

Renovating home depot



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Mr. Narrated identified some of the problems, key being appropriate Structure and systems to support a strategic growth platform. Mr. Narrated believed that a sustainable growth in any business will need discipline, rigor in handling pressure from clients and meeting high standards, irrespective of the nature of the business - manufacturing, retail or service.

He missed the finer nuances of specific strategy, competency and skill requirement specific to each industry. Mr. Narrated planned several transformation initiatives that needed bold changes. Due to the competition, he hastened to make these changes.

While most of the changes required - " what" - were valid, some of the initiatives were not appropriate vehicles to drive change in Home Depots existing culture.

The communication of the changes was sufficient, tending to over sufficient. At the same time, not sufficient time was spent in articulating the need for changes and influencing a mindset shift and gaining consent from executives and managers and helping them transform the culture at Home Depot while preserving the core strengths. This caused a strategic failure through declining employee morale and customer service level.

Changed Successfully 1: Name of the S: Structure Explanation: Home Depot had a culture of high empowerment and execution built on past knowledge of ' What worked". Despite a changing environment and high competition, Home Depot had not developed a long term strategy, staffing and skills to execute on a long term strategy. Mr.

Narrated believed that a centralized structure (command and control) is required to get organization wide focus on key focus areas due to following reasons urgency to turn around the business Significant culture change required Lack Of discipline and systemic knowledge in the current organization

Decision making, performance metrics was decided by Mr. Narrated and cascaded down to the stores for execution by a disciplined military staff trained to execute orders. Some of the practices like centralized procurement and technology ennoblement (self- checkout aisles, in store web kiosks) versus human services helped increase margins. Since Narrated took over in 2000, sales grew from \$46 billion to \$81. 5 billion, margins increased 3. 5% and profits doubled.

Human resource staff has been added to each store to ensure that the desired staff is recruited and trained. New staff was brought n replace the earlier staff who could not deliver to the changed & high performance standards. The structure helped in delivering results, especially reducing costs in the short term. However it created disharmony within the employees and took several years to overcome dissent from the executives/ managers and even then it didn't get buy in from all the employees.

Changed Successfully 2: Name of the S: Systems Mr.

Narrated has put a firm structure and systems in line with his strategy to grow the business. Key areas that he has brought in successful changes are Clarity in expected outcome - through the four performance metrics: uncial, operational, customer, and people skills. Each employee knew what Home

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Depot wanted to achieve and metrics their performance would be measured against. Technology investment - new self-checkout aisles and in store web kiosks which freed up human resources to do manually intensive functions.

Staffing strategy - systemic training and talent acquisition approaches in line with the skill requirements (handling pressure, think on the feet, execute to order, out think the enemy etc) and business expansion into services industry as well as new market - China. People were trained to develop subordinate leaders.

Power systems - to squeeze out efficiencies out Of the core business to fund the new business. An example is centralized purchasing which needs a very strong process and technology backing to consolidate, route, procure and distribute the inventory.

Not Changed Successfully 1: Name of the S: Shared Values Home Depot had a decentralized and entrepreneurial retail culture that focused on knowledge of the industry, customer service, empowering employees and collaboration. Mr. Narrated converted this culture to a command control and performance focused. The performance was measured by operational efficiency and cost reduction.

The decisions were made at corporate and managers had to comply with the strategy. So the need was for people who could execute the decisions mechanically without questioning the management.

This is a typical manufacturing culture. Mr.

Narrated forced this culture in Home Depot with no knowledge of retail or prevalent culture of Home Depot. A highly fearsome culture was brought in that penalized entrepreneurship and risk taking - huge numbers of people were terminated at executive and managerial level. The experienced senior people were replaced by low wage part timers to cut costs. While wage of employees was tot increased, Mr.

Narrated got a very good bonus even though the stock didn't do well. The promotions and trainings were planned from Atlanta.

The recruitment was managed by local HER who had no experience in retail. The employees did not understand or have a shared vision of where & why the organization was going, what are its tactical or strategic goals and how the company would achieve these objectives within the current culture or how retail and service industry would co-exist. They just saw dictates and decisions from the WHQL that they felt compelled to execute. Employees mocked at the lagans, constant drone of tips, warnings, and executive messages sent from WHQL in an attempt to resurrect the "customer focus" reputation of Home Depot.

Not Changed Successfully 1: Name Of the S: Skills Retail industry requires high customer focus, hands on knowledge of the core products and high entrepreneurship that would help sales to engage customers and enhance sales. For high growth, certain centralized corporate functions and high collaboration or consistency across stores is required to increase margins and ensure standard customer experience. Home Depot was known for its customer focus, hands on knowledge of sales folks in alluding houses and

high empowerment to sales and stores managers to engage customers and increase sales.

As Home Depot grew at a rapid pace, it required Structure and Systems to optimize costs and bring standardization across stores. When Mr.

Narrated took over as CEO, he had no retail experience and he did not spend time to understand the existing Home Depot culture. He had a single focus to increase business performance. He was from GE and knew the GE way as the only approach to define and execute strategy. He applied the GE way of process, controls and performance management to a retail sector. GE way was successful in manufacturing sector, had not been tested in retail.

To execute the command control manner in Home Depot, he hired people from military who had managed tough situations, did not question management decisions and rallied successfully against a common enemy.

These people did not have selling skills or customer focus or home building expertise. They took instructions from WHQL on day to day product positioning, sales and profit targets and complied with standards without taking any local decisions/ risks, thereby losing the customer eccentricity. 98% of executives were replaced by owe wage part timers.

These part timers did not have relevant skills and trainings couldn't build the knowledge / expertise that seniors had gained from experiences in decades. Due to the high retrenchment, none of these skills or expertise could be transitioned to the new guard. The University of Michigan annual American Customer Satisfaction Index, ranked Home Depot last among major U.

S. Retailers, even lower than the much-maligned Smart. Question 2.

Organizational Structure. (20 points) Using the reading " Do you have a well-designed organization? " assess Home Depot's new organizational structure under Mr..

Narrated (I. E. , how good a job does the structure do) along any five of the nine design tests discussed in the reading. For each test, name the test and then assess how well Home Depot's new organizational structure under Mr..

Narrated meets the test. Market advantage test - Does your design direct sufficient management attention to your sources of competitive advantage in each market? Home Depot's source of competitive advantage was the customer focus, knowledge of home building and entrepreneurial culture which is important for retail stores.

The pervasive centralized command and control structure that Mr. Narrated put in place was not the right design for the retail market as it didn't empower the store managers to innovate or customize the service for its customers when they were the people closest to customers.

The WHQL was making all the decisions and stores were just executing it. The design could have done a thorough assessment of functions that needed centralization and others that needed localization. Mr. Narrated wanted to venture into the service market for professional contractors and China market.

The overly centralized design would not provide sufficient opportunity for management attention to these markets. There could have been concern

around division Of responsibility with WHQL focusing on three disparate market segments and no or limited responsibility at the unit level.

So the org design failed the market advantage test though it gave some tactical positive business results. The People Test - Does your design reflect the strengths, weaknesses, and motivations of your people?

Home Depot required discipline and systems to bring in operational efficiencies, reduce costs and scale during a high growth period. The executives and managers of Home Depot had built knowledge through their tenure within the organization. This knowledge helped them understand the industry, customers and provide high service level. When Mr.

Narrated took over, he focused on the hard business results and did not do fair assessment of identifying and filling in the gaps with systems and structures. He did not think Of coaching or developing the executives or managers.

He saw Issues with people and decided to get a disciplined culture where associates executed excellently but did not question his decisions. From his past experience, he believed that the military culture, command and control organization, standardized processes and performance measures loud turn around the business. He did not value the knowledge of the executives and managers. The new culture did not motivate the old timers and 98% left for another job.

The part timers and new recruits could not gain knowledge of retail operations or customer needs.

So the customer experience was standardized with central functions/ decision making but lacked the customer focus that Home Depot had developed a reputation. The new design did not leverage the strengths of the store managers in managing customer relationships. The centralized functions of procurement and denaturalized performance management helped fill the gaps in cost reduction and alignment to business goals as the organization grew.

However, the command and control design was a strong denomination for old timers and high turnover impacted the service levels.

The Accountability Test - Does your design support effective controls? The new centralized design clearly outlined the four performance metrics: financial, operational, customer and people skills for employees. Weekly sales and profit targets were given to all managers. They knew what was expected out of them. The metrics were easy to track and managers knew if they made the targets or not.

There was adequate communication on what needs to be achieved. This should have enhanced the accountability of the employees. However, the stores did not have autonomy to decide on how to achieve these targets.

Execution instructions (tips) or guidelines or warnings were provided to the executives and managers.

They were expected to achieve these targets without questioning. So this design did not create high accountability and collaboration as the goals were shared between the WHQL and stores but execution empowerment was

completely missing or perceived to be missing at the store level. The

Flexibility Test - Does your design facilitate the development of new strategies and provide the flexibility required to adapt to change?

The centralized and command and control design empowered the WHQL to make decisions and roll out changes. It did not empower the store managers and executives to think and make changes relevant to their context or customer need, even though they were closer to the customer. The executives and managers had to execute the instructions from WHQL only.

Mr. Narrated replaced the knowledgeable staff with military workers to ensure that management decisions are not questioned but blindly executed.

Lack of expertise of retail and know of Home Depot business as well as lack of empowerment to think and improvise/innovate at the Store level will not support an entrepreneurial or adaptive environment that will sustain Home Depot for the future. The design failed this test completely. The Parenting Advantage Test - Does your design help the corporate parent add value to the organization? Two primary activities at WHQL level added value - the centralization of procurement function and the development of systems for standardized performance metrics, in store web kiosks and self-checkout isles to increase efficiency and reduce cost.

All execution instructions started flowing in from Mr.

Marinade's office which did not leverage the executive/ manager proximity to customer to create/sustain a customer focused environment. Analytics were used to make decisions on design of each store, positioning of product

at WHQL. These should have been available to the executives and managers who could have leveraged this information to make more informed decisions relevant to the store and customer preferences. The organization design did not identify and call out roles/ responsibilities for the

WHQL or individual store to sustain growth and drive new market strategy.

This approach would not help develop talent, especially at executive and manager levels.

Question 3. Motivating Employees. (24 points) The article on the Home Depot describes the company's operations under Mr. Narrated. Please assess what (i) the Job Characteristics Model (JCM), (ii) Equity Theory, and (iii) Broom's Expectancy Theory would each predict about the motivation levels of store managers under the system implemented by Mr.

. Narrated. Please support your assessment with specific application of the components of each theory.) The Job Characteristics Model (JCM) Psychological state/ Job characteristic Assessment Of Home Depot organization under Mr.

Marinade's leadership Impact on store manager Meaningfulness of work - skill variety, task identity, task significance In the centralized design - strategy was being designed and execution instructions cascaded down to store executives and manager by Mr. Narrated. The focus was to standardize activities, centralize functions and decision making and bring in operational efficiencies. This indicates work would have been repetitive with not much communication on the rationale of strategy and session making.

The communication strategy at Home Depot will generally not equip employees with an understanding or appreciation of how their task contributes to overall business and customers. They may look at their task as just a set of mechanical activities to be accomplished. There may be no or minimal opportunity to learn new skills when the focus is on operational efficiency and standardization. Such an environment may adversely impact the sense of pride in one's job and demotivate store managers.

Responsibility In Home Depot, besides the strategy and goals I.

E. The "what", even the "how" I. . Yester and procedures were laid out by Mr. Narrated to the finest details of store design. The store managers did not have an opportunity to make changes or innovate.

They were held accountable to follow instructions. Slogans, tips, guidelines and warnings were cascaded down to ensure compliance and goal accomplishment. Recruitment and trainings were managed by HER managers in each store who were guided by Mr. Narrated and his staff at WHQL The store managers had no autonomy to design and implement mechanisms to achieve the goals or motivate the store employees.

Though the financial, operational, customer and people goals are clearly identified and shared with all executives and store managers, they were not empowered to determine the best possible procedures to achieve these goals.

All of the practices were centralized and store managers had to follow them. This could be very detrimental for a retail environment where innovation and

customer focus are important. Customer focus is a human function that needs understanding of customer preferences and customized service.

Some decisions and changes to process may be required on the fly to increase customer satisfaction and achieve the goals. However the store managers were constrained to achieve the goals by limiting their actions/responsibilities.

Knowledge of outcomes Expectations from employees on financial, operational, customer and people skills were clearly laid out. Performance measurements - sales and profit targets were also easily measurable. However means to define and control the outcomes was not available to store managers.

Due to the systems and clarity in targets, managers knew whether they had made the weekly targets.

But there were was no clarity Of rewards and opportunity to exceed performance. A culture of fear was pervasive due to the knowledge of attention outcome if targets were not met. The feedback - expectation and misses were information easily available to store managers. However the empowerment to enhance performance through innovation or setting of meaningful goals was missing.

Performance standards were set high.

In a constrained environment, it may become impossible to achieve the goals and could demoralize the store managers. The success of Home Depot was attributed to the customer focus, entrepreneurship and industry

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expertise of the store executives and managers. However most of these store managers could not perform in the new environment.

As the main JACM characteristics predict, this caused a high turnover and deterioration Of customer satisfaction levels. The new org design did not focus on enabling procedures and systems to scale operations and sustain customer focus in a high growth scenario.

It destroyed the strengths of the organization I. E. Customer focus and entrepreneurship by creating a denominating environment for seasoned executives and managers thereby impacting the long term strategy & results of the organization.

Reference: <http://www. Harcourt.>

[Be/en/employee-motivation-theories/Hickman- old ham-job-characteristics-model.](#) HP (ii) Equity Theory Adams' Equity Theory states that a fair balance is required between an employee's inputs and an employee's outputs to ensure motivated employees and a strong and productive relationship with the organization.

The theory is built-on the belief that employees become De-motivated, both in relation to their job and their employer, if they feel as though their inputs are greater than the outputs.

Employees can be expected to respond to this in different ways, including De-motivation (generally to the extent the employee perceives the disparity between the inputs and the outputs exist), educed effort, becoming

disgruntled, or, in more extreme cases, perhaps even disruptive or discontinuity of service with the employer.