

Research on the Design of Organizing Structure in Commodity Wholesale Markets

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Abstract

The organizing structure of commodity wholesale markets is the fundamental guarantee for the markets to create value. At present, there are many wholesale markets in our country which have the problem of exerting its efficiency. The aim of designing the organizing structure is to realize the value of the markets. This thesis has done some research on the elementary elements and structure of organizing in terms of the types of wholesale markets.

Keywords: Commodity wholesale market, Organizing structure, Organizing elements, Design

1. Introduction

The organizing structure of commodity wholesale markets is the fundamental guarantee for the markets to create value. The aim of designing the organizing structure is to realize the value of the markets and to make the overall development stable and sustainable to achieve reasonable and efficient application of resources. The design in terms of various types of wholesale markets contains three aspects – for the newly founded wholesale markets in the countryside, design a new organizing structure according to the new environment; for the present wholesale markets in small towns and cities, where the inner and exterior environment is changing and new policies and strategies need to be adjusted, reconstruct the organizing structure; for those would-be or newly-founded large and modern markets, an innovative design is needed.

2. Design Elements of Organizing Structure of the Commodity Wholesale Markets

According to the types and situation and the three models of fundamental organizing elements: (1. Leavitt's diamond model, 2. Galbraith's pentagon model, 3 Pascale and Athos's 7S model) design the essentials of the organizing structure. The markets in the countryside are usually small-scaled and dominated by such commodities as farm produce, subsidiary farm produce and daily-used commodities. The consumption group is fixed. The customers mainly consist of the pedlars working in the wholesale markets and the villagers nearby. The fundamental organizing elements are: the personnel, strategy, structure and process. The selected elements here are the four in Galbraith Pentagon Model. Encouragement is not chose, because of the low interdependence between the wholesalers and the objects managed by the market administrative organization, the small direct mutual influence and less staff in the administration.

3. The System of Organizing Structure of Commodity Wholesale Markets

The system of organizing structure, formed from the aspects of function purview, duty and power mainly includes the structure of function distribution, of administrative levels, of departments and of authority.

3.1 Structure of various administrative levels

Structure of various administrative levels refers to the horizontal administrative level from the top administrative and decision-making level to the executives, such as the decision-making level, the senior administrative level, the intermediate administrative level, the grass-root administrative level, the executive administrative level etc. The horizontal administrative structure of wholesale markets in the countryside is usually not very obvious. The governments of the towns and villages don't set up a specified administrative departments. The only function of the wholesale markets in the countryside is to supply a place for exchange commodities, while the administrative levels of modern and large-scaled wholesale markets is obvious and thus they are multi-functional. This will be discussed later.

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specified administrative departments. The only function of the wholesale markets in the countryside is to supply a place for exchange commodities, while the administrative levels of modern and large-scaled wholesale markets is obvious and thus they are multi-functional. This will be discussed later.

3.2 Function distribution structure

Function distribution structure refers to lay out reasonably the size and quantity of organizing function to realize the strategic goal of the wholesale markets, and distribute the function to different departments. The functions can be overlapped or lost. The function of wholesale markets determines its elementary capacities.

3.3 Structure of authority

It refers to the power and its purview of various administrative managers and ways or methods of the transverse coordination and communication.

3.4 Structure of different departments

It refers to the all operating units that are set up, in accordance with the scale and quantity of function, to realize the function of the wholesale markets and the relationship between these units. For instance, the investors, market administration committee, departments of information and security etc. Two offices as statistic collection and information publication can be attached to the department of information.

4. Design of Organizing Elements and Institutions

4.1 Staff design

The staff can be divided into two parts: macro-administrative staff and micro-administrative staff. The former mainly include the employees from the government and business and administration departments, and the departments of security, tariff environmental protection, sanitary and quarantine and layout and construction etc. At present, there are four main types of administrative body in rural wholesale markets: The first one is organized and managed by the farmers and state or collective business departments to supervise the rural wholesale markets. This kind of administration is usually in a backward situation with its outdated administrative methods. The aim is just to win profits and the majority of the staff is comprised of farmers. The second type is launched and managed by the government. For example, the present big-scaled modern wholesale markets in rural area and in the towns are launched and run by the governments aiming at promoting the local economic development by virtue of these markets. The administrative ability is relatively higher. In addition to the employees from the government to macro-manage these markets, the administrative staff also include people from departments of security, tariff, environmental protection, sanitary and quarantine and layout and construction etc. For the micro-administration of the markets, a committee is needed, whose task is to deal with the routine work. The third type is set up and managed by business departments. "It is advanced and exemplary. Most of the wholesale markets in charge are developed from some fairs, which proves that development of commodity exchange is from simple to complicated. During this process a department is needed to sponsor and manage big-scaled commodity exchange activity, so the business department due to its special function, undertakes this mission." (Peng Wenqiang, 2001, p.56) The structure of the administrative staff in the wholesale markets is out of balance – the employees dealing with routine work are more than enough, while those dealing with internet information is in short and the information construction level is relatively low. The establishment of the personnel engaging in auction, agency, and artificial administration markets has not been set up yet.

4.2 Strategy structure

From the point of view of administration science, strategic administration has two representative schools: one is competition strategy by Michael.E.Porter, based on industry economics; the other is industrial ability based on the analysis of the ability of the enterprises. The theory of strategic administration has already become an independent branch of administration science mainly including strategy and management of enterprises, strategy environment analysis (consisting of analysis of demand, resources distribution and analysis of competition), strategy plan, strategy implementation and control and strategy organizing etc. To make developing strategy for the organizing structure of commodity wholesale markets, first of all, a target should be established – to build a system of large-scaled and modern farm produce wholesale markets to establish a sound system to ensure a healthy development of the markets. "The establishment and development of farm produce market system should accord with the objective law of farm produce circulation, the development of the agricultural productivity, the present situation and power of our nation." (Long Shaoqun, 2002, p69) The common rule for the development and establishment of wholesale markets in many towns is: from low-class to high-class; from junior markets to mediate markets and finally to a large and advanced wholesale markets. It is true of the development of the hardware and software of the market system. Therefore, the strategic goal of the wholesale markets is flexible in the long run and its development should accord to the developing situation of the markets and the development of the productivity. It

is characteristic of diversity, timeliness, hierarchy and coordinatability.

4.3 Structure Design

According to the present situation and features of wholesale markets, it is necessary to improve the organizing structure of market management, make the investors and the proprietors, establish a legal-person-responsible system under the supervision of the board of directors and carry out a new administration model of modern collectivized corporations. A market is a bridge connecting the producers and retailers. It is a systematic structure of multiple procedures, mainly including production base, transportation, wholesale markets, and retailers. Thus, the structure design should be made from the angle of the systematic science –including the investors (the board of directors), the commissioned manager (the president), that is, the legal person, production base, material circulation institutions, wholesale markets and retailers institutions. Some adjustments can be made in accordance with different types of markets. For example, the structure design for the wholesale markets in rural area can be simplified, while for those modern and large-scaled wholesale markets, a sound organizing structure should be built. (The structure is shown in Figure 1)

In Chart 1, the market design institutions mainly consist of the board, which is in charge of establishing the development strategy of the market construction, important policies, the choice of the location for the market, the orientation of development, the size of the market, investment and the rate of profit sharing etc. It is also in charge of the selection of general manager. Under the leadership of the board, general manager is responsible for the management of the whole market. Some departments such as the personnel department, the treasury department, the operation department and the office dealing with daily work, are in the charge of the general manager. The duty of the office is to supply civil service and general reception work, organize conferences or meetings, administer the archives and undertake the security work. The treasury department is responsible for financial affairs, accountants, accounting, statistics, capital operation and the audit of financial accounts and their report forms. The operation department can set up one or more offices according to the specific situation, for instance, operation departments in the manufacture base, in the wholesale markets and the export and import operation department. The function of this department is to undertake the duty of a department according to the strategic planning.

The department of market planning is in charge of analyzing the interior and exterior environment of the organization, making short, mediate and long-term plans, and development target and plan. The personnel department is responsible for the allocation of posts and positions, organization and administration of cadres and reserve human resources, case study, personnel shift, and salary allocation etc.

4.4 Function design

This design refers to the overall distribution of the task, make clear the function of each department and distinguish their administrative levels. The common function design consists of basic function design, key function design and administrative level analysis.

Related to the overall task of commodity wholesale markets, its function can be summarized into five aspects: investment, planning, human resources, operation and service. The investment mainly contains the investment channel for market construction and reform, and the trade income as well as its distribution. Planning refers to investment construction and development planning, task distribution, function of departments, quantity and scale. The aspect of human resources includes personnel distribution in various departments, personnel training and instruction, the structure of the personnel and their salary allocation. Operation is chiefly in charge of the overall administration or management of the exchange process in the rural wholesale markets. Due to the different market situation, and different quantity and task of the operation department, for the modern large-scaled wholesale markets, it is comprised of the management of products supply, the sale in production markets, products circulation trade expenses, information and resources, and administration of the real estate market. The service includes rear service, catering service and accommodation service etc.

For those relatively small-scaled rural wholesale markets, we can simplify or weaken some of the basic functions. For example, the material circulation center can be combined with service center; operation department with catering department; accommodation department to rear service department. For those big-scaled modern wholesale markets, these departments can be further divided into smaller and more specific departments. For instance, with the expansion and promotion of the markets, its contact with exterior world has increasingly wide and close. The market depends more and more on it. The greater influence on the markets requires more departments with specific functions. The supply of new products should be added to the function of products supply department. Sale function should include the aspects such as customer demand and feedback.

Key function design is to choose one or two important function among all the basic functions. The realization of key functions will have a direct influence on the realization of strategic target. For example, the key function of rural wholesale markets is to provide a smooth channel for commodity supply and sale, therefore the key function should

be supply and sale --- the supply of products in production bases and the sale of selling markets. ..

At present, the wholesale market construction in our country has a problem of repeated construction, blind development and lack of production wholesale markets based on large-scaled central wholesale markets. Therefore, it is necessary to adjust and reorganize the present markets and build a large-scale trade center. In addition, the wholesale market construction of production base is also a weak point. Thus, the key function at present is to form a smooth chain of production base market, sale market and material circulation to emphasize the key function of the market organizing pattern.

4.5 design of administrative levels

It refers to the horizontal organizing level of administration or management, the number of departments from the top administrative level to the lowest level. If it is defined by the positions of the leaders, its design refers to quantity and level of leaders from the top leader to the lowest leader. From the point of administrative levels, it refers to the number of organizing levels, but virtually refers to the different forms of inner labor division – each level has its own duty. The basic administrative level is usually determined by its labor division. The methods and procedures are as follows:

4.5.1 The basic level is determined by the horizontal labor division

Those complicated and disperse administration organizations have more levels, those organizations, whose task and administration are centralized, have less levels. The most distinguished levels are decision-making level, administrative level and working level. Those departments with less people, centralized administration and simple task, have even less levels.

4.5.2 Calculate the specific administrative levels in accordance to the range of the efficient administration. The calculation can be referred to the standard value of the following Table 1. (Ren, Hao and others, 2005, p81~83)

4.5.3 According to the organization optimization principle, set up specific administrative levels

The administrative levels should be set up based on the function distribution and the characteristics and ability of the personnel. When the top administrative level is of high capability, the range of administration can be widened. For professional and technical management, the administrative levels can be lessened to supply a chance for the professionals to participate the administration and policy making to develop their ability and encourage their innovation and meanwhile, to avoid influencing the making of professional design schemes. Departments with simple functions and capable personnel more functions can be added and the levels and departments can be cut. The target of optimizing structure is to achieve the highest organizing efficiency.

The basic forms of the present typical organizing structure are: functional type, parent-and-subsidiary company, matrix type, regional type, mixed type, and internet organizing type. Which type of structure one wholesale market will take is determined by the environment and scale.

4.6 Department structure design

The overall task of organization can be divided into different functions and allocate them to different departments. The quantity of functions determined that of the departments, so the organization can be regarded as different parts. The position of each department can be determined by its feature, function, and its interrelation with other departments. The commodity wholesale market is a place to realize the circulation of commodities; it is a place with the exchange of material products as its purpose. Its system is made up of two braches – the commodity market and the market of productive elements. The wholesale market is the key function of the whole market system, connecting the two procedures of production and consumption. It also has such subsidiary functions as collecting and spreading information and supply service. In the structure design of departments, those directly related to the procedures of production and consumption will in a significant position, such as markets in the production base, the sale market and circulation department. Any single department cannot make profits alone. Each department in the system of the commodity wholesale market is like a procedure in the assembly line. The lack of each will probably result in bad or not qualified products. First of all, in the process of value creation, the interrelationship and order of different department should be make clear during the development and operation of the market system. Secondly, the position and its function in value creation of the whole market system should also be distinguished. The organization should offer a rational orientation of each department according to their particular features.

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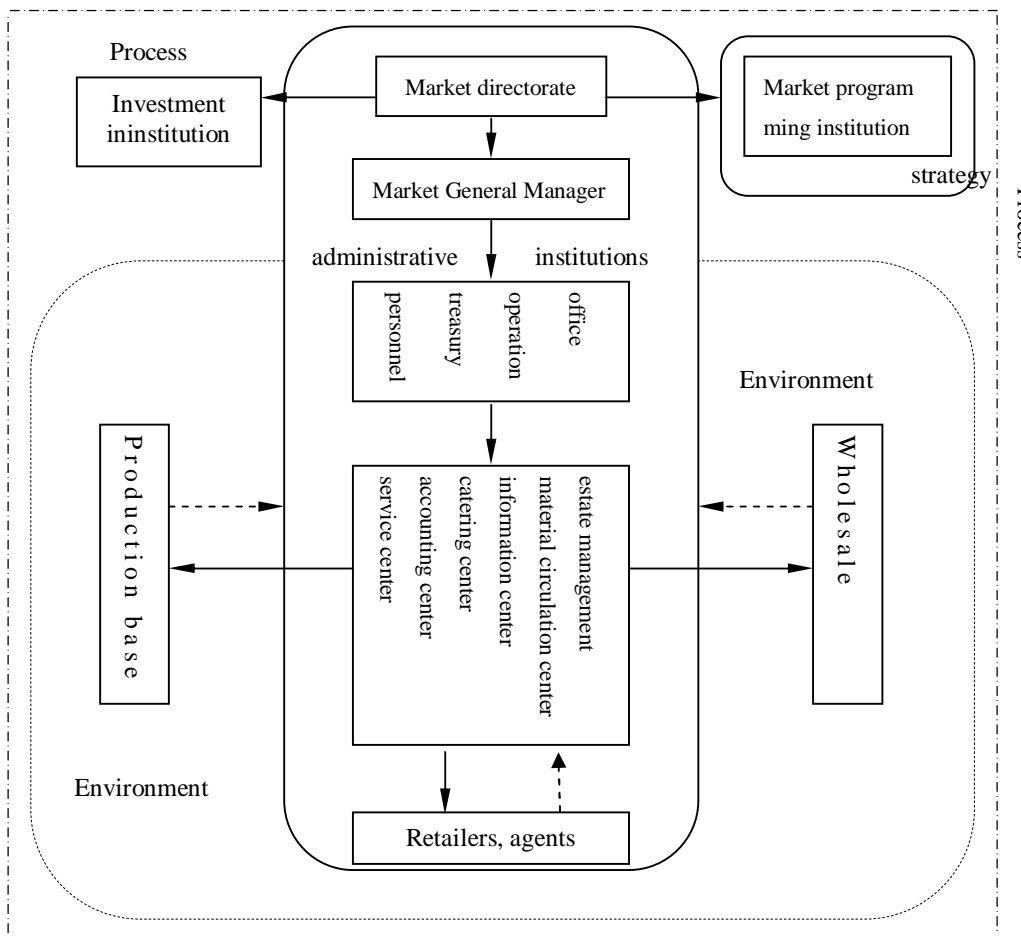


Figure 1. Organizing structure of modern commodity wholesale markets

Table 1. The standard value of administrative range

authority summation affecting various administrative variables	a standard range of personnel
40~42	4~5
37~39	4~6
34~36	4~7
31~33	5~8
28~30	6~9
25~27	7~10
22~24	8~11