Logistical Changes and Their Impact on Organizational Culture

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Logistical Changes and Their Impact on Organizational Culture

by

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Dedication:

This thesis is dedicated to all my friends, family, and professors who encouraged and challenged me throughout my college career. I cannot thank you enough for unknowingly helping me through hard days, and for smiling with me through the happy ones.
Abstract

Disclaimer: This document was prepared and accomplished by Kelsey Matthews in her personal capacity. All views expressed are her own and do not represent the official opinion or policy of an entity in which she has been, is now, or will be affiliated. Assumptions are not reflective of the position of any entity other than the author's.

The purpose of this thesis is examine how process changes can dictate cultural changes, constructive or otherwise, in an organization. This research draws upon my experience as an executive intern with the Target Corporation, which occurred over two ten week periods. During my time at Target, I witnessed store operations that I will call “original” during my first internship and the End-to-End process during my second internship. I found that with the End-to-End system, department team bonds strengthened while store team bonds were weakened. Time management, additional training, and unfamiliar core roles played a part in store culture change. After my internship, Target reversed their change to End-to-End. The negatives I witnessed within my store could have been magnified at larger and more diverse Targets, which I believe played a role in the reversal.

Organizational behavior teaches us how receptive employees are to changes. Management styles also played a role in the culture changes from End-to-End and back. At stores where the incorrect leaders were in place, team members would have been less willing to change and adapt with the environment, leading to unhappy team members and guests. The anticipated reason for the reversal is that there was a negative impact company-wide on metrics and culture within the stores. While my experience was overwhelmingly positive, I have no expertise in Target's around the country. Because Target is such a large corporation, other
business segments could have seen a negative impact even if stores were typically seeing positive impressions.
Introduction

While I was initially going to include an IRB survey where I anonymously surveyed team members at the store where I worked, Target changed the process back to its previous format; hence I am not discussing my experience with the two separate store processes, what research has to say about logistical changes, and why I believe Target reversed to its original process. I refer to the "original process" as what I experienced during my first internship, while End-to-End is what I experienced while in my second internship. The End-to-End process was reversed this fall after I had completed my internship with Target.
Chapter 1: Original vs. End-to-End

Floor Layout

Prior to End-to-End team members were split into softlines and hardlines. Sections of the store were split into rows of aisles or "runs". These runs were alphabetically arranged in the store. "A" run consisted of cosmetics, beauty, chemicals, and pets. Greeting cards, office supplies, and small appliances made up B run. C run was furniture, plastics, and household décor while D run was home, bath, and rugs. E and F runs were electronics, toys, and sporting goods. G run was filled with groceries and the seasonal area. These lettered runs were known collectively as hardlines. Clothes, accessories, and baby products made up what is called softlines.

The backroom was behind doors in the back of the store. Inventory had a location in the backroom much like the sales floor. Team members could control where items were located, and back stock extra items from the floor. Back stock referred to items that had locations in the backroom because they were not allowed to be on the floor until a specified time or because they did not fit in their sales floor location. If someone was back stocking, they were putting items that would not fit on the floor into their back room location or making them space in the backroom and assigning them a location. Truck unload also took place in the backroom.

Zoning refers to the straightening of shelves, replacing items from the backroom, and removing items from the area that do not belong. This was a daily occurrence and a foremost activity of floor and backroom team members.

Team Member Layout

Typically the same handful of team members would work the E and F runs, as this encompassed electronics which required more of a specialized knowledge (we needed people
who could answer questions about computer, printers, games, etc.) Other hardlines team members would move from A-G daily. Typically one team member would be on the floor to close all of hardlines (excluding electronics) and two if the schedule allowed. This could stretch our team members thin on especially busy nights as they would be responsible for zoning and helping guests in their areas. If it had been a particularly busy day, the zone would be hard to recover. If guests needed added responsiveness, team members would have to be more attentive to their needs and less on the zone. This ended with frustrated team members, annoyed guests, and a rough zone in the store. Many team members also had favorite runs in which they worked so if they were responsible for the whole zone in hardlines, their favorites generally were done the best while everything else was not professional and ready for the next day.

In softlines, many team members were responsible for multiple areas of clothes from infants to men’s. Softlines was a difficult area in and of itself as it was the easiest to be destroyed by many guests and the hardest to zone at the end of the day. There were no specific locations, only sections (i.e.; women’s, intimates, and sportswear) in softlines and clothes that were misplaced caused entire areas to be scoured in order to find the matching articles. Frustration levels for team members tended to be higher when in softlines.

End-to-End

During my time with Target, I was able to witness a change from what I refer to as the “original process” explained above to what was called End-to-End. The End-to-End process placed team members into their specific areas of the store for all shifts. In softlines, each team member was given one area of clothes—men’s, kids, etc.—while team members in hardlines were given two runs, split into A/B, C/D, E/F, and G. G was given its own team as the seasonal section always anticipated the most prevalent and time consuming conversions, while grocery
had abnormal goods trucks as our Distribution Center and Food Distribution Center were not located in the same city.

While End-to-End demanded more training time for team members (as they were responsible for all parts of their business area), I believe it was easier on the team members and provided more motivation to complete tasks fully. End-to-End required team members to be in control of the supply chain process for their area; from removing inventory from the truck to back stocking excess items. All parts of the process were on individual teams to complete in the allotted time, while maintaining the store look and assisting guests as needed. Instead of being responsible for only the store appearance, team members were responsible for that area’s truck unload, back stock, appearance, any floor changes to be made, and guest service. This gave team members more responsibility within the store, giving them a stronger association to Target. By giving each team member a definite department, I saw team members gain a sense of identity with the company they had not previously exhibited.
Chapter 2: Cultural Changes

When moving to End-to-End, the same team members were given an area that was to be under their control unless they were given a new team. This gave team members greater responsibility of their area, while letting them work in smaller teams and consistently under the same leader. While at Target I discussed these changes with team members, and approximately 90% of them were happy with the End-to-End change. It gave them one area to take pride in and truly own while connecting the team to an area and its guests. As they became business owners, they were better equipped to efficiently help a guest. Those who were unhappy had typically been in retail for an extended period of time and were weary of changes at first, but came around as the saw the impact End-to-End had on store appearance.

Team Member Processes

Hardlines team members overwhelmingly enjoyed the switch to “End-to-End”. In fact, of the 20 team members I had discussions with, only 2 of them were not enjoying the store transformation. Upon further questioning, it was two team members that had not previously spent much time on the floor with guests and were adjusting to their new roles. While I was there, most people came to love the guest service aspect of their positions as it was less monotonous then the original logistics processes.

In softlines, team members were more apt to be less appreciative of switching, and about 25% wanted to revisit the previous processes. Softlines was a generally difficult area to deal with, and we discussed that their dislike of the change was the annoyance of repairing the same areas every day while seeing how easily it would be destroyed the next day. Having spent time in both areas, this change does not surprise me with the nature of fashion retail. Softlines also went
through a leader change during the same time and were adjusting to this conversion as well, so their culture change can be attributed to many factors.

**Team Member Learning**

One of End-to-End's goals was to cultivate a culture of ownership, and assist in making team members the "business owner" for their store section. I watched as some team members took more pride in their work on a daily basis. They were able to take care of more tasks and wanted to get ahead on workload. Since all workload was on them to complete, there was no need to take their time and leave work for someone else. If an activity was not finished, the team members would be responsible for it and add to the next day's workload. Team members also learned how to "know their role" in depth. They were responsible for asking questions and realizing in what ways they could learn and grow with Target while also helping the business move along and continue towards great guest service. Learning a new role also encouraged team members to think up out-of-the-box of ways to improve their area's guest experience. As previously stated, team members gained a sense of identity and became proud of the work they were performing. Several team members would stop and show off changes they had made within their departments and asked for opinions on business decisions they made while working on their own.

**Organizational Change**

During my organizational behavior class, we learned that organizational change requires planning and implementing change in a way that reduces employee resistance and cost while increasing the effectiveness of the change ("Managing Organizational Change"). I was able to witness process changes at Target that directly played into this behavior. The team members most likely to buy into End-to-End and pour their all into the new effort were those who already
trusted the leader placed above them and those who were aware of the change as early as possible. When certain leaders let their teams know of a change too late, or when a leader was placed in charge that was not able to effectively use their position to share new information, team members were more hesitant and more likely to dislike the process change. Because Softlines was going through a leader transformation, they were not as likely to trust the new leader so soon and therefore, not trust End-to-End.

**Store Culture**

As it is with the retail business, changes within brick-and-mortar shops and online shopping are executed to cultivate better guest relations and bring guests back for more. Any retail giants I examined (Walmart and Amazon) also used process changes as a way to heighten guest experience. The process change to End-to-End was made to help guests have a better in-store experience; however with this process change came a drastic transformation to store culture. This culture change was different based on the area of the store, team members involved, and the region the store itself was in. I worked at a smaller store referred to as a “general merchandise” or GM store. While my experience was predominantly a positive experience, Target leaders look at the company overall when making decisions about company-wide store changes, and there are many types of Target stores and floorplans.

Original store culture was comprised of many different styles and opinions. I learned throughout this experience that there is no way to make everyone happy 100% of the time. There are ways to go above and beyond for your team, making sure they know they are valued; however some people might not buy into an idea and be unhappy in their new position regardless of how they are treated in their position. Leader on duty, or LOD is the manager or team lead that responds to, decides on priorities, and answers team member questions for the day. If other
managers are there they can still help in their areas, but they do not dictate the store expectations for the day. Managers with differing opinions also effected store culture in opportunities they presented to team members and the way in which they presented them.

With the original process team members were held responsible for the zone of a large section of the store while they were not necessarily responsible for changes made the different areas; therefore, they cared less about what activities they needed to complete. If something was not finished by the time they left, they had the legitimate excuse of loss of time. The team was willing to provide back-up in other areas because all team members were on one team and were encouraged to help other team members. Because most shifts had the main goals of creating a good zone and dealing with any reshop (leftover items from other store areas) they wanted to help, especially if they felt they had done their job in their area. This created a team mentality and culture of awareness.

**Metrics**

Even though our Target already had an overall positive experience, there were some metrics that were viewed as more important during the End-to-End process. While management took more time training team members as they were responsible for all parts of their business, I also believe it was easier on the team members and more motivational for them to handle the complete functions of their area.

Many team members did not understand why certain store metrics were going to be used if the underlying reason for instilling End-to-End was to make sure that guests were taken care of and team members became business owners. This caused leaders to be better prepared and guest focused so that they were able to explain new metrics to their team members, and let them know that if corporate goals were not being reached, then Target would rethink this process.
Negative Indications

While witnessing the End-to-End process in action, I believe the biggest contradiction compared to the original process would be time. The biggest learning curve many team members had was in learning efficient time management. Most team members went from answering guest questions and zoning during a shift to organizing four or more activities in the same or less amount of time. Add to this the learning curve of absorbing these new activities, and the first few weeks were a test for End-to-End.

Team members also had to learn different leader’s managerial styles. Depending on who the LOD was for the day, team member expectations to finish workload and back stock first, or focus on the zone changed. If a team member was in the backroom finishing back stock, they could not respond to guest questions as quickly. Certain areas of the store contained heavy items that required team members to use team lifts. If a guest wanted an item that required a team lift, they had to wait for enough team members to be there and able to complete the lift. For example, we had 2 team members specifically in C/D, while their team lead went back and forth from C/D to softlines. If one of the team members was in the backroom, a guest needing a team lift item (i.e., furniture) would have to wait for the team lead or backroom team member to get there.

Another con I witnessed and brought to the attention of executive leaders within the store was that team members were less likely to help other areas of the store during the End-to-End process. Previously, if a team member needed assistance with a team lift, a question, or an extra person on the register, whoever was closest would go assist. Once End-to-End was implemented, anyone in a different department than those that needed help did not respond. Certain leaders would always pull from certain other areas but argue if there team members were used for other projects. While small department teams grew closer and more cohesive, the overall value of a
store team mentality decreased. This was due to the amount of conversations that emphasized team members should “be their own business owner.” This made team members more competitive in their own areas. When asked to provide back-up outside of their areas, they were quick to say “I’m my own business owner.” or “They should have managed their time more efficiently.” The store team mentality lessened with End-to-End.

Previously, we had what was called a closed back room. This meant that only certified team members were able to pull things from the back room and back stock. This was usually two specific back room team members and approximately five leaders in the building. Once End-to-End came about, the number of certified team members increased to include all team members that were not specifically cashiers. While this made back stocking easier and less likely to sit in the back room, it also decreased back room accuracy and tidiness. With so many people having access to the equipment and process of back stocking, it was harder to identify who caused issues in the back room. This meant that store conversations and training happened more frequently, which took time away from the floor. Time away from the floor equated to less guest-focused time, which decreased the overall guest experience and store metrics.

Team Experience

Organizational behavior research indicates that there is a definite tie between process and cultural changes in an organization, particularly in the U.S. What I witnessed this summer and took note of definitely proved this correct and forced me to think differently when it came to my problem solving skills and how I delivered news to the team. If something needed to be said to multiple departments, large team huddles, news disseminated through team leaders, or news said specifically to team members in small groups were all options. If we knew that different team members were going to react in different ways, we would make sure to tell them in small groups
and do it in a timely fashion before the news had time to spread around the store and now from management. This created a better team experience and was an attempt to bring back the team mentality before End-to-End was implemented.
Chapter 3: Logistical Research

While I only saw the change within stores, I believe there was a change higher up in the organization that would require store processes to change. By integrating the entire supply chain, the focus would become more customer oriented. Because Target is in the process of creating fresher, more localized stores, they seem to be headed in the direction of more guest-oriented. According to “Supply Chain Management”, Stage D of an integrated supply chain involves shifting towards a customer-oriented attitude that encourages those among the supply chain to engage in mutual cooperation and support (Cooper, et al).

In recent years, Target has begun opening smaller Target stores and CityTargets. These store have less square footage (approx. 20,000-30,000 square feet) and are focused on the needs of the surrounding neighborhoods. For example, a new Target at the University of Florida in Gainesville, Florida encompasses grab-and-go food items and apartment essentials as a focus. A new location in Burbank, California will have home décor and tech accessories (“Upcoming Store Openings”). These difference stem from study the potential guests. In business communications class taught by Kristin Scroggin at UAH, I learned that “What you say is not always as important as how you say it. If you don’t understand what your audience is receptive to, you will not have their attention and therefore, what you say will not matter.” This carries over into business; guests are more receptive to shopping experiences that entice them and cater to their needs. With the introduction of online shopping and quick shipping, customers do not want to go somewhere if the experience includes long lines and items they do not need. As Target shifts to become more guest-oriented, their supply chain continues to be more integrated.
While Target only changed one business process, others were affected. By differing demand management processes, customer relationship management also changed (guest relations and the availability of team members to guests) (Cooper, et al).

With many organizations, top management introduces the best laid plans that turn out much different when put in place with actual people. Strategy and culture need to be aligned in order to cause a transformation (Rick). As such, Target’s culture of bouncing back from mistakes probably helped ease the reversal of End-to-End. Also, store culture and corporate culture are two different things. As we discussed in many of our classes and from my experience, there are company culture and values that hold an umbrella over a company; they are broad definitions and traits that company’s gather from hiring successful individuals (Feigenbaum). As you bleed into a smaller business and focus, traits and culture grow into well-defined attributes. To a certain extent, any large business has business units and offices with different culture. These can be as small as what is acceptable to wear to work to as large as variation in the same activities.
Conclusion

While at Target, I experienced two supply chain processes. The goal of both of these processes was simple: create a great experience for the guest that encourages repeat business. Both processes sought the best way to accomplish the goal while emphasizing different roles within the chain. This diversity affected both store culture and metrics differently. The newer process known as End-to-End challenged team members to own their own business and control all parts of the supply chain in their specified areas. While this encouraged small team cooperation, ownership, and time management, this process also discouraged unity across the store team. Because of this reason, I believe the “End-to-End” process was reversed to the original practices. Organizational behavior has taught us that employees are more willing to accept an organizational change if the leaders of the business are truthful about changes coming into an organization and if they are willing to help the team with changes and training as they come along. This could have been a change that was hard to implement company-wide and could have resulted in the switch to original.

Studies indicate that while “culture can eat strategy for breakfast” Target handled a shift in culture with analysis and change (Rick). Target made the right decision in reversing End-to-End if the culture change that occurred within stores was in the wrong direction. The lessons I learned throughout my internships prepared me for a bright future in business.
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