

Sears Company Organizational Structure

Posted on October 22, 2019

Explanation Part 6

Organization Overview

Sears, Roebuck, and Company, also known as Sears, is a chain of department stores. It was founded in 1892 by Richard Warren Sears and Alvah Custis Roebuck. The company began its operations as a mail-order catalog but soon opened retail stores in various locations around the United States of America. Sears has several brands and products working with subsidiaries such as K-Mart and DieHard. Moreover, it offers products for home appliances, clothing, and various other consumer goods. The company is one of the largest corporations in the United States that has built its way up to one of the leading firms in the industry.

Authority and Responsibility

German sociologist and philosopher Max Weber (1947) divides authority into three types, which include charismatic, traditional, and legal-rational authorities. All of the types of authority correspond to the brand of leadership that is operative in contemporary society. The success of a company highly depends on its leadership and the type of authority and responsibility adopted.

Firstly, the charismatic form of authority involves an individual who has certain qualities and personality traits that make them a successful leader. This type of authority is capable of controlling the system and running it towards growth and a prosperous future. The leader's traits are natural, and they have the charisma to lead the company. Hence, they are trusted with such authority.

Secondly, the traditional form of authority encourages the existence of a dominant entity. A conventional leader depends on the existing structure and guidelines of the company, requires following a certain code of conduct, and lacks vision and innovation. This form of authority is used in routine, day-to-day activities that do not require any form of strategic planning.

On the other hand, legal-rational authority is the form of leadership that adheres to defined rules and regulations. The leader is followed on the basis of their legitimacy rather than their qualities and capacity to control the organization. Most firms use this kind of authority due to the transparency of their activities and the simplification of their functions (Weber, M. 2009).

Sears is a large-scale firm with several subsidiary companies and brands working under the name of the corporation. The company is challenged by online retailers such as Amazon. Sears has recently, in

2013, experienced significant losses. Over the past decade, the company has lost its market value by \$26 billion. The revenue has decreased by 50 percent, which has led to the downsizing and termination of 175,000 employees (Creswell, 2017). The company's CEO, Eddie Lampert, was appointed in 2013.

The company's organizational structure and leadership style indicate that Eddie Lampert and all the other departmental heads follow a traditional type of authority. Traditional authority is not the perfect choice for Sears in the market, where the competition for them is increasing, and innovation is at its peak. This type of authority poses a form of dominant power that forces business strategies on the rest of the organization. This form of authority lacks the capability to lead the company and follow legal standards. Moreover, it is not visionary for the company. The company has allowed the independence of each department and delegated the responsibility through the chain. However, it requires an authority structure that encourages the growth of the company and introduces innovation (Wren, D. A., & Bedeian, A. G., 1994).

Organizational Chart

The organizational chart includes the hierarchy of the business, which indicates how authority and responsibilities are divided among the different levels of hierarchy. The organizational structure plays an essential part in the success of a company and how it is run. This includes leadership, which requires being effective. In case of a failure of leadership and improper chain of command, the company can experience miscommunication and lack of guidance that will affect the company's performance and employee motivation (O'Neill, J. W., Beauvais, L. L., & Scholl, R. W., 2016).

The CEO of Sears has divided the store into thirty business units in such areas as apparel, consumer electronics, footwear, and finance. This scheme involves each department having its president, chief marketing officer, a board of directors, and, most importantly, its profit-and-loss statement.

Why Did the Company Choose This Structure?

Sears's organizational structure is based on five types of units of a business, where each unit has the ability to focus on its core values and capabilities, which include operating business, support, brands, online, and real estate. The purpose of this structure was to allow every unit to excel in its field, which will contribute to the overall performance of the business. The support units function as the support providers to the operational and administrative activities, which consist of marketing, customer strategy, finance, and store operations. Similarly, the operating business units include the firm's current lines of business, such as electronics, home appliances, and apparel. Moreover, the brand units are responsible for the growth, expansion, and increasing the share value of Sears, while the real estate and online business units focus on the productivity, revenue, and financial value of the assets, and the monetary value of the company.

Integration or Integration Mechanisms

Integrational strategies have two types: horizontal and vertical integration styles. Integration in business means the process of synchronization with another level of the industry or entering a new market, taking over the resources, and utilizing them in business activity. Firms use the strategy of integration for the purpose of growth and expansion (Davydov, M. 2001). Horizontal integration is when a firm merges with another business in the same industry and similar sector. This involves internal and external resources. Since the companies and departments work on the same production level, such as secondary or tertiary, they use the resources available to them collectively. This allows the firm to achieve economies of scale that result in reduced production costs per unit and increased profits. Similarly, Sears used horizontal integration when merging with the more successful departmental store, Kmart.

On the other hand, vertical integration is the process of entering new markets and moving forward or backwards in the industry and at different production levels. Vertical integration involves two types, including backwards integration, which occurs when a business moves backwards in the production level, for example, a car manufacturer takes over the supplier of steel, iron, glass, and other inputs. Similarly, forward integration is when a company moves forward in the production process, such as from secondary to tertiary, for example, when the company takes over its retailing and buying services. This is one of the most beneficial processes as it reduces the costs for the business when they produce on their own instead of buying at higher prices from a supplier or giving commission to distributors (Landecker, W. S. 1951).

Sears has practised both types of the integration process. It is known for the vertical integration of opening up its outlets and retail stores in different parts of the United States, while it initially started from mail order. This has been beneficial for Sears in creating a brand and expanding in the market.

Control Systems

Control systems are the key procedures, guidelines, and operations that help an organization strive and achieve its objectives and goals. A control system in a business provides assistance to employees to work according to certain codes and follow the objectives of the business; additionally, it aids managers in motivating employees. They provide incentives to employees to be motivated and work towards the goals of the business. While organizational structures provide the structure for the channel for instructions to be carried through and the authorities and responsibilities of each manager, the control system is the backbone of the organization that makes the structure-function (Govindarajan, V., & Fisher, J., 1990).

Managers use several control systems to make their employees work and achieve the aims and objectives of the business. These methods are used to motivate the workers and increase their efficiency and productivity. These control systems consist of personal control, which is the desire to

shape a person's behaviour towards the company's belief. Output control involves encouraging the efficiency and productivity of each department, division, and team and their performance results that contribute to the company. Behaviour control includes controlling and promoting the diligence of employees through rules and regulations of the company and the policies and leadership styles adopted by the managers.

Like most business structures, Sears uses all types of control systems to increase the efficiency of the firm and its employees, which will be beneficial to its customer service and result in increased customer satisfaction.

Top Management

The top management of a business plays a crucial part in running the company. It provides leadership and guidance to the rest of the organizational structure. The highest rank in the hierarchy is responsible for creating the values, mission statements, business strategies, planning, forecasting, and determining the objectives of the business. The top management functions as the head of the organization that controls the rest of the body of workers, managers, and employees (De Hoogh, A. H., & Den Hartog, D. N., 2008).

Sears follows a management style that has divided its responsibilities into several departments, where each of the departments has its own board of directors and meetings held once a month. This top management strategy has allowed every department to function separately without any guidance to follow, which leaves very little responsibility and authority with the highest rank on the board of directors. This has resulted in the company being divided and mismanaged, which has affected its customer service.

References

- Creswell, J. (2018). The Incredible Shrinking Sears. *Nytimes.com*.
<https://www.nytimes.com/2017/08/11/business/the-incredible-shrinking-sears.html>
- Davydov, M. (2001). Corporate portals and ebusiness integration. McGraw-Hill, Inc.
- De Hoogh, A. H., & Den Hartog, D. N. (2008). Ethical and despotic leadership, relationships with leader's social responsibility, top management team effectiveness and subordinates' optimism: A multi-method study. *The Leadership Quarterly*, 19(3), 297-311.
- Govindarajan, V., & Fisher, J. (1990). Strategy, control systems, and resource sharing: Effects on business-unit performance. *Academy of Management journal*, 33(2), 259-285.
- Landecker, W. S. (1951). Types of integration and their measurement. *American Journal of Sociology*, 56(4), 332-340.

O'Neill, J. W., Beauvais, L. L., & Scholl, R. W. (2016). The use of organizational culture and structure to guide strategic behavior: An information processing perspective. *Journal of Behavioral and Applied Management*, 2(2).

Weber, M. (1947). Legitimate authority and bureaucracy. *The theory of social and economic organisation*, 328-340.

Weber, M. (2009). *The theory of social and economic organization*. Simon and Schuster.

Wren, D. A., & Bedeian, A. G. (1994). *The evolution of management thought*.