

Internal and external environment analysis of sears



In the new century landscape when competition to attract, motivate and retain employees is vehement than ever, reward management is one of the most critical elements contributing to an organisation's success. Managers in every industry are working restlessly to successfully find the most suitable strategies for their company, and so is the case of Sears. This paper, consequently, focuses on proposing a reward management plan for Sears after analysing the company's situation.

Sears is a leading retailer providing merchandise and various services, which offers a wide variety of products with more than 2, 300 stores in the U. S. and Canada (Sears home page). The company has a strong cultural base with effective operation systems, of which internal and external environment scans can be identified with a SWOT analysis.

Internal Strengths

Since established in 1886, Sears has developed a strong retail network with extensive customer database of more than 60 million Sears credit card holders (Prentice-Hall, 2003). The company has gained good reputation as a reliable retailer and great trust from consumers thanks to its flexibility in identifying need and adapting strategies to provide best service (Rucci et al., 1998). Even during the crisis period, consumers' faith was basically unchanged. It has many nation-wide known brand names with focused range of products and attracts large attention from both male and female customers. Internal surveys also revealed that employees had high expectation from the company and great desire to contribute to the company's success.

Internal Weaknesses

During the 1980s, the company expanded its business into other fields, for instance insurance, investment and banking, real estate, which resulted in losing strength and prestige position in its core business as a retailer (Rucci et al., 1998). It was no longer the leading company in retailing but ranked number three after Wal Mart Stores, Inc. and Kmart Corporation. Lack of focus made the company fail to follow new trends in selling and respond quickly to changes in the marketplace.

Another problem was the inappropriate attitude towards consumers. The senior managers in the head office were said not to listen to customers' need, which resulted in high proportion of dissatisfaction. Other factors, for instance, low inventory turnover, bad service and poor sales companion also contributed to the company's downturn.

Opportunities:

The company started to realise the importance of female customers and changed the image of " a man's store" to attract more women by offering new ranges of apparel and cosmetics (Rucci et al., 1998).

On the other hand, the application of the employee - customer profit chain had positive effect on operation as employee satisfaction on the Sears TPI was high and employees were highly aware of the need for performance improvement. The development of learning maps, town hall meetings, and later maps, including " Voices of our customers", " The Sears money flow" and " Ownership", seemed to significantly promote learning environment in the organisation and enhance realistic action.

External Threats:

The intense competition in retailing was a comparatively significant threat to the company. The industry with a variety of old names like Wal Mart and Kmart as well as new arrivals caused great pressure for Sears to compete and required the company to apply the most suitable strategies without fault to survive and develop.

Main issues

In a previous study, Sears used an “ employee-customer-profit chain” to collect data from up to 800 stores and found that a five percent increase in employee satisfaction drives a 1.3 percent in customer satisfaction, which results in 0.5 percent increase in revenue growth (Rucci et al. 1998). Thus, the company itself realised the necessity to employees’ attitude improvement. Although the company was on the fast track of recovery, there were still many issues to be identified and tackled in order to achieve sustainable growth as described in Rucci et al. (1998).

First, lack of communication and cooperation between different departments and functions in the company resulted in poor operation efficiency.

Customers’ satisfaction had decreased significantly and it was frontline employees who seemed to know this situation the best. However, they had little opportunity to deliver their messages to the management.

The next problem was lack of employee involvement and empowerment. The company’s strategies and expectations were poorly transferred through to them, and thus, they were lost in ambiguity about the tasks they were assigned. Moreover, employees are not given enough creative power to have

influence on the shaping of company's future. Moreover, employees had to opportunity and support to realise their personal goals. The company aimed to create a compelling and motivated working environment. In reality, however, they still had a long way to go. To some extent, the old control and command culture had prevented the company from advanced development and employees were not highly valued enough as an ultimate resource in the organisation.

Misunderstanding was another major issue which the company had to pay much attention to. According to a survey conducted by Sears itself, employees believed that Sears made profit of 45 cents on each dollar while the real figure was 2 cents. This was seen as a barrier to trust. While the company had to implement some changes in operation such as cost cuttings and reduced rewards to cope with crisis, employees might oppose them because they thought the company was doing well. Consequently, there was a lack of sense of urgency and commitment to change through the company.

Another point is that the company should have invested more on develop their reward practices although the company was in a crisis and struggling to survive. It becomes even more important to have reward strategies supporting business objectives during hard times as they will strengthen existing resources and help the company overcome difficulties (CIPD, 2009).

Approach to reward management

With the emergence of the global knowledge and service oriented economy, more attention has been paid to the value of human resource to improve operation capability and create sustainable competitive advantages

(Thompson, 2002). However, it is increasingly challenging to attract, motivate and retain employees with the most appropriate reward strategy which can maximise the benefits and perceived value of the rewards at an affordable cost to the company. Although managers at Sears recognised the significance of reward management and executive incentives were based on both financial and non financial performance, they still lack of a systematic approach to the issue. Consequently, a total reward system consisting of financial and non-financial, direct as well as indirect, intrinsic and extrinsic rewards is what Sears needs to improve reward and compensation strategies and reinforce its core values.

Total reward, as defined by CIPD (2011), is a concept that “ encompasses all aspects of work that are valued by employees, including elements such as learning and development opportunities and/or an attractive working environment, in addition to the wider pay and benefits package”. Under this concept, employees are empowered and engaged in operation, and can have positive attitudes towards the company. In return, employers get to know more about staff’s work life and receive commitment and high performance from employees (Zhou, Qian, Qi & Lei, 2009). A useful total reward model was developed by WorldatWork (2006) with five elements as shown in Figure 1.

Figure 1: Elements of Total rewards (adapted from worldatwork. org)

Total reward approach helps to allocate resources properly and guarantees that all aspects of reward offering are monitored and utilised (CIPD, 2009). When all elements are delivered, employees are increasingly motivated and

satisfied with the package, and thus, more engaged in fulfilling responsibilities, improve customer service and enhance performance. The company may choose different strategies from each element to give employees offers aiming at attracting, motivating and retaining them.

Compensation

It is widely recognised that pay plays the most important role in staff recruitment, motivation and retention process (CIPD & Mercer, 2010). Pay at least needs to be set at a reasonable rate to render employees' effort and contribution. Apart from fixed pay, employees can earn bonuses for better – than – expected performances or results achieved. It is especially suitable for Sears where bonuses can encourage employees to perform better and improve customers' experience. It also keeps the company's reward package stay competitive against that of other retailers.

Benefits

The company needs to design a flexible benefit programme, which is available to all levels of employees, to supplement cash compensation and promote the company's image. The offerings may contain: social insurance (e. g. social security, unemployment benefits, shopping discounts, workers' compensation,), group insurance (e. g. life insurance, savings, health vouchers) and paid leave (e. g. sickness, holidays, vacation). Good benefits may assist employees in avoiding financial risks and obtaining a stable life, while at the same time, mirror the company's positive values and deliver promising messages to its stakeholders (WorldatWork, 2006). Moreover, well-designed benefits schemes can even lower the expenses and make some savings (Silverman & Reilly, 2003). The company can attract
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employees' attention to the most cost effective benefits, for instance, discounted gym membership, child care facilities or cheap loans. Benefits can also be designed as a percentage of salary, then the company may avoid the fluctuation of benefit cost and transfer part of this risk to employees. For instance, employees may choose to withdraw a cash allowance of four percent of salary each year, or invest it in a health and well-being programme offered by the company.

Work-Life

It contains the experienced working reality in the company, which includes the physical and emotional environment (Higgs, 2006). Policies are designed with an aim to support employees to get the balance and success both at home and in the workplace. In order to achieve this element, the company needs to have an open management style in which everyone is highly involved as a strong community and empowered. There should be flexibility at workplace and great concern from management about employees' health and well being, with occasional financial support, if necessarily.

Performance and Recognition

Performance: This is a significant component in determining the company's success, in which performance of all employees is assessed to evaluate the efficiency. The management as well as employees must invest properly on planning process to link expectations with individual, team and organisational goals. Then, feedbacks are provided to all levels of staff to examine whether performance is up to expectations and goals or not.

Appropriate feedback is important as it can motivate employees and improve their working efficiency.

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Recognition: After performance has been assessed, recognition is psychologically necessary to appreciate one's efforts and acknowledge his/her contributions. Public recognition is important as it not only affects one's behaviour but also has impact on the others as well (Wiscombe, 2002).

Awards can be cash or non-cash (e. g. certificates, restaurant or movie tickets, verbal or written notes of thanks). It is crucial that recognition be proper and fair as the company can gain greater employees' loyalty and commitment with such programmes (Boxall & Purcell, 2008).

Development and Career Opportunities

The company is supposed to provide employees with continuous development to enhance their skills and competence as it is an important part in the psychological contract between both sides (CIPD, 2009). On the other hand, a plan for career advancement not only makes employees be more responsible to their work but also deliver greater value to the company (Higgs, 2006).

For development strategies, the company may offer different learning opportunities, for instance, short term training courses, on the job learning, coaching and mentoring, leadership development. As Sears already has a corporate university, more employees should be given the chance to attend it rather than managers only.

For advanced opportunities, the company may offer some internships, apprenticeships with experts, attendance on meetings and lunches with senior managers for best performers. Each employee will be consulted with individual career ladder plans so that he/ she can know clearly what to do to

be promoted. The company should also consider about succession planning to prevent job gaps and operation disruption.

Elements to consider

Although Total Reward has been proved to be effective in many companies already, it is necessary for implementers to apply its elements in correspondence with each company's specific situation.

Contractual arrangements

The company must regulate clearly what benefits are offered to employees in the contract to avoid any ambiguity or misunderstanding in reward strategies. Besides, as employees may change their choices or obtain new benefits regularly, the contract needs amending accordingly.

Communication to employees

It is important that the company deliver the right messages to its workforce explicitly or implicitly to obtain sustainable high-performance (CIPD, 2011).

The company must provide employees with enough information about benefits schemes and update regularly about new policies or offers in different forms, for instance, through intranet, posters, emails and in verbal.

As many people tend not to see the true value of benefits realistically, good communication may help them to get an idea of basic mechanics of the plans and their operation (Silverman & Reilly, 2003). Managers can discuss with their staffs about salary progression, potential for higher salaries, promotion possibility to give them clear vision and expectations of what they can have and how to get these benefits (Armstrong & Murlis, 2004).

Valuation of benefits

Evaluation of the benefits schemes before and after deployment is crucial to achieve the best efficiency. Reward practitioners need to design a plan which is both cost-effective for the company and advantageous to employees. After execution, the outcomes need to be reviewed and lessons are to be learned for improvements.

Cultural dynamics

Reward management must be considered in the context of the organisation's culture (Armstrong & Brown, 2006). Companies have different styles of work culture, which significantly affect the way employees work and behave. Therefore, it is necessary to understand the company's culture thoroughly before deciding the type of reward strategy and ways to deliver them to employees.

Conclusion

This paper attempts to analyse Sears case study with some key drivers for change and main issues, then propose an applicable model for implementing reward management at the company. Given the urgent need to design and deploy applicable strategies for the company to follow, it is hoped that the proposal bring about expected outcomes for the company's sustainable growth in the future.

Word count: