

Sterling stores (Organisational design)

Specification topic: Organisational design

Case Study: Sterling Stores

Sterling Stores is a British Institution. First starting in 1944 it expanded to become a high street name for classic, good quality clothing and food. There are now 360 stores across Britain and the head office remains in Marylebone Road in London where centralised decisions are made such as what clothing ranges will be designed and launched for each new season. The company targets a wide range of socio economic groups and ages but has a particular loyalty among women aged 35+. Tough competition on the high street from discounters and fast fashion retailers have been slowly eroding Sterling Stores' market share over the past ten years but the strong brand and store familiarity is loved by customers as well as their excellent customer service and generous exchange policy. Many birthday and Christmas presents are bought from Sterling Stores as it is so easy to exchange or return goods.

Richard Green, CEO of the company has been described by many as a dictator. His authoritarian leadership style and inability to accept criticism is a trait that has made him feared among his fellow board of directors. The chain of command consists of 8 levels of hierarchy including divisional directors, regional managers and individual department managers. One of Richard's strategic decisions has been to discontinue selling children's clothing from medium sized stores in order to maximise food sales. Many customers were upset by this and gave feedback to store managers at various branches including Liverpool and Warrington but the regional manager failed to pass this on to his superiors or the board of directors. Richard also decided to cut back on staffing to try and compete more on price with the discount chains. Again unhappy customer feedback was not passed back to head office and the directors were unaware. Market share fell by 3% in just 6 months.

Last year the labour turnover among middle managers at Sterling Stores rose from 8% to 12%. Managers cited the fact that they had a lack of freedom in their role which was tightly supervised by regional directors.

In order to improve performance Richard Green has spoken to his fellow directors who suggested cutting the number of layers of hierarchy from 8 to 6. This would make 2 layers of management redundant although they would have the choice to accept voluntary redundancy or be redeployed elsewhere in the organisation.

Exam-style questions

1. Assess the benefits to Sterling Stores of using centralised decision making (10 marks)
2. Assess whether Richard would be correct to remove 2 layers of hierarchy (12 marks)