







THE STORE MANAGER - HOW AUTONOMOUS?

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Dedicated to:

The five most autonomous units that my findings have uncovered ---- my children;

to the most centralized authority that these findings have uncovered ---- my wife;

to the A.C.F. Wrigley Co. and their president, James Cooke, for both providing the opportunity and aid in my desire to obtain a degree;

to the N.A.F.C. for selecting me as one of the fortunate candidates to receive an industry scholarship;

to the Anheuser Bush Co. for both providing this scholarship and also providing a product that contributed toward the successful conclusion of my year at M.S.U.;

to Dr. Barnet for providing the type of leadership and education that puts a premium on individual expression as opposed to regurgitation; without which it may have been very unlikely that I would have selected the topic of this paper.

Cleodore Cipicchio

TABLE OF CONTENTS

CHAPTER		PAGE
I.	INTRODUCTION	1
II.	REASONS FOR DECENTRALIZATION	4
	Split Leadership	7
	Buck Passing	9
	Lack of Communication	14
	Lack of Stimulation	16
	Size of Store	18
	Saturation of Markets	22
	Adapting to Local Conditions	25
	The New Type of Competition	31
	Summary and Conclusion	35
III.	WHAT IS DECENTRALIZATION?	37
	Delegation of Decision-Making - Not Delegation of Duty	39
	Degree of Decentralization - On A Horizontal Continuum	40
	Degree of Decentralization - On A Vertical Continuum	43
	Rate of Decentralization	45
	When to Decentralize	47
	How Far Down	50
	Summary and Conclusion	52
IV.	SINGLE-LINE ORGANIZATION	54
	Advantages	55
	Disadvantages	57
	Summary and Conclusion	59

CHAPTER	PAGE
V. FOOD RETAILING FUNCTIONS	60
Purchasing	60
Buying	62
Personnel	64
Merchandising	68
Pricing	71
Promotions	71
Customer Services	72
The Budget	73
Summary and Conclusion	75
VI. THE MANAGERIAL TALENT	76
The Need	77
Executive or Manager or Sergeant	78
Management Development	85
Summary and Conclusion	91
VII. SUMMARY AND CONCLUSION	92
APPENDIX	97
BIBLIOGRAPHY	100

CHAPTER ONE

INTRODUCTION

"Decentralizing to the store manager" is a chiming phrase. In the retail food industry, this reverberation is sensed in many ways. One feels it talking and listening to top and middle management people. Also, one encounters it reading the trade journals. Almost everywhere and everyone in the food industry provides a resounding phrase, or refrain, "store manager autonomy." However, it is a phrase more often spoken than explained.

Discussions of centralization and decentralization often bog down on the question: "Who really makes the decision?" The blanket statement that a firm will decentralize to the store manager is useless. For decentralization should not be sought as an end in itself. Rather, it is a means to an end--profit; it may also be a means to intermittent ends of a means--end chain leading to profit, e.g. to obtaining and developing better managers; to meet local demand, etc. Nevertheless it is something else that is the end; decentralization is the means to reach that end. More meaningful would be the determination of two factors. The first is to ascertain the need to decentralize. Specifically, the need to decentralize

to the store manager. Secondly, it becomes necessary to determine the possibility and/or abilities of carrying out this desire. Interwoven between the two is the question of what is meant by decentralization. Precisely, what functions or what decisions will be delegated to the store manager? How will these functions, when delegated, fulfill the need? In short, is it necessary, practical, and possible to delegate decision-making to the store manager?

This paper will look into some factors concerning the degree of autonomy that a store manager in a corporate food chain should and is able to exercise. To arrive at some conclusion as to the reality of calling, or applying decentralization to the store manager, the paper falls in the following pattern. Chapter Two will cover the problems that led the chains to consider decentralization. Aside from giving an historical background, this chapter will provide the reader with an idea of what the several corporate food chains were attempting to overcome and the organizational technique that they turned to for help. The third chapter is a discussion of this technique, decentralization, and how it can or should be used. The writer will use some of the ideas found in the literature to develop his thoughts. This includes the writings of H. A. Simon, C. I. Barnard, M. Haire, E. Dale, L. A. Allen, and particularly J. C. Worthy. The fourth chapter is an explanation of single-line supervision. This chapter

develops the significance of single-line organization in the application of decentralization to the store manager. Further, it contrasts the role of the store manager between single and multi-line. Chapter Five covers some of the functions necessary in the retail distribution of food. It will discuss the ability, or inability, of the store manager to perform these functions as opposed to having them performed centrally. The sixth chapter deals with the availability of the necessary manpower to realize store level autonomy, if this autonomy is found to be desirable. It will also include a discussion of the methods taken to improve the necessary talent. The last chapter presents the conclusions one is able to reach, taking into consideration the factors described in Chapters Two through Six.

CHAPTER TWO

REASONS FOR DECENTRALIZATION

Within recent years several food chains have come to realize that there are physical, economic, and human limitations to the size of the organization. The food chain organizations have grown in absolute number and in physical capacities of stores. Further, they have extended into new geographical areas. This growth has resulted from expansion, mergers, and diversification. This latter type of growth, diversification, is a more recent development and its impact is just beginning to be felt.

The degree of growth provided by expansion is considerable. In 1960 a total of 2,200 new super markets were constructed, i.e. a super market being defined as an operation of \$375,000 or more per year. Of this number almost two-thirds, 1400, were built by chains, i.e. firms with 11 or more stores. This meant that a ratio of one store built for every eleven existing chain super markets.

It is beyond the scope of this paper to fully analyze the merger development among food chains. However, the recent merger of the Alpha Beta Markets of Los Angeles with

¹Mueller, Robert W., "Facts in Grocery Distribution," Progressive Grocer, Vol. 40, No. 4, (April, 1961), p. F.6.

the Philadelphia-based markets of American Stores provides pertinent elements for this question. Many observers wondered why Alpha Beta, a growing chain of 49 stores with annual average sales approaching \$1.9 million per store would negotiate a merger deal. Many of the answers were provided by Claude W. Edwards, the president of Alpha Beta Acme Markets, now a subsidiary of American Stores. Generally, the problems were marketing and operational in nature.²

Specifically these problems were: 1) capital requirements for expansion; 2) problems that arise from the loss of top management people through death; and 3) experience showed that since the firm was centered in one area, strikes would result in the closing down of a substantial number of their stores. Since the merger was made "from a position of strength" the selection of American Stores as the firm to "marry" is very significant to the theme of this paper. "Explaining that American stores reflected all the images of strength which Alpha Beta wanted, Mr. Edwards emphasized that the Philadelphia-based chain not only talked about subsidiary autonomy, but actually practiced it."³

A.C.F. Wrigley, Inc. provides another example of divi-

²Gilber, Les, "Head of Alpha Beta Says Marketing, Operational Problems Led to Merger," Supermarket News, Vol. 10, No. 9, (February 2, 1961), p. 1.

³Ibid.

sional autonomy with merged subsidiaries. Although the original method of formation differs from that of American stores, A.C.F. Wrigley similarly provides near absolute autonomy among the several divisions. At present, the company is extending the decentralization concept to include the territories within its Detroit division.

Growth through diversification has been realized in two manners. First, there has been intra-store diversification. Primarily, this has been accomplished with the inclusion of the several non-food lines. However, several firms have departed even further from the traditional food lines to include floral and nursery items. Still others have ventured into the high markup durable goods field. The second type of diversification has been the branching out into new retailing fields. Examples of this are the Kroger Company's purchase of the drug store chain, Sav-On Stores, Plainfield, New Jersey⁴ and the Jewel Tea Company's purchase of the Osco Drug Stores.⁵ Also, diversification has taken place in areas other than the drug field. The Penn Fruit Company has acquired Kiddie City, a non-foods firm in the Philadelphia area.⁶ The National Tea

⁴Kountz, G. Richard, "Kroger Buys Sav-On, Drug Chain in Jersey," Supermarket News, Vol. 9, No. 47, (November 21, 1960).

⁵"Jewel Continues To Decentralize," Supermarket News, Vol. 10, No. 5, (April 10, 1961), p. 27.

⁶Clement, Dick, "Penn Fruit Completes Kiddie City Acquisition," Supermarket News, (April 10, 1961), p. 1.

Company has acquired the Heinemann Bakeries of Milwaukee.⁷

Regardless of the reasons for growth, whether they be expansion, mergers, or diversification, the result has been that several chains have felt a need for organizational changes in the direction of decentralization. This need has arisen from either internal sources or external circumstances. The internal sources are (1) split leadership; (2) buck passing; (3) lack of communication; (4) lack of stimulation; and (5) size of stores. The external circumstances have been (1) saturation of markets, (2) local differences, and (3) the new type of formidable competition presented by the larger and more efficient independent operator.

Split Leadership

Historically, the most prevalent form of organization found in the food chains has been what is normally referred to as multi-line organization. This is the division of the firm's supervisory organization into two or three specialized parts. When divided into two parts, dual-line, the partition would be between meat and the rest of the departments. When divided into three parts, the partitions would be meat, produce, and the rest of the departments. This meant that the store would be divided into two or three distinct parts and

⁷Hanger, Stuart, "National Tea Acquires Heinemann Bakeries," Supermarket News, Vol. 9, No. 43, (October 21, 1960), p. 1.

each department head would report to his distinct field supervisory, who in turn would report to his own district or divisional head.

On top of the above type of division was still another form of split command. Directions would come from both the operations hierarchy and the merchandising hierarchy. Both of these areas are genuinely concerned with the successful total performance of the firm. However, on occasion, their individual success is dependent upon completely diametrically different positions. The results of such a situation can best be presented by the following quote. "It has been very difficult to get things done with the split command between store operations and merchandising. There were counter orders, conflicting orders, and a lack of consistent direction. We were following a zig-zag course. The men were getting one thing one day and another the next. The people in the field soon caught on and got by directing themselves to the things the top was interested in for the moment."⁸

Both of the above types of division resulted in an inconsistency of leadership from the top. No one would know what would be the consistent proper way of doing things, but would only know the current fad. No one individual, either field or store, was held accountable for total sales

⁸Lawrence, Paul, R., The Changing of Organizational Behavior Patterns, (Cambridge: The Riverside Press, 1958), p. 49.

and operations.

Buck Passing

As a result of overcentralization there existed a lack of initiative in solving problems. Whenever a problem came up it was "buck passed upwards." As a result of a strong hierarchical structure, top management often frowned upon having orders questioned. A member of middle and lower management would thus be cast in the role of a "yes man." Although one does not question that these men are sincere hard working individuals who are dedicated to the growth of the company, it is questionable that they would jeopardize their own chances of advancement by either questioning a superior's order or taking upon themselves the risk of making an unfavorable decision...particularly when there is no risk involved with inaction, or indecision. Whenever an order or new procedure was being presented, reference would often be made to someone higher up in the hierarchical ladder. For example, a field supervisor would say, "Mr. General Manager expects this to be carried out," and not "I expect it to be done this way."

It should be pointed out that it was not a "quasi-anarchical" type of organization that was being advocated. Rather, it was a desire to eliminate the complete dependence on the thinking and ideas of top management. Admittedly,

this could result in splitting hairs. Often, the difference between a "constructively put" question and insubordination appears to be non-existing to the receiver of the question. Also, the difference between an honest error and the actions of a "blundering idiot," for some, may also be difficult to ascertain.

Thus, it becomes apparent that not only was it necessary to provide autonomous thinking and action at the various levels, but it was just as important to develop an atmosphere of acceptance on the part of the management group between top management and the various autonomous units, whether they were divisions, territories, districts, areas, or stores. This was, and continues to be, no easy task. It is a difficult task for two reasons. In the first place it is beyond the nature of the human to give up voluntarily and amicably an acquired domain. For that matter it is very difficult for him to give up any part of it. In short, what had to be done, was to ask many executives who had enjoyed a considerable amount of line authority to give it up and now to perform predominately as staff. Secondly, it was found that if no recourse was given to the staff executive for store conditions which he found on his trips, it would leave him with no incentive to perform his primary task in an optimum manner. The following is given as an illustration:

A produce buyer has performed his task admi-

rably. He has purchased a very fine quality of tomatoes at a price consistent with this quality. Several years of training and many more years of experience has gone into this purchase. In short, he is extremely proud of his purchase and feels that if the product is presented to the consumer in the condition that he had selected it, the customer acceptance would be great. This would not only enhance the store's profit position, but would also give the buyer internal, or self, satisfaction and external praise.

Further, it is generally considered a good practice for the buyers to get into the stores as frequently as possible. In this way they can be in a better position to know what is going on, i.e. to know if they are meeting customer demand.

Also, let it be assumed that on one of these visits the buyer finds that the product, tomatoes, is poorly presented. In fact, from generally accepted produce merchandising procedures it is unbearable.

The difficulty appears at this point. Since the organization is now decentralized and distinct limits have been drawn between line and staff, should the buyer now be told that the presentation of the

product at store level is no longer his concern? That his concern ends with the purchase of the product. Obviously, he has a much greater interest in the product. His incentive to make lucrative purchases again would be lessened considerably if the above situation existed.

Although the inference of complete loss of interest presented in the above example may actually be exaggerated when viewed realistically, it does point out the problems that arise in inducing the "middle management" people to accept the autonomous characteristics of a unit immediately below them in the hierarchical structure. However, this should not negate the need for establishing a relationship whereby the above problem is taken into consideration along with the problems of split command. To illustrate, and this time for the sake of variation we will consider a meat buyer visiting a store.

The interest of product presentation at store level will be the same with the meat buyer as it was with the produce buyer. The date of the visit is a few days prior to Easter Sunday. This particular store, being in a predominately Christian neighborhood, has traditionally sold a considerable amount of hams. However, on this particular visit, the buyer wondered why the rate of sale was lower than previous years. His fear was that if this rate of

sales continued, the sale of hams was going to be 50 per cent lower than previous years. (This calculation proved to be correct.)

After an appraisal was made of the situation, it appeared to him that the problem was one of display, or presentation. Whereupon he immediately instructed the meat department manager to extend his display. The extension of the presentation, however, involved the displaying of some of the hams out of "proper refrigeration." Later in the day the District Manager visited the store. One of the first things he noticed was that the display of hams was in violation of an ordinance governing proper refrigeration. It also appeared to him that, ordinance or no ordinance, this type of display could have an adverse effect on the customers. His immediate reaction was to instruct the meat department manager to place all the hams under proper refrigeration, if necessary, contracting the display.

Although the reader could make a very good judicial interpretation of the above example, i.e., who was right and who was wrong, the justification for presenting the above example lies in the attempt to show the opposite side of the coin from the side shown by the example of the

produce buyer. In the one case it was shown where a buyer's "interference" may be necessary. In the other case it was shown where the "interference" may lead to a great deal of confusion. The example could have been made even more dramatic by the inclusion of a few more "bosses" telling the meat manager what to do.

Thus, the establishing of autonomous decision-making units, i.e. the inducing of lower levels to make decisions, encompasses more than the mere desire to have the lower levels make decisions. It is important that the constructive elements of previous superior-subordinate relationships be retained. In order to avoid this dilemma many firms have provided specific policies governing store visits, or relationships, by upper level management. Specifically, some have required that the divisional personnel be accompanied by the District Manager when visiting the stores.

Lack of Communication

The third reason for decentralizing given by many of these same operators has been the lack of communication between top management and the field. Some of the remarks made by the field would be: "We don't see any sense to this directive;" "We don't have the time;" "We don't have the manpower resources;" "This isn't what our store needs;" etc. On the other hand, top management would ask: "Why

can't they get through their heads the importance of this directive?;" "How can we succeed without their support?;" etc. The field felt that top management was unrealistic in its demands; top management felt that there existed a lack of follow-through in the field. Although important, the merits of these assertions are less pertinent to this paper than the fact that a lack of communication existed. In reality both positions were partially true. It was top management's recognition of the entire problem that made an attempt to a solution a reality.

In addition to the one-way communication described above, i.e. top to bottom, top management felt a need for a reverse communication, i.e. bottom to top. It became increasingly apparent that flexibility would govern any workable organizational structure. And it was also apparent that they would need an increasing amount of feedback from the field in order to have management exercise flexibility. This was also consistent with other reasons given for decentralization, namely adapting to local condition. This reason will be dealt with at greater length later in the chapter.

According to two-way communication theory an atmosphere should exist whereby the lower level recipient should feel free to answer a message from the top and, at the same time, be able to originate messages. Two difficulties are met in obtaining this atmosphere of two-way communication. First

of all there is a fear by top management of policy "leaks." It would be unrealistic not to recognize the need for concealment in many of the organization's strategic and tactical maneuvers. However, it is also unrealistic to overemphasize this need to the extent of not providing sufficient information to lower levels in order that they may perform their functions efficiently. Secondly, at times there exists an equal amount of fear on the part of the lower level management as to the motives of the inquiries by top management. This thought can best be summed up by the following quote: "Fear and mutual lack of confidence and trust between senders and the receivers almost inevitably cause a breakdown in communication."⁹

It was felt that a lack of two-way communication could best be overcome by shortening the lines of communication between the decision-maker and the decision-executor. Ideally, the lines would be shortened so that the maker and the executor would be the same person. Thus more realism would be contained in the decision-making and more follow-through would be forthcoming from the executor.

Lack of Stimulation

Many of the food organizations that have adopted the decentralization concept began as relatively small regional

⁹Owen, W. V., Modern Management, (New York: The Ronald Press Company, 1958), p. 153.

chains. The operation was generally dominated by one individual, occasionally by a very small group. This domination was not necessarily autocratic. It was a domination characterized by an ability to stimulate the entire personnel of the organization, down to the bottom of the hierarchical ladder. The relationship between superior and subordinate was less formal than the organizations were to experience in later years. The president was able "to go into a store, cheer everyone up and make them excited about the organization and give them a dozen ideas and then walk out."¹⁰

The firms grew through expansion, merger, and diversification to the point where the top managers were no longer able personally to stimulate the personnel down at the bottom of the organization. The president could no longer find the time to personally visit all sections of his enlarged domain and radiate the necessary enthusiasm.

This problem was further accentuated by the necessary development of a bureaucratic organization. The term bureaucracy as used here is not used in the manner that it has been commonly referred to, i.e. inefficiency and red tape. Rather, it is used in the sense that Weber intended it to mean and Blau defined as "the type of organization designed to accomplish large scale tasks by systematically coordinating the

¹⁰ Lawrence, op. cit., p. 51.

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work of many individuals."¹¹

The organizations were just too big for the "one man leadership." Thus, it was felt that if the autonomous units were made smaller, stimulation could be provided in a manner similar to the method outlined at the beginning of this section, i.e. personal radiation.

Size of Store

It is common knowledge that the size of stores has been increasing. However, the extent, or magnitude of this growth is not generally realized and is presented here to give proportions to another of the reasons given by food industry management for decentralizing.

Several units of measurement can be used in determining growth in size of stores. The more important ones are total floor space, total store sales, total number of items handled, and number of employees. Although figures given in these areas tend to have errors because of weights not being applied, if taken in total, and considerations given to the shortcomings, they can show us the significance of the growth in size of store. And thus also the significance in the increase in store manager responsibilities.

In using the figures for total capacity, floor area, great care should be given to the interpretation of the re-

¹¹Blau, Peter M., Bureaucracy In Modern Society, (New York: Random House, 1956), p. 14.

sults. Floor areas have continuously increased and industry sources feel that the trend will continue, particularly in "12,000 square foot and up areas."¹² However, the mere fact that stores are being built larger, does not necessarily mean that they will do more business or have more traffic. In fact, compared with 1958 and 1959, sales per square foot were lower in 1960.¹³ Aside from saturation, this may raise the question as to whether or not stores are being built too large in many locales.

The use of total employee per store may also be misleading. Whereas floor area may overemphasize the growth in size of stores, total employees per store may underemphasize this growth. Although the gains in productivity per manhour have not been as great as in many other industries, considerable progress has been made. This gain in productivity will be reflected in the amount of employees necessary for a given amount of volume. Less employees will be needed. It is an understatement to declare that the amount of employees per store has increased and this reflects an increase in size of store. If productivity per employee had not increased, the total amount of employees needed would be even greater.

Items handled per store become more meaningful. But,

¹² Super Market News, Vol. 9, No. 50, (December 12, 1960), p. 29.

¹³ Mueller, op. cit., p. F-12.

caution should still be used. This figure reflects increase in store manager responsibility more than it does increase in store size. The fact that more items are handled does not necessarily mean that there is an increase in store size. The opposite is also true. Increase in store size does not necessarily mean increase in items handled. However, using the data as having pertinence to store manager responsibilities, it becomes significant. In 1928 a total of 867 items were handled in food stores. With the arrival of the Supermarket this figure increased to where in 1946 the amount almost quadruplicated to 3,000 items. In the next fourteen years, this figure doubled to 6,000 items.¹⁴

The most useful, and also the most popular, measurement of store size growth has been total annual sales. Again an adjustment should be made. This would be in allowing for the increase in the price level. This adjustment is not made in the following data and the reader should keep this fact in mind when interpreting these figures. In 1935 only 3.9 per cent of the food sales in the country were handled through stores doing a business of \$300,000 or more per store. In 1955 59.7 per cent of the food sales were done in stores doing \$375,000 per year.¹⁵ Using average sales per chain store

¹⁴Ibid., p. F-3.

¹⁵"Facts In Food And Grocery Distribution," The Progressive Grocer, (January, 1937).

since 1941, the figures go from a little less than one-hundred thousand dollars, \$99,349, per store in 1941 to over a million dollars, \$1,019,950, in 1960.¹⁶ This is a ten-fold increase. Even allowing for an increase in the price level, a very substantial increase in average store volume has occurred.

When the stores were small, the problems were small. Personalized attention and service was prevalent. Gradually the personalized aspects were lost. But, the relinquishing of this type of service has been done with some reluctance. Granted that the foregoing of the service counter along with credit and delivery was deemed necessary for the development of modern supermarkets and their relatively lower grosses, the use of these tools as competitive devices was never obliterated from the minds of industry operators.

Although credit and delivery only recently have received but spotty revival, "personal" service has continuously been pursued, or at least desired. As competition became keener, this service has become more pursued. As a footnote, it should be pointed out that there is considerable difference between the two forms of personal services, i.e. present interpretation as opposed to the pre-supermarket era. The latter was characterized by having the clerk walking around to pick up the different items on the individual customer's list. Present day interpretation is characterized by the

¹⁶Mueller, op. cit., p. F-18.

terms friendliness, courtesy, helpfulness, etc.

This problem has been accentuated further by no more than the fact of the rise of multi-store operations. The development of multi-store operations gave rise to the separation of ownership and management. The personal feeling towards the business, particularly customers, was substantially different between the owner and the manager.

No matter which tool of measurement one uses, when qualified, they show a considerable growth in store size and, in turn, an increase in the store manager's responsibilities and problems. Thus, it was not only the operational difficulties of large store size but also the resulting loss of the personalized attributes that prompted many of the food chain operators to look to decentralization as a possible answer to their problems.

Saturation of Markets

On an average, each new store opened in 1960 had to compete for essentially the same trade held by three other stores in the trading area.¹⁷ This has resulted in direct competition among the leading chains of a particular trading area in virtually every section of that area. It has become

¹⁷Statement by Clarence Adamy, then Executive Vice President of the N.A.F.C. when he spoke at Michigan State University on February 10, 1961.

increasingly more difficult to generate sufficient operating volume. In many cases a particular chain's sister stores have suffered more than a competitor's stores. Also, the amount of sales to be obtained at the expense of the small "mom and pop" stores had run its course. Further, although new communities were appearing at an appreciable rate, this growth of virgin territory was not sufficient to keep up with the compounded accelerated growth patterns established by the food chains and characteristic of a new industry. In short, the "crest" had been ridden out. Increased volume either in existing stores or as a result of new stores was not obtainable merely for the asking. At the same time this problem also was present in "other" chains. From the existing stores' point of view, their problem was essentially the same. They had to prevent the new stores from taking their volume.

However, saturation in this case is a relative word. No two points of interest will view saturation in the same light. The saturation point for the consumer will allow for many more stores than the saturation point allowed by industry operators. Excluding higher prices, the consumer would literally expect a supermarket at her door step before saturation would be considered. This is as it should be, for her interests lie in obtaining the highest possible degree of service that results from location. On the other hand, the operator's in-

terest generally lies in the opposite direction. He is concerned with cost. This statement excludes the apparent optimism of store operators in their ability to lure trade away from each other's competitors and thus the degree of saturation in this case may well reach the proportions allowed for by the consumer.

This last sentence leads to the next point to be made. The American economy has always been characterized by the desire, either real or imagined, to be as competitive as possible. If this is so, then the phrase, saturation of markets, is meaningless. Ease of entry and survival of the (efficiently) fittest is characteristic of this doctrine. It should not be construed that an inference is being made that the food industry lacks the mentioned characteristics. Rather, the point being made is that under a competitive situation there will always be room for a more aggressive and efficient operator and under these circumstances saturation will be nearly impossible to obtain.

The above may appear to be oversimplified theory and merely an academic exercise. But, it is because these characteristics do appear in practice that the food industry is faced with what it considers a problem -- saturation of markets. In reality they are faced with a natural outgrowth of competition -- a struggle to maintain and expand markets. Although they have often misnamed it, in practice the firms

have recognized this reality. That is, they have put their emphasis on strengthening their competitive situation. Again, a primary tool to be used was decentralization.

Adapting to Local Conditions

Adapting the store to the needs and preferences of its customers is nothing new. To meet market demand is just plain good business. However, as the firms grew and the need for uniformity of purpose and centralization of control was considered necessary, this adaptation was lost. Specifically, what had happened was to overemphasize the need for centralization. That is, it was considered necessary to centralize functions which had but little to do with control and the firm's uniformity of purpose. For instance, it does not follow that control and purpose will be lost as a result of different merchandising tactics being employed among the several units of the firm. However, it is possible that potential sales may be lost if merchandising tactics are not adjusted to local needs.

"Customers are heterogenous not only in their purchase and use of various commodities, but also in their patronage of retail stores. Their actions and their attitudes are conditioned by their economic and social environment and by their acquired habits of shopping."¹⁸ It becomes in-

¹⁸Blankertz, Donald F., "Mr. Retailer, What Do You Know About Your Customers?," Journal of Retailing, (Spring, 1950), pp. 28-36.

creasingly necessary for retailers to know their customers. Although utilization of market research is not the subject being considered, it does become apparent that any consideration of local differences will necessitate some investigation into this question.

The consumption of most products and brands has been found to vary among market segments.¹⁹ Knowledge of shopping behavior can be obtained from the study of many areas of investigation. A partial list would be:

- (1) Age distribution of the customers in a given trading area;
- (2) Income distribution in total or by any breakdown of customer;
- (3) The nationality, or ethnic, variation in a store's trading area;
- (4) The cash and/or credit spending habits of its customers; Although the information in this category is more applicable to stores providing this service, it may also provide pertinent information to others if it can determine the type of customer located in a trading area.
- (5) The number and character of cash buyers;
- (6) Family size distribution of the store's

¹⁹Ibid.

customers;

- (7) The principal occupations in the trading area, listed in order of predominance;
- (8) The sex distribution; Information in this area has limited application in the purchase of foods except for the following: (a) the trading area is predominantly made up of single people, and either one of the two sexes is predominate, or (b) the principal buying agent is the male member of the family when the woman was expected to have occupied this position (or vice versa).
- (9) Distribution of customers by number of competitors patronized, number of credit accounts maintained, relative expenditures, or type of expenditures;
- (10) Customer distribution by frequency of trips to the shopping center, by visits to store, or by patronage of specific departments.²⁰

Judgments, or conclusions, arrived at by food chain

²⁰Ibid. Items 4,5,6,9, and 10 were derived from this source. However, in number 4, the citation ends with (;). The qualifying remarks are not those of the source and criticism of this portion should be directed at the writer of this paper.

operators as to buyer behavior patterns and the resulting local differences may have appeared prior to, or in spite of, any studies in the above mentioned areas. This results from the fact that the above areas of investigation tend to deal in specifics and degrees of differences, and their use can best be appreciated after the decision to adapt to local difference has been made. The justification for making this last decision can rest on the several studies which tend to show that there do exist differences in buying habits.

The Blankertz article has already been cited. Another article written by Pierre Martineau, gives a slightly different approach, but with the same general conclusion of difference in consumption patterns.²¹ In this article, Martineau was interested in the spending behavior of different social classes. He used the six-class system described by Lloyd Warner and Paul Lunt: The Upper-Upper, or old families; Lower-Upper, or the newly arrived; Upper-Middle, mostly the professionals and successful businessmen; Lower-Middle, or the white collar salaried class; Upper-Lower, or wage earners, skilled worker group; and Lower-Lower, or the unskilled labor group. The rating index used by Warner and Lunt was not based on income, but on type of income, type of occupation, house

²¹Martineau, Pierre, "Social Classes and Marketing Behavior," Journal of Marketing, No. XXIII, (October, 1958), pp. 121-130.

type and place of residence.²²

It was Martineau's contention that where a consumer buys and what she buys will be determined not only by economics--but also as a result of psychological differences. Since prices and quality are so standardized today the most important function of retail advertising would be to allow a consumer to make social class identification. The shopper will always select a store where she fits. His conclusion was that social class systems exist; there are important psychological differences between classes; and economic behavior is influenced more by these prestige symbols than by (mere) income.²³

The above articles are only examples, and are presented to show that if their theses are correct, the desire of food chain leaders in adapting their stores to local conditions has considerable merit. This decision to meet local conditions generally was not made with any elaborate studies, but more than likely was made as a result of observation, to which there is little argument. But the carrying out of this decision may necessitate more exactness. The need for basic market data is based on its profitable utilization by the local autonomous units in meeting local market differences. In a March, 1961, meeting of the Washington Chapter of the

²²Ibid.

²³Ibid.

American Marketing Association, Dr. Wayne Lee President of the Distribution Research division of the Market Research Corporation of America stated, "Today's marketing battles are increasingly being waged in smaller areas, in specific time periods, and with specific promotional tactics . . . this trend has created a need for more specific pinpointed marketing intelligence."²⁴

The adapting to local needs has generally taken a post-diluvian approach. That is, after the dike has sprung a leak, and the flood has begun, repair rather than maintenance becomes necessary. In chain store operations this has meant the improvement of stores after the loss of business has occurred. In other words, the programs have been aimed at particularly distressed areas. A better use of the decentralization concept, and at the same time the hope of the chain's top management, will be prevention rather than correction. It was felt, that since the districts, or stores, were closer to the scene of action, they would be more capable of meeting local needs quickly and effectively and thus catering to the unique merchandise needs of customers in certain areas, and giving prompt attention to individual store problems. In short, the purpose was to arrive at solutions and the resulting tactics in the shortest period

²⁴Garel, Art, "New Service Localizes Market Brand Data," Supermarket News, Vol. 10, No. 13, (March 27, 1961), p. 6.

of time -- before the flood.

The "New" Type of Competition

As was pointed out in a previous section, since increased sales could not be obtained from the small operators, the food chain executives felt that the most severe competition would come from "other" supermarkets from both competing chains and strong, efficient, local independents; more particularly the latter.

To a large degree, the success of the chains was due to past inefficiencies of the independent. However, today the independent has become much more efficient and, as a result, is capturing many of the sales that would have gone to the chains. The independents have obtained this position by affiliating themselves with voluntary and cooperative groups. This affiliation has resulted in the independents gaining many of the advantages generally attributable to chains, while still retaining the advantages of local autonomy characteristic of an independent operation. Generally speaking, the affiliated dealer receives services that fall into seven categories:

- (1) Complete merchandising, promotional and advertising services for all commodities. It should be pointed out that a great many groups do not provide this service for all commodities, i.e.

grocery, meat, produce, dairy, bakery, frozen food, etc. However, a substantial number of them are covered, and the trend is to incorporate more of them.

- (2) Efficient low-cost warehousing and trucking operations. In many cases this function is performed much more efficiently than by a corporate chain. For example, the Voluntary Super Valu Warehouse in Hopkins, Minnesota, a suburb of Minneapolis, realizes 19 turns per year. The entire operation of six divisional warehouses averages 21 turns per year. As another example, the Cooperative Spartan Stores Warehouse realizes 24 turns per year. Contrast this with the 12, 14, or 16 turns of many corporate chain warehouses, and one can see quite a difference.
- (3) Retail operating know-how through trained counseling. It is interesting to note that the independents have a relationship here that the chains have indicated they are eager to emulate. That is, the field representatives exist as counselors, or advisors, to the individual store operators. Of course, one should be careful not to overlook the need

for control, i.e. supervision, so necessary in a chain's operation where there exists a separation of ownership and management.

(4) Complete financing and development services.

This service is given in various degrees. The primary job of the group is the distribution of foods and the financing function is incidental to this main function. However, the group is in a very good position, where financial problems arise, to render a substantial solution. On many occasions they have been instrumental in starting many of their retailers in business.

(5) A complete retail accounting service. The independents always have had to obtain financial accounting services. This has been a necessary legal requirement. However, with the formation of a group and the resulting retail accounting services they are now able to enjoy the advantages of management accounting. That is, they are now able to obtain the necessary data for analyzing the various segments of the store operation. Also, in a confidential manner, comparative operating figures are given to each member showing how his

figures compare with the figures of stores of similar size operating under comparable conditions. There certainly are signs of a chain store operation in this service.

- (6) Complete store engineering service. This service includes both construction of new stores and modernization. In addition to the availability of "expert" advice, the group provides considerable dollar savings. For instance, arrangements are generally made with leading equipment manufacturers by which chain store discounts are made available to the members.
- (7) Top quality manufacturing operation. The inclusion of this service was directly aimed at the chains. With these "house" brands the independents were now able to compete with the chains in price and quality; maintain an adequate differential with nationally advertised brands; and provide a good profit.²⁵

²⁵"How To Step Forward," a Super Valu Stores, Inc. publication, 1961. In each enumerated category the citation ends with the first phrase. The qualifying and expository remarks are those of the writer of this paper. In items 4 - 7, part of the remarks made were based on this publication.

From the above list, it is apparent that the chains had lost a considerable portion of their advantages over the independents. At the same time, the independents retained their advantage over the chains, i.e. local autonomy with a considerable degree of personalized services. Further, it became evident that the independents were interested in not only maintaining their position, but also in improving it. Thomas G. Harrison, Chairman of the Board, Super Value Stores, Inc., has stated, "We have learned that our affiliated retailers are willing to accept new ideas and changes so we no longer feel any hesitation in presenting new plans and new ideas to our dealers."²⁶

The independents had combined the advantages of both size and flexibility. In order to maintain or regain their positions, whatever the case may be, the chains recognized that they would also have to be highly adaptive and, at the same time, retain a well-coordinated organization. In short, this means decentralization (of certain functions).

Summary And Conclusion

Several of the food industry chains have found themselves in a position of being too big for their present form

²⁶Harrison, Thomas G., "Many of Our Problems Have Become Our Opportunities." An address given before the September, 1959, conference of Operation Incorporated held in the Sheraton Hotel, Chicago, Illinois.

of operation. This conclusion was reached after being confronted with several operating and merchandising problems.

When investigating the problems individually, it was recognized that limitations had to be placed on the interpretation of the data. Nevertheless, after these limitations were accounted for, the evidence still indicated that increased size contributed to these problems. As a solution, the food chains looked to the administrative technique of decentralization.

CHAPTER THREE

WHAT IS DECENTRALIZATION?

The preceding chapter pointed out that the food industry faced several problems. The industry's top management felt, that to a great degree, the solution would be found in changing their internal organizational structure, or arrangement. Further, this change should be in the direction of decentralization.

The term decentralization is treated tenderly by a great number of people. It is a connotative expression. This compassion is a reflection of the type of social, economic, and political society we live in. Decentralization suggests democracy, individualism, freedom, etc.; also many of the other descriptive phrases connected with these latter terms. As meritorious as these phrases may be, the basic question still remains. How will decentralization succeed in promoting the company's goals, or objectives? The success of which will be measured by profit. Specifically, what is meant by the term decentralization? Should one refer to it as a concept, and not a term?

"Decentralization is one of the most confused and confusing of the administrative techniques that characterize

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the act and science of professional management."¹ It has many uses, both constructive and destructive. Many users consider it as a panacea. The executive that uses it in this reference is probably suffering from what Dr. Jennings refers to as "comprehensive solution" neurosis.² That is, centralization becomes the scapegoat for all the firm's ills and decentralization becomes the cure-all. As a result, the firm may find itself going in all directions at the same time. The results could be disastrous, if not fatal. Others, have no use at all for the "technique." The critics feel that it allows too much freedom, which is not conducive to the proper, or successful, performance of the firm. They refer particularly to the function of control, but the extremist will also include lower unit planning, in addition to firm-wide planning. The consequences of this approach will be to lose many of the attributes connected with decentralized unit planning. Among these would be motivation, local market emphasis, and development of managerial talent. However, if not participation, concern in lower unit planning should still be retained in top management.

Allen, in his book, Management and Organization, pro-

¹Allen, Louis A., Management and Organization, (New York: McGraw Hill, 1958), p. 156.

²Jennings, Eugene, Class lecture at Michigan State University, April 24, 1961.

vides the following example of a firm that may have lost this concern. Top management in this company "swayed by the optimistic predictions and aggressive promotion of one decentralized division vice president committed almost all of its capital funds to a new plant for a plastic product in current demand and neglected the potential of petrochemicals, to the detriment of the long-term profitability of the company as a whole."³

Thus, it is apparent that there exists a great deal of puzzlement in the use of the term decentralization. This chapter will deal with some of the confusing aspects of the term. An attempt will be made to synthesize the thoughts presented by some of the recognized "authoritative" writers on the subject into a whole.

Delegation of Decision-Making -

Not Delegation of Duties

One area of confusion is in the use of the term. Often, decentralization is erroneously used as meaning delegation of duties, work, or job specifications. Involved in this form of delegation is the actual work to be done. Also included are details of a routine character which are generally passed over to members of staff. "How to delegate 'work' belongs to management training more than to the determination of a

³Allen, op. cit.

pattern of responsibilities."⁴

More correctly used, decentralization is the delegation of full responsibilities for the management process to managers who are put in charge of given units of operation. Specifically, this means delegation of decision-making.

Degree of Decentralization -
On A Horizontal Continuum

A great deal of the confusion also arises from the misconception that a firm is, or should be, one or the other, i.e. the company is decentralized or the company is centralized. Carried to the extremes one can see that at one end we have absolute autocracy; at the other end absolute anarchy. At the one end there may be complete paralysis; at the other end complete disintegration.

Thus the question may be one of how much decentralization, or how much centralization? What constitutes an appropriate equilibrium? How much and what kinds of authority will be delegated? Specifically, which functions can be decentralized? Which functions cannot be decentralized?

Within the food industry, the following functions could be considered:

- (1) The buying function, referring to the purchase of commodities for reselling;

⁴Brech, E. F. L., Organisation, (London: Longmans, Green and Company, 1957), pp. 300-301.

- (2) The purchase function, referring to the purchase of equipment and supplies;
- (3) The hiring of personnel;
- (4) The promotion of personnel;
- (5) The firing of personnel;
- (6) The training of personnel;
- (7) The approval of wage and salary increases;
- (8) The merchandising function, referring to commodity selection, space allocation, and presentation techniques;
- (9) The pricing function;
- (10) The advertising function, referring particularly to newspapers and circulars;
- (11) Other promotional tools, referring to trading stamps, premiums, contests, radio, and television;
- (12) Customer services, examples are cashing of checks, "piped-in" music, and courtesy booths;
- (13) The employee relations function, referring particularly to union relations;
- (14) The formulation of budgets.

Besides delegating the above functions in total, each function could be delegated in various degrees. For instance, probably the least delegated function would be number two, the purchase function. This would be particularly true of

heavy capital expenditures. In addition, certain economies of large-scale purchases may be lost on the lesser capital expenditures, when this function is not performed by a central office. On the other hand, certain diseconomies of large-scale purchases may exist to more than offset the savings. This is particularly true where cost of transportation, rent and interest of inventory held are not taken into consideration. The customary approach is to specify the amount of money various levels of the organization are allowed to spend within the general limits of the budget. For example, the store could be limited to expenditures of 50 or 100 dollars, the district to several hundred or several thousand, and the division to several hundred thousand or millions.

The most liberally delegated function would be number eight, that of merchandising. This is particularly true of product presentation, and to a lesser degree true of commodity selection and space allocation. The conflict here is between the maintenance of a corporate image and the adaptation of the store's merchandising tactics to local needs.

One can view the degree of decentralization as appearing on a horizontal continuum with all functions decentralized at one end and all functions centralized at the other end. Further, each function can be weighed as to the degree of decentralization that particular function bears.⁵

⁵Allen, op. cit., p. 157.

Classification on the continuum may be made according to the dominant characteristics found in the respective firms.

Degree of Decentralization -
On A Vertical Continuum

By definition, decentralization lessens as one goes down the hierarchical ladder. At the top of the ladder the decisions are more broad, or general, in scope. As one goes down they become increasingly more specific "until purpose is merely jobs, specific groups, definite men, definite times, accomplished results."⁶

For instance, if the hand is part of the total appendage called the arm, and the arm is part of the body, what the body delegates to the arm is less than what the body retains as its function. Further what the arm delegates to the hand is less than what the arm retains. The total accomplishment of the arm includes what the hand can do plus the performance of the rest of the appendage. The total accomplishment of the body is what the arm can do plus the performance of the other parts of the body. Thus, although the actual performance may reside at the local level, in this case the hand, nothing could be accomplished with it alone.

So it is with a store. Although the store will provide

⁶Barnard, Chester I., The Functions Of An Executive, (Cambridge: Harvard University Press, 1960), p. 232.

the actual performance nothing will be accomplished without the rest of the organization. The store is part of a large unit and will have less autonomy than that unit, which in turn will be smaller and have less autonomy than the unit above it, and so on until the total organization is reached. If this were not true then there would be no need to have any organization between the stockholders and the store manager. (There would be no need to have anything between the brain and the hand.)

The analogy made above was not intended to prove anything. Analogies never do. The intent was clarification, and justification for the above commentary is found in the following considerations. Total, or absolute, store manager autonomy can only be realized when there is no justification for any position between the store and the stockholders. Specifically, this means that if the store manager's decision-making powers were equal to, or more than, that of his supervisor, there would be no need to have the supervisor. He merely becomes a relay station between his superior and the store manager. There are many less expensive methods of accomplishing this type of communication. A directive could be sent by phone.⁷ This analysis concerning the justification for a supervisor's position can be made all the way up

⁷ Staudt, Thomas, Class lecture at Michigan State University, October, 18, 1960. Dr. Staudt dealt with communication efficiency in an organization.

the hierarchical ladder.

The question now becomes, when is a position on the hierarchical ladder justified? The position is justified when it functions as an interpreter, or adapter of a directive from above in order to fit the specific needs of the unit, and at the same time the intent of the original directive is not destroyed.⁸ Otherwise, a non-performing, or wasted, layer of supervision exists. Further, as one comes down the hierarchical ladder the amount of interpretation becomes less, and the amount of directives needing interpretation become less.

Thus, what appears is a vertical continuum with high need for autonomy at one end and very little need for autonomy at the other end.

Rate of Decentralization

Decentralization does not proceed at the same rate, and to the same degree, to all levels of the organization. The president may delegate the authority to make certain decisions to the divisional managers. This does not mean that the divisional managers will delegate in turn to their immediate subordinates. Nor does it mean that each of the divisions, if they do delegate, will do so at the same rate and to the same degree.

⁸Haire, Mason, Psychology In Management, (New York: McGraw Hill, 1956), Chapter VIII.

A food corporate chain may decentralize to the divisional level. Further, it may have proceeded to the point where all divisions have decentralized to the next level, but it does not follow that this will automatically happen. It is conceivable that when the store level is reached, the degree of autonomy held by the individual store managers within the same corporate chain will vary greatly.

Now here is the riddle. Under a decentralized form of organizational structure, the top of the hierarchical ladder is required to respect the autonomy of the lower levels. Included in the autonomous actions of the lower levels would be their use of the decentralization concept itself. But, if there exists an uneven, or inadequate, application of delegated decision-making authority, it cannot be said that a firm is highly decentralized.⁹ Should decentralization be imposed upon all levels or should their autonomy be respected?

Yet, if one were to accept the thesis that decentralization exists on a horizontal continuum, and the absolute polar extremes are only points of reference and do not exist in fact, then the question of decentralization does not appear to be Frankensteinian. Rather, the authority to see the plan carried through can still rest with the organization as a whole, without compromising with the concept of decentralization. That is, since decentralization and centralization

⁹Allen, op. cit., p. 163.

are relative terms, and functions exist that can be described by either term, decentralization can be "strongly suggested" to the units by central management.

When To Decentralize

This section heading may appear redundant to chapter two. However, there is a difference in purpose. Chapter two dealt with the specific reasons given by the food industry to decentralize. This section deals with the factors that lead firms, in general, to decentralize.

Allen lists the following five factors leading to decentralization.

- (1) To ease the burden on top executives. The need to provide this aid is shown by the following indicators: (a) time spent fighting fires exceeds the time spent on planning and thinking; (b) proliferation of personal staff; and (c) overdependence on committees.
- (2) To facilitate diversification. This factor characterizes every size firm.
- (3) To provide market emphasis. This is another way of saying local adaptation or decisions at the scene of action.
- (4) To encourage the development of managers. The idea behind this factor is that experience in decision-making is the best teacher.

- (5) To improve motivation. Aside from providing understanding of the problem and thus follow-through, it provides an "esprit de corps" that encourages units to compete and outperform other units.¹⁰

Dale lists the following factors. Some of these are repetitions of a portion of Allen's list. However, since some are used in a different context, and in fairness to Dale, the total list is given.

- (1) Size of the company. Reducing the size of the decision-making unit will result in: (a) executives being nearer to the point of decision-making; (b) better utilization of the time and ability of executives; (c) improved decisions because of pertinence to the decision-maker; (d) reduced paperwork (by headquarters); (e) with the addition of a clear-cut framework the expense of coordination may be reduced. Along with the good comes the disadvantages: (a) lack of uniformity of decision; (b) inadequate utilization of specialist advice; (c) lack of proper equipment or executives in the field.
- (2) Nature of the company's business. (a) growth by merger; (b) geographical dispersion; (c)

¹⁰ Allen, op. cit., pp. 165-171.

diversification; legal factors (anti-trust);
standardization.

- (3) Economic trends.
- (4) Political trends and philosophy.
- (5) Management philosophy. No plan for decentralization can succeed without the full support of top management.
- (6) Personality. This includes the competence of the entire organization including the president, i.e. competence to delegate decision-making.
- (7) Type of management function. An AMA study showed where the financial function was the least decentralized; the sales management function highly decentralized; and the personnel function at both ends.¹¹

At the beginning of this section any connection between it and chapter two was deliberately renounced so that the reader could better appreciate the great similarity between the two lists provided above and the reasons given by the food industry leader for decentralizing. If Allen and Dale are qualified authorities, the food chains have picked the correct answer to their problems.

¹¹Dale, Earnest, Planning and Developing the Company's Organizational Structure, (New York: American Management Association, 1952), pp. 110-118.

How Far Down

Decentralization, per se, is meaningless. It will need to be put in relation to degree. The statement has often been made to decentralize to the lowest possible level. It makes little sense to arbitrarily select the size of administrative unit capable of fitting this description. A criterion should exist to determine the extent to which responsibility and authority can be delegated down the line. James C. Worthy, vice president of Sears, Roebuck and Company, a company well recognized as an advocate and practitioner of decentralization gave the following answer: "The administrative unit can be no smaller than that portion of the organization falling within the jurisdiction of an individual who controls enough elements of the total process to make effective decisions regarding the total process."¹²

Mr. Worthy based the above definition on the elimination of a functional form of organization. That is, the form referred to by the chains as multi-line organization. The discussion of this topic will be taken up in the next chapter. However, the concept as presented by Mr. Worthy will have to be touched upon at this point.

Essentially, it means the breaking down of the entire organization in such a way as to allow the units to perform

¹²Worthy, James C., Big Business and Free Men, (New York: Harper & Brothers, 1959), p. 92.

as an entity. The unit can perform as an entity when it has control of an entire process. This in turn would mean that all functions would be based around one focal point which in turn would be the basic unit of the overall organization.

In referring this to a food chain operation, this means that along functional lines, a grocery supervisor could only delegate those functions that pertain to his function; a produce supervisor could only delegate those functions that pertain to his function; the same for the meat supervisor.¹³ Considering the operation as a whole, these are likely to be routine. Any significant decisions will have to be made by the person that all the supervisors jointly have as a superior, for it is this person that controls all the elements that keep the entire process in balance. Now, if this person does not exist at the next level and all the supervisors report to their respective superiors, who also perform along functional lines, and so on level by level, one may find himself going all the way up the hierarchical ladder to the president of the company before finding out the degree to which the firm has been decentralized. The answer would be: not at all.

Thus, the decision as to how far down to decentralize will depend upon what is the smallest "organically coherent" workable unit where all the elements of a process are under

¹³The most meaningful functions are these three.

the jurisdiction of one individual, and he can be held responsible for its performance. Most firms find that such a unit can be no smaller than that which fuses all the elements necessary for control of net profit responsibility, embracing all vital elements that produce sales, affect costs, expenses and capital expenditures. In most chains, the smallest unit would be a division or, at the minimum, a branch.

Summary And Conclusion

Decentralization is delegation of decision-making. Also, there is no black or white dichotomy between decentralization and centralization. Both of these concepts are matters of degree and, as a result, there is a wide variation of types, forms, interpretations, levels, and uses of both. Correspondingly, absolute decentralization and absolute centralization, in the strictest sense, are only the polar extremes, which mark two ends of a wide range of possible patterns. Actual patterns lie at various points between the two extremes and embody elements of both centralization and decentralization. Further, this pole to pole range can exist either vertically or horizontally.

The decision as to which end of the continuum the firm should direct its actions can best be answered on an individual firm basis and does not lend itself to industry-wide general-

izations, except in describing tendencies. This will also hold true of the decision as to when a firm should embark on a decentralization program. If authoritative criteria are sought, they can be found in the literature. Two were cited, Allen and Dale.

Further, a firm can decentralize as far down as process units can be established. As soon as the decisions can be delegated only along functional "tunnels," the ability to decentralize any further has ceased. In a food chain the lowest level that could possibly contain all the elements within the control of one individual appears above the level of store manager.

CHAPTER FOUR

SINGLE-LINE ORGANIZATION

Originally, the single-line form of organization did not develop for the express purpose of facilitating decentralization. Although newer than multi-line, it had been rather extensively used prior to the food industry's use of decentralization. Nevertheless, it was felt that one of the keys to the successful development of decentralization would be the creation of a unified leader at the various levels of the organization. Further, that this executive would receive the necessary amount of staff personnel.

At store level this meant the creation of a store manager in fact, as well as in name. It brought the various department heads under the store manager. In short, the multi-line form of organization, based upon "function," would be replaced by single-line organization based upon a unified chain of command from the top level of operating management to the store manager, then to the various department heads.

There are many slight variations of the single-line form of organization. But, they all have the one basic characteristic of complete authority. At store level, its essential feature is the placing of the responsibility, and commensurate

authority, for the successful operation of the entire unit upon the store manager. The line of authority then descends to the department heads.

Single-line organization has several advantages. And, the proponents of multi-line organization are quick to point out that it has several disadvantages. However, these disadvantages are not insurmountable and can be easily overcome. These two points of view are now discussed.

Advantages

The first advantage that is provided by single-line organization is that it pinpoints responsibility. By giving centralized authority it will provide for accountability to be more readily seen and placed. This accountability is a recognition on the part of the store manager that his performance will be evaluated. This process not only involves the use of the control function, but also "broadens out to include all the techniques and attributes of effective leadership."¹

Secondly, single-line organization allows the manager to be free from much of the detail work. Since the store is divided into departments, the department heads can supervise the departmental details and the store manager can give his

¹ McFarland, Dalton, Management Principles and Practices, (New York: Macmillan, 1958), pp. 204-208.

attention to more "responsible" decisions.

Another advantage given for single-line organization is that it will allow for harmony between departments. Under multi-line organization, feuds may arise between departments. In addition, any joint efforts will be based upon constant "collective bargaining" between the various department heads. In a majority of cases it will end up in "mediation" or "arbitration" by supervision. However, since supervision is also divided along functional lines, "collective bargaining" begins all over again. Thus, since each manager has equal authority, disagreements are not as readily resolved as if one person had the authority.

The fourth advantage stems from the third advantage listed. Although under multi-line organization each manager is given equal authority, their areas of responsibility are far from being equal. The domain of the grocery manager is far greater than that of the other department managers. He has many more sub-departments, a larger number of personnel, greater financial responsibility, a larger amount of merchandise, and a larger total floor area than meat or produce. In addition, he performs many functions which are store-wide in nature, e.g. store security and the checkout function. Single-line organization adjusts for this "inequity."

Disadvantages

Certain disadvantages of single-line organization can be presented by the proponents of multi-line organization. However, many firms who are developing single-line organization are cognizant of these disadvantages and have initiated programs, within the purpose of single-line organization, to lessen or eliminate these disadvantages. One of the disadvantages is that too much responsibility is placed on one man. In order to cope with this, firms have developed co-managers in order to assist the store manager. In addition, stores have developed more departments to lessen the load on the manager. Both of these developments have been realized without compromising with the principles of single-line authority.

A second disadvantage of single-line organization is the inability of the industry to find capable men to fill this position. However, the firms using single-line organization contend that training for the store manager is not much larger in scope than training for the grocery manager, and any intelligent grocery manager can be trained to take over the functions of store manager. To cope with the immediate problem of filling store manager positions now, chains have installed on-the-job training programs. Again, it is pointed out that no compromise has been made with the principles of single-line organization by installing these training programs.

Another disadvantage of single-line organization that has been pointed out is that technical skill is usually lacking in meat operations and thus the store manager will be unable to supervise this department properly. The proponents of single-line supervision contend that it is not the technical knowledge that is important to the "general" manager; he can perform his executive duties of supervising without them. "Perhaps the best analogy to an executive's job is that of the symphony conductor under whose hands a hundred or so specialized and very different talents become a single effort of great effectiveness. No conductor can play every musical instrument, and no more can an executive be skilled in every talent he is called upon to supervise."²

The last disadvantage of single-line organization to be brought out is that of the pragmatic principle, "dual-line organization is working" and there is no apparent reason for changing. The apparent reasons for changing that are offered by the single-line proponents are the advantages of their type of organization; (outlined above).³

²Greenwalt, Crawford H., President of Du Pont, as quoted in the Cookie Jar, Vol. 1, No. 4, (May 10, 1960).

³Sherwin, Caryle J., A Study of the Aspects Involved In The Management of a Supermarket, East Lansing; Thesis for M. A. Degree, Michigan State University.

Summary And Conclusion

The successful development of decentralization depends to a great extent upon the single-line form of organization. For it is this form of organization that will fulfil Worthy's requirement of having enough elements of the total process in the hands of an individual.⁴

There are disadvantages along with advantages in the use of single-line organization. However, these disadvantages are being overcome by the users of single-line organization.

However, the grouping of all present responsibilities under a titular head, the store manager, by itself will not accomplish store level autonomy. More important would be the establishing, at store level, of significant decision-making in the various functions related to food retailing. The feasibility of performing these functions is taken up in the next chapter.

⁴

Worthy, op. cit., p. 93.

CHAPTER FIVE

FOOD RETAILING FUNCTIONS

The extent to which store level autonomy can be realized will depend upon the practicability of decentralizing various functions to the store manager. The task becomes one of determining which functions can be better performed at a store level. Also, if a store manager is told, that as a result of decentralization, he will need to assume new responsibilities and greater authority, he will react by asking "authority and responsibility over what?" This is probably a question that upper level management should have asked themselves, and thoroughly investigated, prior to the presentation of promises of this management tool to the store manager.

Several functions relating to chain store retailing operations were indicated in chapter two. These functions can be grouped into eight general categories: purchasing, buying, personnel, merchandising, pricing, promotions, customer services, and budgets.

Purchasing

Included in this category are the large and small capital expenditures in the areas of equipment and supplies. For the most part, this function is centralized. Equipment generally

requires a large expenditure. Thus, the owners (stockholders) will hold top management, specifically, accountable for the successful performance of this type of purchase. Also, centralization leads to expertise.¹ Each individual store manager cannot be expected to have the technical knowledge necessary for the most efficient selection of store equipment, e.g. frozen food freezers, automatic check stands, etc. This task can be better performed at a central point by a well qualified individual. In addition, savings can be realized when this purchase is made centrally. This results from both quantity purchases and knowledge of the correct source of supply.

The purchasing of supplies is also centrally performed. The major reason is the savings from quantity purchases. In the case of an emergency, purchases can be made from other sources. However, if at all possible, clearance will be necessary from the appropriate superior. If this is not possible, a limited expenditure may be made by the store manager.

Although the store manager is not responsible for the equipping of the store, he is responsible for its correct use. Also, he is responsible for the rate of usage of supplies. Thus, once given the equipment and supplies, it will be up to store managers to use them correctly and prudently.

¹Simon, Herbert A., Administrative Behavior, (New York: Macmillan Company, 1960), p. XIX.

Buying

The buying function is also greatly centralized. Involved in this function is the buying of goods for reselling. Reasons for centralizing this function are identical to those involved in purchasing, i.e. expertise and savings from quantity purchases. So important are these savings that the independent operators were willing to give up some of their "sovereignty" to a voluntary or co-operative group in order to realize them. It hardly appears appropriate for the chains to decentralize this function and lose these savings.

There are firms that will allow a limited amount of buying at the store level. This is generally confined to geographically distant stores that are relatively isolated and are able to purchase from the local market at a better price than from the warehouse, while fulfilling the quality standards of the company. Produce items are the best example of this type of purchase. Another example of the buying function existing at store level is found when a store has a consumer demand peculiar to that store, e.g. nationality or ethnic groups. However, similar to purchasing, clearance is required in many cases. The degree of clearance necessary will vary among firms.

Aside from a few exceptions, the store manager has very little responsibility in the buying of merchandise. Even in the exceptional cases, substantial limitations are placed on

his authority to buy.

However, in both buying and purchasing, the store manager has the right to make suggestions. The degree of acceptance that these suggestions will receive is difficult to measure. It will depend upon how a supervisor receives them. For example, a number of store managers from several chains relate how they have stopped making suggestions to their supervisor, inasmuch as they, the supervisors, paid little attention to them. On the other hand, there were probably an equal number of managers who felt that their supervisors paid a great deal of attention to their suggestions. In either case, the most that can be said is that the store managers may be able to play the role of an advisor, with the advice generally being volunteered rather than requested.² However, the ability to advise, or suggest, in most cases, existed prior to the use of decentralization. More specifically, the degree of acceptance on the part of supervisors has always existed. Some supervisors listened and continue to listen to the ideas

²References to instances, and examples used in this entire chapter, are based upon interviews with several members of corporate food chains. Also, many of the conclusions reached in all of the sections of this chapter are based upon these answers. Their request for anonymity will be respected. The following is a breakdown of the groups: 8 store managers from 4 firms; 2 "district" supervisors from 2 firms; 2 divisional personnel heads from 2 firms; and 8 Michigan State students who held store manager or next to store manager positions.

from store managers; others have not and do not listen to their managers. Also, many of the supervisors are selective in that they will listen to some and not to others. There is nothing personal in this last approach. It merely reflects the supervisor's judgment as to which manager has something to offer.³

Personnel

The personnel function had its origin as a device for assisting line supervisors in hiring people, i.e. recruitment, training and selection. It was natural for personnel specialists to desire expansion of their responsibilities and authority so that more standardized systems might be applied as well as the normal hope that more lucrative positions would result. In the guise of expertise and assistance many other tasks came within the domain of personnel. These included; labor relations, transfers, promotions, wages, increases, grievances, discharges, dissemination of pertinent

³Kahler, Ruel C., "How Chains Control Merchandising," Super Market Merchandising, Vol. 26, No. 25 (May, 1961), pp. 50-66.

Included in this article is the description of buying and merchandising functions among 55 large and medium-size chains interviewed by Dr. Kahler. Specifically the article deals with the central office-division relationship and gives no reference to buying below the division, or district, level. However, the article has pertinence to this paper in that only in some cases is this function completely delegated to the division or territory. Thus, if it has not reached the division level, it could not have reached the store level.

information, and counseling of employees. Supervisors welcomed this lightening of the work load. However, as G. B. Arthur, Jr., Vice President of the Personnel Division, American Management Association points out, supervisors lost the respect of their subordinates because they no longer made decisions concerning matters of vital interest to their employees. Without this respect their job became more difficult. As a result, many supervisors felt that they were no longer part of management.⁴

The above situation exists among the corporate food chains. That is, generally speaking, the personnel function is centralized. The only difference would be future historical development. Since the supermarket industry is relatively new, the personnel function began as a centralized function.

Moreover, there are advantages to having this function centralized. These have already been mentioned; assistance and expertise. In addition to the usually recognized areas where expertise is needed, e.g. interviewing, investigation, testing, etc., there are other factors that have made urgent the use of well qualified persons. These are the union and legal considerations. Governmental and/or union activities

⁴ Arthur, Guy B., Jr., "The Scrutiny of Personnel Practice," American Management Association Personnel Services Number III, New York. The opening remarks of this section are also based on this article.

have greatly complicated employee-employer relationship. These activities are not necessarily either supported or condemned in this paper. But it is recognized that "intricacies" have resulted. Thus, for example, improper hiring can lead to many undesirable consequences, such as punitive action from government agencies and commissions, law suits, and grievances. Persons trained for the task of hiring, and who also have access to pertinent information, can reduce the number of incorrect hirings.

Several firms allow a certain amount of store level hiring. One such instance would be a store that is located far enough away from a branch office as to make it impractical to have centralized hiring. Even so, screening by the central office is often practiced. Another instance of store level hiring would be the hiring of certain types or categories of employees. An example of a type would be part-timers; of a category, pack boys. However, any form of store level hiring may possibly expose the firm to unwanted consequence. For example, there have been instances where a store manager has hired a person discharged for some significant offense from a sister store of the same firm, e.g. stealing, malicious destruction of company property, etc. If, at least, centralized screening were employed, some of these errors would be discovered.

The above discussion has covered the pre-selection, or selection, phase of the hiring process. But of equal, if

not greater, importance is the post-selection phase. This is generally referred to as a trial period and usually covers 30 or 60 days. Hiring cannot be considered complete until the potential employee performs successfully during this period. This is the phase in which the store manager participates in the hiring process--for, the applicant must receive the store manager's approval following the short probationary period. This is true if the store manager exercises this prerogative and if the supervisor and central personnel offices respect this sanction. Nevertheless, although limited, the participation in post-selection phases of hiring may be looked upon as significant decision-making by the store manager.

The hiring task is not the only mission that is included in the personnel function. The others were mentioned above. In each of these tasks one finds the same situation in regard to central expertise and limited delegation as was found in the hiring role. Some random exemplifications are: decisions on transfers and discharges, when completely left to the line, may lead to serious union grievances; promotions and wage increases, without centralized restrictions, could result in serious inequities between individuals performing the same task equally well in other units of the same firm (union seniority and wage scale clauses have a great bearing on this point); dissemination of pertinent information without some

form of centralized review could lead to inconsistencies in company policies. Of course, this point has little bearing on situations where the information concerns only the operations of the respective unit and does not transcend company policies.

Another task of personnel is that of training. The store manager's participation in this role is very significant. He is depended upon to perform this job to the best of his ability. For, in many cases, this is the only form of training that the employee will receive. However, it is very difficult to call this delegated decision-making and not the delegation of a specific job, i.e. the job to train.

Thus, one finds the personnel function essentially centralized, but with the store manager exercising considerable participation, at least more than is found in buying and purchasing.

Merchandising

Included in this section will be product presentation; commodity selection; and space allocation.

In regard to product presentation the store manager is allowed, in fact requested, to use a great deal of individualism. New and clever ideas on displaying are always welcomed in supermarkets. But to say that the store manager has complete freedom in this area would be incorrect. For it was

indicated in chapter two that methods of presentation are of considerable concern to central staff people, e.g. buyers. Further, statements made by commodity merchandisers are not looked upon as mere suggestions or advice but, at the very least, subtle orders. And this is as it should be, for these "staff" men are selected for their qualifications. Not to respect their "authoritative suggestions" may imply a lack of competence. However, if product presentation is properly performed, one can say that the store manager has freedom. Thus, product presentation is left up to the store manager, under the limitations placed by the judgments of supervisors, commodity merchandisers, and buyers.

To measure the degree of freedom that the store manager exercises in the area of space allocation is very difficult. This results from having more than one kind of space allocation. For example, if one refers to the amount of space the particular departments will occupy, the store manager has very little authority. The physical plant is generally given. If one refers to the amount of space sub-departments will occupy within a department the store manager has a little more, not complete, freedom. In regard to the amount of space commodity groupings, e.g. canned peas, will occupy, the store manager has considerably more freedom. If the reference is to items within commodity groups the store manager has just about complete freedom. However, even among these latter forms of

space allocation, one finds limitations. This results from the expertise that can be provided by the central unit.

One example of the use of expertise is the set-up man. In a limited number of cases the desire to use the set-up man originates with the store manager. When this is the case, one can say that the store manager has freedom of action.

Another example of the use of expertise is the company or division-wide space allocation programs prompted by formal and intense studies conducted by a central unit. A Michigan division of a national chain, which has been in the middle of such a program, contends that the ultimate decision to make use of these findings rests with the store manager. The division's task is merely that of selling the manager on the idea. The question left unanswered is what degree of "selling" is used? Can one expect the existence of a rebel manager to be completely acceptable and without creating any degree of animosity?

Considerable freedom is exercised by the store manager in the area of commodity selection. Understandably this is confined to the marginal items. That is, the bulk of the items must be carried. These are the items that one generally expects to find in a supermarket. However, the special items that reflect the shopping habits of the customers in a particular store are, to a certain degree, under the domain of the

store manager. Another factor influencing the selection of commodities is the amount of available space. Stores vary in size and thus amount of items handled will vary with this limitation. As indicated in chapter two, these were some of the reasons why the chains considered using decentralization. It was felt that since the store manager was the closest to the scene he would better be able to select the correct marginal, or special, items for his store. Actually, this function always was expected of the store manager. What top management was now interested in doing, was to impress upon the store manager his obligation to exercise this sanction with more earnest.

Thus, one finds that the three factors discussed under the heading of merchandising vary among themselves as to the degree of freedom allowed the store manager. Taking these factors collectively, it can be said that the merchandising function, among the four thus far discussed, allows the greatest degree of freedom for action.

Pricing

Except for markdowns, the pricing function is centralized.

Promotions

Included in this category are external promotions as opposed to in-store "special" displays, i.e. newspaper

advertising, trading stamps, premiums, contests, radio and television commercials. Except for suggestions or ideas that the store manager may be allowed to make, this function is centralized. That is, the store manager may be asked what he feels will be of particular assistance to his store. However, since the promotion function is dependent upon other functions, it is difficult to separate this and have it performed autonomously. For example, items selected for newspaper advertising will depend upon the present wholesale price and availability of sufficient stock, which are the responsibilities of the buyer.

Another problem is raised by area wide newspaper advertising. A consumer expects to find an advertised item in any store of a particular chain, within the coverage of a newspaper. The same will hold true of radio and television commercials. Mailed advertisements do circumvent this problem.

Thus, except in an "advisory capacity," the store manager has little responsibility in regards to the promotion function.

Customer Services

Included in this category are the non-personal customer services. That is, the personal qualities such as courtesy and friendliness are a reflection of individual characteristics and will be considered as necessities for the proper

conduct of business and should be developed wherever and whenever possible. Customer service as used in this section refers to the services provided by the firm and includes such things as cashing checks, piped-in music, store hours, and courtesy booths.

The provision for these services either originates from and is provided by a central unit or is approved by a central unit after the store manager suggests them. However, the follow-through or use of these services reflects the individualism of the store manager. That is, once given, the store manager is held responsible for their use.

The Budget

To the store manager one of the most significant developments arising out of "decentralization" has been that of the participating budget. Briefly, this involves the store manager establishing the budgetary figures for each item in the list of "controllable" expenses. Controllable expenses being defined as those items in which the store manager has a definite part in the results. Also, these figures are subject to review by his superior and can be judged correct, or overly-optimistic, or overly-pessimistic. Occasionally this review of an individual store's budget may go to higher levels of management. (Of course the district's budget is reviewed by higher authorities.)

There are two basic ingredients to the establishing of a food chain's store budget. One of these is the sales forecast, based upon the best available information. The other is the calculation of the expense figures upon this forecast. Further, the figures derived do not necessarily reflect an established chain wide pattern. Any similarity between the figures of two stores would only arise where the variables in these two stores are similar, e.g. the factors involved in the utilization of electricity are alike, such as, store hours, freezers, light fixtures, etc. Any figures based upon a pattern will only reflect goal setting and not budgeting. This is not to say that goal setting should be completely avoided. On the contrary, it is a very good tool for motivation. However, it should not be the influencing factor in the formation of a store's budget. Rather, the governing factor should be the actual needs of a particular store, as correctly as these can be determined.

In order to avoid any misunderstanding, the following point should be made. Budgeting, as a form of management planning and control, has a great deal of merit. Its use by food chains is a step forward in providing realism to the standards by which a store manager's performance will be judged. However, budgeting, even a participating budget, is not in of itself a characteristic of decentralization. That is, decentralization needs participating budgeting, but par-

ticipating budgeting has existed without decentralization.⁵

Summary And Conclusion

Thus, consistent with the McMurry findings⁶ one can conclude that the store manager has little responsibilities in many of the functions necessary to consider him a miniature entrepreneur. However, a limited amount of participation, based upon "suggestion making," is allowed. This limitation reflects, in the main, the supervisor's acceptance of suggestion. However, this situation existed prior to decentralization. That is, supervisors have always respected the opinions and suggestions of the "strong" manager. Also, they have always ignored those of the "weak" manager.

In short, the ability to make suggestions is not altered by the change from centralization to decentralization. Therefore, the acid test becomes the ability of the store manager to perform those functions that are characteristic of a miniature entrepreneur. There is very little evidence that the store manager does, or should, perform these functions.

⁵Heiser, Herman C., Budgeting, (New York: The Ronald Press, 1959).

⁶Proceedings of the Mid-Year Conference of Super Market Institutes. Bal Harbour, Florida, 1961, p. 61.

CHAPTER SIX

THE MANAGERIAL TALENT

Implicit, if not explicit, reference already has been made to people, the store manager in particular. The problems of the organizational structure cannot be separated from the people who make up the organization. For the squares on the organizational chart are not merely theoretical jobs, but represent humans. The organization has an intangible "soul" only when both of these elements are present, i.e. structure and people. Thus, a weakness in either one will result in a weakness in the total. Specifically, the reference here is that a plan consisting of all the logical theoretical conceptions applicable to an apparently well conceived decentralized organizational structure, but with little or no thought given to the human resources necessary for the successful application of such an administrative technique, will in reality be meaningless.

Several considerations were presented in the previous chapters concerning the reality of extending store manager autonomy from the structural point of view. This chapter will deal with several considerations concerning the human aspects necessary to meet this need, if this need actually exists.

The Need

"The optimum organizational structure is a variable, depending for its form upon the staffing of the agency. Conversely, position is a variable, depending upon the degree of centralization or decentralization which is desired or anticipated in the operation of the organizational form."¹

If the abilities, or resources, of the store manager for making correct decisions are strong, decentralization becomes more possible. Further, if these resources are lacking, and they are strengthened, again decentralization is possible.²

Store managers, under relatively true decentralization, merely do not carry out instructions that are given by people higher in the hierarchical ladder. They are asked to run the unit as a business firm, and not as an individual outlet within a business. This requires a completely different type of individual as store manager than was required under previous methods of operation. It requires a person that will be called upon to think for himself and to make significant decisions. Corporate food chains will need to ask themselves two questions when, and if, they find decentralization to the store manager feasible. First, does their present "supply"

¹ Simon, Herbert A., Administrative Behavior, (New York: Macmillan Company, 1960), p. 228.

² Ibid., p. 236.

of managers meet this requirement? Secondly, what means are or will be taken to develop the necessary qualifications?

Executive or Manager or Sergeant

The term "sergeant" is used to describe the type of role the store manager plays and is not used as a prestige, or status, designation. The same is true when the term executive is used. In other words, the terms are intended to differentiate between two possible types of leadership that the store manager may exert. One, a sergeant type of leadership, is exemplified by an individual who works in a highly structured job with limits on his scope of decision-making, but is successful in getting work done. An executive type of leadership is exemplified by an individual who makes decisions as "an entrepreneur" of the store he is operating. This is the meaning that these terms will have in this section.

The McMurry report to SMI stated that top management was unrealistic in its conception of the store manager's role. Instead of a superior in charge, it is more realistic to describe him as having a squad leader or sergeant type of leadership. This conclusion was reached after studying managers from ten super market market chains; and thirty-six of these managers in detail. Further, the study's conclusions were based on the degree of control the store manager has over various functions. This was described in chapter five. Re-

capitulating briefly, the store manager's responsibility and scope is limited in various degrees, in the areas of "financing, locating and housing the store; buying and handling and promoting the sale of merchandise; staffing the store, hiring and firing, wage setting and union negotiating; pricing (other than markdowns); advertising, public relations campaigns; establishing operating policies or procedures."³ The reader should keep in mind that these were conclusions reached in a survey. Thus, exceptions may occur. It is conceivable that any one of the various functions may be handled more autonomously by store managers of a particular firm. Further, some food chains may have particular store managers working autonomously. Also, this autonomy may vary considerably among these selected managers. However, although general conclusions are based on the knowledge of a number of specific cases, these conclusions can be only influenced, not determined, by exceptions.

Reports have inferred that the top management people on the panel reviewing the pilot study disagreed.⁴ This is not substantiated by the published proceedings of the 1961 mid-year conference of Super Market Institute. In this review session no one disagreed on the question of the role of the

³Mid-Year Conference, op. cit.

⁴Waxenburg, Richard, "Managers are Front-Line Execs," Chain Store Age, Vol. 37, No. 3, (March, 1961), p. 13.

store manager. The differences between the panel members and the report was on the question of the store manager's control over sales, gross profit, and net profit of a store. However, the essence of their remarks merely substantiated the McMurry report's position. For, the first sentence of this controversial area, section C of the report stated, "almost all of the companies have apparently failed to recognize that a store's operating results can be attributed only in part to its managers."⁵ (underline added) One dissenter, C. M. Newman, Hinky-Dinky, had the following sentence in his remarks, "It is true that our store managers have little to say about prices and advertised specials."⁶ The only other dissenter, Ray E. Dillion, Jr., J. S. Dillon and Sons, made this statement in his remarks, "I think we all realize that there are things that he does not have control over."⁷ Thus, at least outwardly, the report was accepted by the group.

However, there were chains that did disagree. They considered the store manager a "Front-Line Executive."⁸ In fact, the previously cited article was a feature describing the executive functions of a chain's typical manager. But,

⁵ Mid-Year Conference, op. cit., p. 62.

⁶ Ibid., p. 71

⁷ Ibid., p. 70

⁸ Rosen, Jerry, "Chain Supermarket Manager; Front-Line Executive," Chain Store Age, Vol. 37, No. 4, (April, 1961), p. 83.

in reality, it was an article substantiating the McMurry Pilot Study and answers to it only in intent. The following repertorial commentary is made for the reader's judgment.

The article contains the usual glittering generalities concerning the need for increased responsibilities at the store level and thus the change in role from manager to front-line executive. No exception is taken of the remarks concerning the change that has transpired in the supermarket industry. Also, the note that today's customer is a more skillful shopper will be accepted as fact. However, the excerpts that follow hardly substantiate the contention that the store manager's role approximates that of an executive rather than a sergeant, or even a manager. These excerpts contain both statements by the "front-line executive" as quoted by the author of the article and remarks made by the author.⁹

The statements, "It (the front-line executive's job) means I must check, check, and check all the time. Maybe 20 times during the day I walk the aisles, checking every

⁹Ibid., pp. 83-90. The underlined and parenthesized items are those of the writer of this paper. Presented are only a few of the excerpts which highlight the "executive functions" as described by the article. A more complete list of excerpts can be found in the Appendix. The comments made about the selected passages can also be made for the entire list of excerpts.

department, watching general appearance, cleanliness, rotation, variety, price, etc." are more characteristic of a "squad-leader" form of leadership than that of an executive performing a significant decision-making function. These tasks are dictated by definite company rules, and rightly so. One can see a definite connection between the above quoted statements and the remark made by Keith Jewel, of the McMurry Company, when he stated, "In one or two instances, a man might claim to be an entrepreneur, but when you penetrated that, you would find he was a purveyor of company policy, and very much in favor of doing that."¹⁰ In short, one of the store manager's tasks is to see that the rules, procedures and standards are maintained as prescribed by the firm's central organization.

When the personnel function was touched upon, one almost had the feeling that, at last, here was a definite possibility of describing the leadership of the store manager as that of an executive. However, a careful look at two passages from the article quickly dispelled this illusion. The first excerpt reads, "We seldom have problems with store personnel," Mr. (Executive) said. "Almost 100 per cent of the time, when a question comes up, it concerns an employee's working hours. Maybe a clerk wants a different day off, or a different shift. We can usually arrange these changes without any trouble."

¹⁰Mid-Year Conference, op. cit., p. 74.

Although an important, or rather a necessary, decision regarding the operation of the store was made in this instance, one can hardly call this a decision of high significance. As the statement inferred, it was routine.

Another excerpt reads, "Since his store is far removed from the branch office, Mr. (Executive) does all the hiring for the store." Without the qualifying phrase this statement would have served as a good example of a function that characterizes the store manager as an executive. But, apparently this was not typical, but an exception. It seems that the hiring was generally done at the branch office. A generalization could not be made from this exception.

One cannot help but feel that in this area of personnel, the author of this article missed an opportunity to add to his argument. He could have done so by expounding on the role the store manager plays in training people. Although only an instance, it could have added credibility to his position.

The third area that will be discussed is that of merchandising. The article stated, "No matter where the store, or what size, the manager must know his customers' buying habits. During the year at Peekskill, there is pretty much a mixed population nationality-wise. In the summer, there is an increase in the Jewish population. I make a note of this and I feature many Jewish foods during the summer months. Something as simple as this can be overlooked." If it is

overlooked by the store manager, it will not be overlooked by his immediate superior. All this function amounts to is the following of an established pattern. The influx of Jewish trade will re-occur every year. However, the degree that the store manager will cater to this trade will be pretty much left up to him, but with a substantial veto being voiced by his superior. This is brought out by some additional passages in the article. These remarks will not be elaborated. As was pointed out in footnote number 9, a more complete list of passages appears in the Appendix. If the reader wishes, he can refer to it for a more detailed account.

The article went on to point out that: items handled are authorized; requests for additional authorized items can be made; and that if the manager's suggestion is not carried out, he is extended the courtesy of being told why. Regarding this last remark, one wonders why the store manager did not act, instead of suggesting? That is, why didn't he "stick his neck out?" For, is not decentralization of decision-making, characterized by the ability to take chances? Thus, returning to the Peekskill situation, one finds the store "executive" selecting items from an authorized list; requesting additional items be added to the list, which means the existence of a veto; adapting to an established pattern of consumer demand; and the inference that this constitutes an executive type of leadership.

The critical remarks made in this section should not be construed as an assault on the operating procedures of any company. Aside from the writer lacking the necessary information and qualifications, this type of analysis is beyond the scope of this paper. In fact, these very procedures are some part of the basis for the concluding remarks that will be made. Rather, the comments were made to show that the article did not substantiate its contention that the role of the store manager is one that can be described as executive type decision-making. Instead, it did well in proving that the McMurry report was correct in stating that the store manager is "a unit head in a large enterprise with no major policy decision to make and with little or no discretion or autonomy of action permitted. His job is highly structured with procedures and policies developed to cover most of what he does." . . . But, "a substantial number of present store managers appear to be ideally suited for their work."¹¹

Management Development

A comprehensive study of the subject of management development would be too voluminous. However, pertinent to this paper would be the question: if the McMurry report is correct, what methods are being used by corporate food

¹¹Mid-Year Conference, op. cit.

chains to develop the necessary qualifications to make the store manager autonomous, if store level autonomy is found to be desirable? Dating from the middle of 1960, there appears to be only two published surveys on this question. The first appeared in Super Market News issue of October 31, 1960.¹² The other appeared in Super Market Merchandising issue of February, 1961.¹³ Super Market Merchandising claims to be the only one to date with a published survey of this kind (sic).

The survey in Super Market News showed, whereas 95 per cent of the firms felt the need for management development, only one-fourth establish any formal methods to train managers.

The Super Market Merchandising survey, although decidedly more informative than the former survey, failed to reveal necessary information concerning the breakdown used in the results. For example, the results were divided into two categories; companies with less than fifty stores and companies with more than fifty stores. But, no mention was made of the number of companies in each category. Further, no mention was made of the number of stores held by the smallest chain considered in the poll. Also, no reason was given for

¹²"Poll Finds Quarter of Chains Push Manager Development," Super Market News, Vol. 9, No. 44, (October 31, 1960), p. 30.

¹³"How Much Management Training?," Super Market Merchandising, Vol. 26, No. 2, (February, 1961), pp. 55-61.

using number of stores as opposed to dollar volume in categorizing the stores. Dollar volume would be much more meaningful when determining either the means to support a management development program or the need to have one at all.

Nevertheless, advised of these shortcomings, one is able to obtain an indication from the data. The survey was based on twenty-six companies controlling 5,363 stores. The survey showed that 72 per cent of the companies in the poll reported that they had a management training program. Breaking it down, 56 per cent of the firms with less than fifty stores and 100 per cent of the firms with 50 stores or more stated that they had a program. However, since a broad interpretation can be made of what constitutes a management training program, the figures are less meaningful than the answers given to more specific questions. These questions and answers were:

- (1) What management tools are used? Sixteen tools were listed:

Conferences or group discussions; coaching by immediate supervisors; periodic performance review and audit; psychological testing; individual counseling; college recruitment program; lectures or talks by company executives; post-appraisal interviews; standards of performance; inventory of executive's opinions of associates; key-man lists; lectures of talks by outside speakers; opinions of subordinates; and house organs.

- (2) What instructions methods are used? Twenty-two methods were listed:

In-company training course; job experience on a planned basis; systematic attendance at conferences, clinics, at company expense; understudy or "assistant-to" positions; planned job rotation and transfers; individual membership in professional organizations at company expense; management courses in colleges or universities; special trainee positions; films, slides, etc.; other outside reading and study; junior board or multiple management plans; buzz sessions; small group discussions; training by outside consultants or specialists; planned visits to other companies; workshops; role playing; and forums.

- (3) What manuals and charts are used? Eleven were listed:

Store manager training course; job specifications for all executives; organization charts; company policy manual; meat cutting manual; produce manual; dairy manual; checker's manual; delicatessen manual; general merchandise manual; and store manager manual.

A chart showing the results of these questions appears on page 90. It shows that, at best, the chains are making only a fair showing in the development of management training programs. Actually, the picture may be more grim¹⁴ than these results indicated. For example, the survey showed that 100 per cent usage appears four times on the chart. In each instance they appear in the 50 or more store column. Also,

¹⁴The word grim is used inasmuch as the cited article stated that the chains recognized that an urgent need existed for developing management people.

the three tools showing 100 per cent usage are: conferences or group discussions; coaching by immediate supervisors; and lectures and talks by company executives. The instruction method scoring 100 per cent was in-company training. All these tools or methods are subject to very broad interpretation, e.g. the most informal gatherings can be interpreted as a training conference; any talk given by a company executive, no matter what the primary purpose of the talk, is a form of training; included in coaching by immediate supervisors can be the "every-so-often" use of this training tool; and in-company training can be applied in various degrees, and thus could be so meagerly used as to be meaningless.¹⁵

¹⁵Ibid., p. 57. These last comments were based upon the information in a section of the cited article entitled "Training Terms."

Percentage of compa- nies using	No. of Mgm't. Tools Used ^a			No. of Instruc- tion Methods Used ^b			No. of Manuals & Charts Used ^c		
	50	50	all co.	50	50	all co.	50	50	all co.
100 per cent	0	3	0	0	1	0	0	0	0
90 - 99	0	0	2	0	0	0	0	0	0
80 - 89	2	2	0	0	2	0	0	1	0
70 - 79	0	2	1	0	5	1	0	2	1
60 - 69	1	1	3	1	5	2	2	2	2
50 - 59	2	3	0	1	3	1	2	1	0
40 - 49	2	1	3	1	3	7	0	2	4
30 - 39	1	2	1	6	1	4	2	0	0
20 - 29	1	1	3	4	1	4	2	2	2
10 - 19	4	1	2	3	1	2	2	1	1
Under 10	3	0	1	6	0	1	1	0	1

16

- a. Sixteen tools listed.
b. Twenty-two methods listed.
c. Eleven manuals and charts listed.
- Companies with less than 50 stores.
- Companies with more than 50 stores.

¹⁶Ibid., p. 56. The chart was formed from three charts appearing in the cited article.

Summary And Conclusion

Contrary to top management's conception, but to an extent consistent with the supervisor's and district manager's image, the role of store manager appears to be of a non-executive nature. It is more sergeant-like. Also, the qualifications of the store manager are consistent with this role and not that of an executive.

Further, desire exceeds application in the area of management development. If this desire, or realization becomes more acute, application could become much greater.

The question of whether or not to provide management training that is oriented towards autonomous decision-making may be academic. The primary question is whether or not autonomous decision-making, at the store level, is desired, or necessary. It may be that this apparent apathy in providing the necessary training is in reality a subconscious recognition by top management that store level autonomy is a fiction.

CHAPTER SEVEN

SUMMARY AND CONCLUSION

Many of the corporate food chains had several valid reasons for turning to decentralization as an administrative technique. It may appear presumptuous to have investigated these reasons. To some it may have appeared less laborious and more to the point to have accepted these reasons, or problems, as given and to proceed with the investigation of the remedy -- decentralization. This may be valid reasoning for after all who, besides the chains themselves, would know better their problems. However, although it is the patient that will reveal the symptoms, it will be the knowledge of these symptoms that will make an investigation of the proposed remedy more meaningful.

The problems that confront the chains result from two causes. One, elephantitis or bigness which gives rise to internal problems. Secondly, the appearance of more formidable competition from the improved independent operator and increased competition from other chains, which give rise to external problems. As mentioned, the chains turned to decentralization as a solution to these problems. In investigating the several problems (8 were used), it appeared

that great care was needed in interpreting these problems. However, after making the necessary adjustments, the problems were found to be substantial.

Further, the decision to decentralize appeared to be sound. This conclusion was based upon comparing the reasons for decentralization given by the firms to criteria provided by Allen and Dale.

Decentralization can be applied in various degrees, on a continuum, both vertically and horizontally. Using either measure, one finds the amount of decentralization to the store manager at the negative end of the continuum.

Using the first form of measure, vertical, one finds that by definition decentralization will decrease down the hierarchical ladder. The question then becomes at what level on this hierarchical ladder does autonomy cease to exist? Using Worthy's measurement, one finds that the unit must be no smaller than that portion of the total falling within the jurisdiction of one individual who controls enough elements of the total process to make significant decisions affecting that process. The development of single-line organization fulfills part of this requirement. It has grouped a unit under one person. The store manager is now the titular head of the store and will be given the courtesy of being the first one informed of any wrongs in any part of the store operation. However, it is questionable that the other part

of the requirement, significant decision-making, is being fulfilled. In order to substantiate this statement, the other type of measurement, horizontal, will be discussed.

Before proceeding, it may be appropriate to comment on the term "significant." One certainly agrees that a decision that involves appropriate action to be taken in the case of an injury to a customer or employee is significant. However, the term as used in this paper refers to the importance that a decision bears on the process that Worthy describes, and also as a measure of degree of participation that the store manager exercises in the various functions.

Used in the above context, functions performed and the amount of delegated decision-making exercised by the store manager appear on the negative end of the horizontal continuum. As was pointed out in chapter five, there is no reason why this situation should not exist, for there are many benefits to having these functions centralized.

Further, if the above situation were reversed and more store manager autonomy became practicable, a great selling campaign would be necessary to convince middle-management of this need. Also, a more active store manager training program would need to be installed in order to make each more capable of being autonomous. Generally speaking, the store managers are performing well in their present roles.

Then, one may ask, what is the lowest level of the

hierarchical ladder that autonomy can be said to be a reality, or practical? The answer to this question does not lend itself to a generalization. Each firm will have to provide an answer that meets its own needs. However, one can make the following observations. The problems that faced the various corporate food chains did not result from their being chains. As chains they enjoyed great benefits from centralizing many of their functions. Their problems came about when the chains became too large and the "point of diminishing returns" set in. Thus, the optimum point of operation will exist at that level where benefits can be realized from having relatively centralized functions below it, and relatively decentralized functions above it. It is at that level where expenditures for providing the necessary administrative tools and personnel to realize decentralization will not exceed benefits derived. It is at that level where the firm enjoys the benefits of being a chain and, at the same time, enjoys the benefits of localized autonomy.

At present, this level is not the store manager. There is no need for high autonomy at the store level; and even if the need existed, there are great, if not insurmountable, problems to overcome. The most that can be said is that the store manager has had his participation in the various functions liberalized. But this liberalized participation is important, and all activities should be directed towards

improving this role of advisor or suggestion maker.

Postscript

One cannot help but feel that the conclusions reached in this paper have always been held by many, if not all, of the top management people of the various chains. They may be using the following reasoning: it will do no harm for the store manager to think that he is autonomous. In fact, this may motivate him to do a better job. However, this type of reasoning can only rest on the assumption that the store manager knows no better and will never "catch on." One is not too sure that he will not "catch on" and the whole approach will backfire in that he will have little confidence in anything else that is told to him. The McMurry report may have contended that all store managers are not potential company presidents, but it does not follow that a future company president is not a present store manager.

APPENDIX

Excerpts from "Chain Supermarket Manager: Front-Line Executive" appearing in the April, 1961 issue of Chain Store Age.

"My job is to get the store ready for business and to keep it that way at all times . . . It (the front-line executive's job) means I must check, check, and check all the time. Maybe 20 times during the day I walk the aisles, checking every department, watching general appearance, cleanliness, rotation, variety, price . . . Maintaining a modern chain store so that people will travel out of their way to shop there is a job that begins anew for Mr. (Executive) each morning . . . Mr. (Executive) selects a grocery gondola at random. He spot checks the gondola for accurate price, cleanliness, rotation, proper lineup, variety, and general appearance. What he wants changed he will communicate to the grocery manager . . . (after the other departments are set up), Mr. (Executive) will perform the same function in the meat, produce, dairy, frozen foods, soft goods, housewares, appetizing and drug section . . . From this point, Mr. (Executive) inspects each department periodically. It is his job to be "everywhere"--if not at once then often enough for it to have the same effect . . . During my exam-

ination of each department, if I find something out of line, I call it to the attention of the department heads . . . every Wednesday morning. We go over sales figures, promotions for the week, cleanliness, personnel, and any problems we may have. We get right to work on any problems and iron them out . . . Mr. (Executive) also directs 77 to 88 full and part-time employees, depending upon the season . . . We seldom have problems with store personnel. Almost 100 per cent of the time when a question comes up it concerns an employee's working hours. Maybe a clerk wants a different day off or a different shift. We can usually arrange these changes without any trouble. Since the store is far removed from the branch, the branch personnel office, Mr. (Executive) does all the hiring for the store. . . .

The store manager (!!!!!!?), said Mr. (Executive), must know all of his employees by name, job, how long they have been with the store and what their capacities are. The manager must also be capable of answering any question, either for an employee or customer. He must be able to direct personnel in every department, and be able to take over the department itself. If the produce manager is out, he explained, I must be able to take over for him. I needn't be a meat cutter, but I must know meat. The same holds for all areas of the store

No matter where the store, or what size, the manager

must get to know his customers' buying habits. During the year in Peekskill, there is pretty much a mixed population nationality-wise. In the summer, there is an increase in the Jewish population. I make a note of this, and I feature many Jewish foods during the summer months. Something as simple as this can be overlooked . . . By knowing customer habits and preference, we will have the item. If we don't, perhaps it's because there simply isn't enough demand. If I think we need it, I'll put in a request to our buying office, and we will have it soon . . . I make notes on new items, displays, and so forth, (as observed in competitors' stores). If there is anything outstanding, I pass the word along to our merchandisers or the district supervisor . . .

I am able to plan my own store operation after¹ the sales department tells me what has to be up. I do my own ordering. Naturally, I have to keep my inventory in line with sales. If I find I am not carrying a good, authorized item . . . I can order it direct from vendors or from the warehouse. About 90 per cent of what we order is from the (chain's) warehouse . . . I might tell the produce merchandiser that we can use some extra melons. He might suggest we can afford a larger apple display, with apples between oranges, and a bigger nut display. And very important: if I make a suggestion and it is not carried out, I am always told why, Mr. (Executive) explained!"

¹Experience shows that in many cases the sales department has so many requests that the amount of space left approaches zero.

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