

# Organizational Structure at Patagonia

What type of organization allows employees to take off during the day to go surfing? The answer is Patagonia. When founder Yvon Chouinard first developed the company, he was not interested in pursuing profits as the firm's main goal, but rather to contribute toward improving the planet.

New employees are hired based in large part on their passion for the firm's goals, and rather than being viewed as subordinates, employees at Patagonia are considered to be partners advancing environmental preservation. To create this work environment, Patagonia uses a flat organizational structure where employees have more freedom to make decisions and pursue objectives.

## History of Patagonia

The inspiration for Patagonia started 60 years ago. In 1953, Yvon Chouinard developed a passion for rock climbing. His passions brought him west to the San Fernando Valley in California, where he became an expert at climbing and rappelling. Unfortunately, his passion was limited by a lack of appropriate climbing gear. This led Chouinard to craft his own set of reusable iron pitons. Chouinard's invention spread by word of mouth, and demand for his gear reached an all-time high.

In 1965, Chouinard decided to partner with Tom Frost to create Chouinard Equipment. While designing tools for climbing, Chouinard realized the need for functional climbing clothing. He and his wife decided to sell clothing as a way of supporting the hardware business. In 1972 the clothing line experienced such demand and growth that it became its own business venture. They called this venture Patagonia. The name was intended to reflect the mysticism of far off lands and adventurous places located not quite on the map.

## The Product

Consumers loved Patagonia's durable and brightly colored clothing. From the beginning, Chouinard and his wife Malinda knew they wanted to sell items that would have a minimal impact on the environment. In 1985 the firm began donating 1 percent of its total sales to environmental organizations. Unlike many organizations Patagonia does not want its products to wear out so that consumers will come back for more. It aims to provide durable products to allow customers the freedom of not repurchasing products from the company. While this might appear to limit sales, revenue at Patagonia increased because consumers could trust Patagonia's products to last a long time.

## Work Place Culture

To truly make an impact, Patagonia attempts to foster synergy between all employees. Employees are committed to the organization, and Patagonia in turn tries to create a fun informal work environment for employees. For instance, it instituted a flex-time policy that allows employees to go surfing during the day if they so desire. Solar panels, Tibetan prayer flags, and sheds full of rescued or recuperating owls and hawks are all a part of corporate headquarters. Patagonia also developed an employee internship program that enables employees to leave the company for two months to volunteer at the environmental organization of their choice.

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Despite this flattened structure, there are still lines of authority at Patagonia. Patagonia employs an organizational structure that resembles a functional departmentalization type of structure. For example, Patagonia has a CEO, marketing director, and digital creative director. Other job titles are fairly unique to the type of field Patagonia participates in. For instance, the firm has a Director of Environmental Strategy that is needed for Patagonia's many environmental initiatives. Each of these department managers has employees that work under them to achieve departmental goals. Despite these authority relationships, employees are encouraged to take responsibility and maintain a strong passion for their work.

Yvon Chouinard desired to share authority by allowing employees to take a greater role in strategy and operations. As such, he developed an organic organization that is fairly decentralized. To encourage employee participation, Patagonia initiated a management tool that Chouinard terms the 5-15 report. Under this management tool, employees spend 15 minutes each week writing reports for management detailing their ideas, obstacles, and their views on the business. Managers would then spend five minutes reading each employee's report before compiling the results and sending them to the next chain of executives. These executives would respond and then send those up to the next chain until it reached the CEO. This not only allows employees to contribute but keeps top leaders knowledgeable about what is going on in the company.

Patagonia is a strong example of how a decentralized structure can be used to build an admired company. Its encouragement toward employees to contribute toward its environmental goals has helped Patagonia prosper not just financially but also environmentally.

## **Case Questions**

1. What type of organizational structure(s) does Patagonia use? Draw an organizational chart based on the information given.
2. How does Patagonia's organizational structure influence the company culture?
3. How does Patagonia overcome the challenges of a decentralized structure?

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