis of nature of their operations but there are some common functions which every organization has to perform like planning, organizing, staffing, directing, and controlling

It is very important for a retailer to understand his ethical responsibilities for achieving better result. The various responsibilities of a retailer are responsibility towards stakeholders, responsibility towards customers and responsibility towards society In way retailer can be perceived as an important link between the society and the manufacturer

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## 1.9 KEYWORDS

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**Communication:** Communication is the process of transferring information from the source to the receiver

**Directing:** Directing is the process of securing willing obedience from the subordinates without destroying their initiative and creativity.

**Job Analysis:** It is the process of defining a job and the behaviours that are necessary to perform those jobs which enable individuals to understand their job profiles more clearly and to reduce role conflict that comes with a job.

**Leadership:** Leadership is the ability of a manager to get his subordinates follow him

**Management:** Management is the process of planning, organizing, leading and controlling the efforts of an organization to utilize the organization's resources effectively to achieve its goals. In simpler words, management can also be defined as the art of getting work done with and through formally organized groups.

**Mission or Purpose:** Mission is the ultimate purpose of the existence of a company. **Motivation:** Motivation is the willingness to exert high levels of effort to reach organizational goals, conditioned by the effort's ability to satisfy some individual need.

**Objectives & Goals:** Objectives and goals are the ends towards which all the business activity is directed.

**Organizational Structure:** This is the process of tying groups together horizontally and vertically through authority, relationships and information flows.

**Planning:** Planning means pre-determining a future course of action.

**Span of Management:** Span of management (also known as span of control and span of supervision) means the number of people that report to a specific job.

**Staffing:** Staffing is the process of planning the organization with suitable personnel.

**Strategies:** A strategy is a game plan that is designed to achieve the objective.

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## 1.10 TERMINAL QUESTIONS

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1. What is the management process and how is management useful in managing a Retail Organization?
2. What kind of skills does a manager need to run a Retail Outlet?
3. What are the functions of management? Explain with illustrations.
4. What do you mean by ethical responsibility of a company?
5. Describe the principles of scientific management.
6. Explain Henry Fayol's principles of management.
7. What are the various plans and how are they helpful in creating a focus for the organization?
8. What is the difference between line and staff functions? Discuss this in light of the various types of organizational structures that a company can consider. Draw an organizational structure for Big Bazaar.