



# Strategic human resource management in department stores: An historical perspective

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## Abstract

The department store as a retail format created special demands on the organization of staff and the creation of a harmonious and productive workplace. Despite a lack of theoretical knowledge of human resource management strategy, early 20th century department store owners used the business strategy to guide strategic decisions about internal communication and staff training. The most obvious area of training was in selling. However, the more innovative department stores also recognized the need for management development programs. This study examines how the business strategy which embraced business growth, efficiency and effectiveness, building the firm's image and creating a supporting culture, strategically guided selected human resource management policies and practices in an Australian department store.

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## 1. Department stores and human resource management

Best practice human resource management can make critical contributions to the strategic success of businesses. The focus on a strategic approach to human resource management emerged in the academic literature in the 1980s with Fombrun et al.'s work (1984). The shift in thinking and practice mirrored an increasing professionalizing of human resource management, and reflected the gradual decline in using the term, personnel management. In the Australian context, Collins (1987) examined the strategic contributions of human resource management, and Dunphy and Stace (1990) used Australian cases studies to support their advocacy of a new and more strategic paradigm for human resource management.

In the flourishing services sector, retailing is the largest private sector employer in many countries. For retailers in firms of any size, managing the staff effectively and efficiently will be a significant determi-

nant of success (Arrowsmith and McGoldrick, 1996). In larger retail firms, the multiplicity of staff are spread across many retail roles and functions, the most obvious of which, to the customer, is that of the salesperson. In contrast, investors tend to focus on the capabilities of the upper echelon especially the Chairperson (President) and the Chief Executive Officer (Managing Director) (Chanticleer, 2004). The divisional heads are often selected for their potential as part of the firm's succession plans, and their standing is critical in multi-business retailers, for example spanning supermarkets and liquor, discount department stores, full-line department stores, office supplies and petrol outlets (Chanticleer, 2004; Coles Myer Ltd., 2004). The multifaceted nature of large-scale retailing presents some special challenges for strategic human resource managers. The academic literature has not analyzed human resource management in retailing extensively. This apparent gap presents an opportunity for systematic investigation. The purpose of this paper is to examine how selected human resource management components were executed in an Australian department store, what

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management support there was and the extent to which human resource management contributed to the firm's business strategies.

The modern department store was a distinctive and innovative retail format from its emergence in the mid and late 1800s (Alexander and Akehurst, 1999). Large scale retailing in department stores has attracted much attention in academic literature (Crossick and Jaumain, 1999; Jefferys, 1954; Lancaster, 1995; Pasdermajian, 1954; Perkins and Freedman, 1999). The complexity of the format brought with it unique challenges and opportunities in managing staff. By the early 1900s, many department store owners and senior managers understood the nexus between profit, customer satisfaction, and staff competence (Roberts, 2003). Staff directly and indirectly contributed to customer purchasing and satisfaction. That is, the elements of the retail mix were delivered to customers through staff, whether they were sales assistants, buyers, visual merchandisers, or staff working behind the scenes in advertising, accounts or mail order. One distinguishing feature was that department store innovation continued from its emergence as a retail format in the 1800s. Technology uptake, marketing innovations, product innovation and the development of innovative people management processes and practices became hallmarks of department store innovation (Miller and Merrilees, 2002). This paper provides an historical perspective on aspects of human resource management in the department store retailing domain.

The study proposes that the business strategy of the owners directly guided the human resources effort for the 1920s–1950s period. For the purposes of this paper, the term business strategy is interchangeable with management rationale. It indicates the connection between the expressed strategy and the owners and senior managers who developed the strategy and who guided its implementation on a day-to-day basis. To explore this proposition, a case study of one Australian department store, David Jones Ltd, is used. The business was founded in 1838, and continues as one of two major department store chains in Australia. The study investigates how the owners shaped the human resource management effort of an Australian department store and how components of the human resources function developed.

Human resources management in retailing has not captured the strong attention of researchers. The emphasis has tended to be on the salesperson–customer interaction (Sharma and Levy, 2003), rather than on the firm–employee relationship or interaction. Important specific issues like employee relations (Freatly and Sparks, 1994), wages (Broadbridge, 1997), and part-time employment (Shackleton, 1998) have been addressed. While well-organized staff recruitment and selection remains vital, strategic human resource management

also encompasses managing staff retention, which had attendant benefits to individual staff and to the firm. The use of two human resources practices, staff training and managing internal communications, could potentially support recruitment and selection, and benefits packages in helping to retain retailing staff, in all areas of the firm.

The Australian context for the study contrasts with both American and British retailing in the 1920s–1950s. In that period in Australia there was no association of personnel practitioners and no personnel tertiary education (Smart and Pontifex, 1994). The study shows how despite this lack of formal professional support, the personnel function, as human resource management was called, developed and made strategic contributions to the firm's management. To illustrate the effectiveness of the development of human resource management, the paper discusses two critical human resources elements, staff communication and staff development. Studies of this specific nature seem underrepresented in the literature.

This study uses archival empirical data for a longitudinal retrospective qualitative case study (Eisenhardt, 1989; Hill, 1993; Yin, 1994). The source data was derived from deposits held in the David Jones Archive. The David Jones department store, named after its Welsh founder, developed from an 1838 drapery in Sydney, Australia, and achieved department store status by the 1870s. The opening of an opulent new store, on the original site, reinforced that status in 1887. Trends and innovations in British retailing especially informed the store design and merchandise selection. By the 1920s, the store was renowned for excellence in customer service, merchandise selection and store design, and as an employer of choice. The business had operated a single outlet until the 1927 opening of a new and very grand flagship store inspired by North American department store developments. The findings show how the business strategy drove the internal communications and training. Finally, the paper explores the relevance of the findings for contemporary retailers and human resource management professionals in the retail sector.

## 2. Literature

Drawing on the diversity of approaches to studying retailing, several literatures guide this study. They are the general retailing and department store literatures, and specific works that discuss internal communications and staff training. The rapidly developing human resource literature has not taken up studies in the retailing domain to any great extent, as Marchington (1996) discussed in his work on food retailing. This is a surprising gap given that in service economies, the

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