

APPLYING ORGANIZATIONAL PRINCIPLES TO  
THE SUPERMARKET OPERATION

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TO THE SUPERMARKET OPERATION

by

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## ABSTRACT

### APPLYING ORGANIZATIONAL PRINCIPLES TO THE SUPERMARKET OPERATION

by Lynn H. Corson

Interest in the formal organizational structures of business enterprises began in the early part of the twentieth century. Many writers in the field borrowed heavily from the military in setting forth a series of so-called "principles of organization" which helped serve as criteria for relationships within a business organization. There is no such thing, however, as a perfectly organized company, since any enterprise must constantly be changing its organization to prepare for a changing environment. The varying abilities of individuals also creates a need for a flexible formal organization, since the structure must change with the capabilities of the members of the organization.

In the supermarket industry there is a need for a better understanding and appreciation of organizational principles, since the rapid expansion of the business has outrun the suitability of the organizational structure. This is particularly true in the individual market where increased market size and the accompanying increase in personnel has created the need for market managers of greater organizational ability. More careful attention must be given to the assignment of responsibility and authority to



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the employees within a supermarket. The manner of assigning their work and scheduling their time is often the difference between the success or failure of a store.

Today's store manager must be selected on the basis of his ability and desire to organize his market and handle the human relations involved in such an organization. The modern supermarket manager must be given every aid in understanding and applying sound organizational principles.

## INTRODUCTION

Interest in the organization structure and organizational methods applied to industrial management first took shape in the early part of this century. Some of the pioneers--such as Russell Robb, Harrington Emerson, Henri Fayol, and M. P. Follett--were greatly concerned with formulating principles of organization, patterned primarily after the military, and in applying these principles to business management. Since the writing of these pioneers, the discussion of organization has gone slightly out of date. It is no longer a fad. Today managements are interested in such things as motivation and management by consultation.

There is, however, much to be gained from a re-evaluation of these principles of organization. This is particularly true in an industry such as food distribution. There has been a rapid expansion in the size and number of retail outlets in recent years that has placed additional burdens on the store manager. Often a man was forced to make a transition from managing a small store with one or two employees to managing a supermarket with upwards of fifty employees. This placed him in an executive-type position with little or no formal training on how to efficiently organize his working force.

It is the purpose of this thesis to discuss first the general "principles of organization" that might in any way

be pertinent to managing a supermarket. The first part of this thesis deals with these general principles. In the second part a more pragmatic approach is used. These principles are brought to specific store level operation. The third part of the thesis will attempt to point out ways in which the "organizational skills" of the manager can be increased.



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PART I

THE PRINCIPLES

## CHAPTER I

### THE MEANING OF ORGANIZATION

Throughout recorded history man has accomplished his purposes through group activity. Alone he cannot hope to accomplish what is possible through coordinate group action. However, there is a certain paradox in the fact that men do not by nature spontaneously coordinate their efforts. Before any group endeavor occurs there is usually a period of experimentation before the individual efforts can be adequately coordinated. This changing and experimenting with the effort of individuals in the group is typical of successful dynamic organization.

The environment and purposes of an organization are constantly in flux. New methods arise and old ones become outdated and useless. People's wants change. The organization grows or shrinks and new personalities replace old. If the organization is to survive and be useful to its members, it must make adjustments and changes to meet changing conditions. When a new environment and purposes make old organization forms inadequate, the organization must be changed to provide for this. The same is true when new individual personalities replace old ones in the group.

It seems only logical that each enterprise and group can best be served by an organization uniquely fitted to its

own situation. It is reasonable to assume that the organization of a retail store would not be suitable for a manufacturing company. Likewise, the organization of one retail store might be quite inadequate for another. Carrying this further, the organization of a corporation one year might be quite unsuitable for the same corporation a year or so later. If this is true, and the environment and purposes of an organization are constantly in change, it seems only logical that the organization itself must constantly undergo change. If there is one best organization form for each enterprise, then organizational changes must be consciously directed with that in mind. Before any discussion of the direction of organizational changes, it is in order to consider the various aspects of organization itself.

### What Is Organization

The word "organization" as applied to business groups or enterprises has many shades of meaning. The definitions depend on each author's conception of the relative importance of jobs and personalities in the business structure. When considering personalities in business, organization may be defined as "the provision and maintenance of the physical facilities and mental faculties in their proper relationship." Another aspect of organization was defined by an author considering the relationship of jobs as "the process of defining and grouping the activities of the enterprise so that they

may be most logically assigned and effectively executed."<sup>1</sup>

Another writer on the subject broadly defines organization as "the state or manner of being arranged or constituted in interdependent parts, each having a special function, act, office, or relation with respect to the whole."<sup>2</sup> A fourth source says, "Organization may be defined as the act of bringing together related or interdependent parts into one organic whole."<sup>3</sup>

Several factors are common to these various definitions. First, to have an organization there must be a number of parts and secondly, these parts must be grouped together in some logical manner to form an integrated whole. Whenever we speak of organization, we are referring to the inter-relatedness of parts. Whether considering individuals, jobs, organs of the biological body, atoms or molecules, these parts must be linked or coordinated in some manner so as, together, to form a whole that is separate from, but composed of, parts.

### Purpose of Organization

Another important aspect of an organization of individuals is that it must be formed with some specific or general

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<sup>1</sup>Ernest Dale, Planning and Developing the Organization Structure (New York: American Management Assoc., 1952), p.13.

<sup>2</sup>Alvin Brown, Organization, A Formulation of Principles (New York: Hibbert Printing Co., 1945), p. 3.

<sup>3</sup>Samuel E. Sparling, Introduction to Business Organization (New York: The Macmillian Co., 1906).

end in view. Organization implies purposive arrangement. Organizations usually do not exist for their own sake, but are rather formed to provide a means to a desired goal. This goal may range from selling groceries to the worship of God, but its presence is necessary to provide meaning to the organization. Man has many goals and wants that cannot be accomplished by himself alone. Individual endeavor by itself does not suffice in most cases. The organization is, then, the coordination of the endeavors of a number of individuals. The differentiation of the individual endeavors, or the manner of their organization, determines the nature of concerted endeavor. If this is true, the result of the endeavor is in some part dependent upon the manner of organization. According to Alvin Brown, "Endeavor will be more effective if organization is well adapted thereto. Endeavor may be ineffective if organization is poorly adapted thereto."<sup>4</sup> It then appears that organization is a means to the accomplishment of an endeavor, and that endeavor is a means of accomplishing individual purpose expressed as group goals.

#### Organization as a State or a Process

So far in our discussion of organization we have been talking about it as if it were a static condition. However, for our future purposes, it is more accurate to think of

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<sup>4</sup>Brown, op. cit., p. 4.

organization as a continuing process or system. It was mentioned earlier that there is a period of experimentation before a workable organization can develop. It was also mentioned that the environment and purposes are constantly subject to change. Therefore, the organization is continuously undergoing experimentation and is more a process than a static condition. At any instant in time the organization may be viewed as static with some advantage. However, it must always be kept in mind that this approach, while useful, is merely a convenient way of looking at something that otherwise cannot be looked at. The process aspect of organization seems to the writer to be a closer approximation of its real state.

#### Organization as a Framework for Communication

The importance of communication in the successful operation of an enterprise is becoming understood. It is necessary for the very survival of any cooperative effort. Organization structure has a great part to play in the communication system. The two are mutually interdependent, for the requirements of communication also, to a large part, determine the nature of an organization. In the words of Chester I. Bernard,

This system of communication, or its maintenance, is a primary or essential continuing problem of a formal organization. Every other practical question of effectiveness or efficiency, that is of the factors of survival, depends upon it. In technical language the system is often known as the "lines of authority."<sup>5</sup>

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<sup>5</sup>Chester I. Bernard, The Functions of the Executive (Cambridge, Mass.: Harvard University Press, 1938), p. 208.



Communication needs shape the organization by determining the unit of organization, the grouping of units, and the grouping of numbers of unit groups. Conversely, organization, and especially formal organization, aids communication primarily by outlining channels through which to communicate. When lines of authority or communication are made known officially, a communication can have the presumption of authority when it originates at an appropriate level within the formal structure. Also, the formal organization structures provide for executive levels at communication centers within the organization. The executive can, therefore, have better sources of information than others at less advantageous positions in the organization and be more likely to have his communiques accepted as authoritative.

The formal organization provides for a definite two-way channel of communications for every member of the ideal enterprise. In terms of commonly accepted organizational principles, communication in one direction is provided by the rule that "everyone must report to someone," and communication in the other direction is expressed as "everyone must be subordinate to someone."<sup>6</sup> In this sense the formal organizational framework fulfills the function of telling each member the logical senders and recipients of his communications.

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<sup>6</sup>Ibid., p. 209.

### Organizational Structure Defines Authority and Responsibility

Closely linked to the communication function of an organizational pattern is the necessity of a formal organizational structure to provide for the delegation of authority and responsibility. In this case we recognize that authority can be given only by those commonly thought to be subject to it, but for convenience we will speak of it as if it were delegated from "superior authority."

Even in the most informal groups no cooperative action can occur, unless by mutual acceptance, the group delegates the responsibility for the action or part thereof to a specific person. This rudimentary type of organization becomes increasingly necessary as the group becomes larger and more formal. How often has a particular job been left undone or improperly completed because of the lack of organizational structure to place responsibility? Because of the inadequate placement of responsibility in some companies, it is this aspect of organization that has come in for considerable emphasis and attention. It is somewhat more easily recognized than other functions of the organizational system, and therefore, considered of primary importance. In speaking of the role of organization in the delegation of authority, Alvin Brown says:

The organizer will endeavor to identify all the various parts of the administrative task, breaking it up into as many elements as are necessary for his purpose. Then, having exposed his problem by analysis, he will solve it by synthesis. He will group the elements into the desirable number of responsibilities to be delegated.

This process does not, of course, require the initial identification of every individual job. or even of every element of administration. It does commend identification to such extent as will give a comprehensive understanding of the administrative task, an essential for partition of responsibility at any stage.<sup>7</sup>

### Organization as a Placement of Functions in Their Logical Relationship

In every aspect of organization discussed so far there has been inherent a situation where two or more functions of the group are in relationship with each other. It is a function of organization to determine the logical separation of group functions. This separation is in terms of the individual's part in the enterprise. Alvin Brown says,

The first duty of organization, as it has been defined, is to determine the part which each member of an enterprise is expected to perform. In rudimentary enterprise the membership is usually predetermined; the duty of organization is therefore to apportion the required endeavor among the members.<sup>8</sup>

### Organization is an Expression of Human Limitations

Formal charts of company organizations arrange executives of varying ranks and duties in a series of strata or levels ranging from those with the highest authority at the top down to those who supervise the workers at the bottom. These levels exist primarily because of the limitation of human capabilities. Various limitations have their expression

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<sup>7</sup>Brown, op. cit., p. 62.

<sup>8</sup>Ibid., p. 8.

in the span of control or the number of persons who can be adequately supervised by an individual executive. The span of control is determined by other spans. These include the span of knowledge, which is the extent an executive's knowledge and experience can cover various functions. The span of time is determined by just how much a man can do in a day. The span of energy is the physical energy and effort an individual can contribute to the enterprise. The span of personality is the character of the executive to influence other people. Another span is the span of attention or the capacity of the individual to focus his complete attention on his job. It is a common human failing for the mind to wander after too long a time spent in the consideration of details.<sup>9</sup>

The human limitations of knowledge, time, energy, personality, and ability to concentrate also help determine the manner of separation of functions within the organization. This separation of functions or departmentation can be carried out to favor the most limiting human weakness. If time or energy is at a premium, territorial departmentation can be used. If knowledge is limited, commodity departmentation might be installed.

The mere existence of an organization implies human weakness, since it is formed to satisfy human needs that cannot be satisfied as well by individual effort.

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<sup>9</sup>Elmore Paterson and E. Grosvenor Plowman, Business Organization and Management (Chicago, Ill.: Richard D. Irwin, Inc., 1941).



### Change and Its Effect on Organization

A management consultant has estimated that over three-fourths of the problems brought to him for consultation arise from defects in the organizations' structures.<sup>10</sup> The reasons for this may be varied. When a group or enterprise is first originated, there is usually little attention paid to formal organizational principles. As the enterprise grows, a formal organization becomes necessary, but this is usually built around the personalities of founders or dominant figures. When these men retire from the enterprise, they are replaced by different individuals who do not necessarily have the same traits or objectives. The existing organizational structure then becomes obsolete.

In other cases the functions of the enterprise might change. In this manner the organizational structure of a corner grocery store might not be suitable if more stores are added and a chain is formed. Likewise, if the stores are changed from service "Mom and Pop" stores to large volume supermarkets, the organizational structure may well be completely inadequate.

Because it is inevitable that changes will occur and because it is logical that changes will render ineffective certain organizational forms and procedures, it seems only

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<sup>10</sup>Franklin G. Moore, Manufacturing Management (Homewood, Illinois: Richard D. Irwin, Inc., 1954).

wise to purposely plan organizational changes that will best meet the needs of the enterprise. To allow the process of organization to proceed undirected seems an amazing lack of foresight.

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## CHAPTER II

### CRITERIA FOR A SOUND ORGANIZATION

In the previous chapter we have indicated that one type of organizational scheme might well be better for a company in a particular environment than another type. By this, we do not mean to say that there is any such phenomenon in organization as "the one best way." However, it appears obvious that all methods can not be equally as good for a particular company at a particular moment. Likewise, it is obvious that every attempt should be made by the persons directing the enterprise to find the method or methods that will give the best results for that enterprise. A search for such methods would be merely groping in the dark unless some criteria are available and used as a guidepost to a sound organization. These guideposts consist largely of "principles of organization" developed through the years by managers seeking the key to an ideal organization. These so-called "principles" are not to be held rigid and inviolate in the sense that they are necessarily applicable to every situation. Human behavior is not that easily predicted. The nature of organizational principles was described by Henri Fayol when he said that business success:

Depends on a certain number of conditions termed indiscriminately principles, laws, rules. For preference I shall adopt the term "principles" whilst dissociating





it from any suggestion of rigidity, for there is nothing rigid or absolute in management affairs; it is all a question of proportion. Seldom do we have to apply the same principle twice in identical conditions; allowance must be made for different changing circumstances, for men just as different and changing, and for many other variable elements. Therefore, principles are flexible and capable of adaption to every need; it is a matter of knowing how to make use of them, which is a difficult art requiring intelligence, experience, decision, and proportion.<sup>1</sup>

These principles of a sound organization differ in number and complexity from author to author. Alvin Brown, in his book Organization, A Formulation of Principles, develops over a hundred so-called "principles." Other writers elect to rely on fewer, more general criteria. Ernest Dale, reporting on an American Management Association survey on organization, lists criteria that have been most frequently used in evaluating an organization.<sup>2</sup>

The first of Dale's criteria is called effectiveness. Effectiveness, as described by Chester I. Bernard,<sup>3</sup> refers to the broad ability of an enterprise to accomplish its organizational purpose. As such, it is social in nature and not directly personal.

In discussing the corporation as an organization, Neil W. Chamberlin postulates the thesis that the prime organization

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<sup>1</sup>Henri Fayol, General and Industrial Management (London: Sir Isaac Pitman and Sons, Ltd., 1949), p. 19.

<sup>2</sup>Dale, op. cit.

<sup>3</sup>Bernard, op. cit., p. 60.



goal of a corporation is continuity which is enhanced by the secondary goal of profitability.<sup>4</sup> Effectiveness is a measure of how well the enterprise achieves these goals. It is concerned with the success of the enterprise in supplying goods and services. The most discernable standard of effectiveness, is, of course, the profit or net income as a percentage of sales and capital investment. The former figure is an indication of short run performance while the latter measures long run performance. The profit standard is applicable in measuring the effectiveness of subsidiary groups in the enterprise. These groups include such things as plants, products, divisions, and so on. Likewise, the effectiveness of an individual function may be roughly measured by determining the number of employees in the company and the output per employee performing that function or the dollar expenditure per employee.

Effectiveness of an enterprise cannot be measured without some consideration of the social efforts of the company in the community in which it operates. By this we are referring to the income the community gains from the presence of the organization as compared to the expense to the community. Organizational changes can have a profound effect on the community. For example, a decision to discontinue or relocate a manufacturing plant can have the effect of creating a local depression.

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<sup>4</sup>Kornhauser, Dubin and Ross, Industrial Conflict (New York: McGraw-Hill Book Company, 1954), pp. 153-163.

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Personal satisfaction is another criterion of sound organization described by Chester I Bernard and Ernest Dale. Satisfaction requires that the personal individual goals and objectives of the members of the organization be fulfilled. This goal is, therefore, closely related to effectiveness in that its fulfillment presupposes that the criterion of effectiveness has been met. In other words, if the organizational goals are derived from individual goals and individual goals are expressed in terms of group goals, personal goals cannot be met unless the group goals are first accomplished. Therefore, effectiveness and personal satisfaction as used here are closely interrelated, the latter being improbable without the former.

The satisfaction gained by members of an organization is quite difficult to measure empirically since standards for measurement have not as yet been developed to a point where they yield accurate results. Dale cites a statement by J. M. Clark.<sup>5</sup> Clark says,

Clearly, proper attention to the organization structure is essential to the fulfillment of the personal and individual objectives of all who are connected with the enterprise. In the case of executives, for example, a proper organization structure means clear-cut lines of authority and responsibility, participation in policy-making, the right to be heard, the opportunity to develop to the full measure of their potentialities and other conditions which contribute directly to their personal satisfaction as well as their individual effectiveness.

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<sup>5</sup>J. M. Clark, Social Control of Business (New York: McGraw-Hill Book Company, 1939), p. 220.

The criteria of personal satisfaction and effectiveness are open to a great deal of personal interpretation. One executive may have a different goal of effectiveness than another. Also, one person may have personal values that are not favorable to his associates. For instance, one company president might aim at large dividends while another might minimize dividends in favor of maximum expansion.

The two criteria, however, are mutually interdependent. One cannot reach fulfillment without the other. Given a total organizational goal, it is not possible to achieve it with total effectiveness unless individual goals are obtained. Conversely, there can be no efficiency in obtaining personal goals unless the effectiveness attainment of organizational goals is possible.

Effectiveness of the group and fulfillment of personal goals are the crux of any successful organization. There are, however, a number of sub-criteria which in a formal way aid in the realization of the two prime criteria.

The ideal scheme for a sound organization must provide for some division of work. In the preceding chapter we mentioned that a division of labor is inherent in the very definition of organization. This takes such a form that the outcome of the individual efforts is indivisible among the contributors. In this case we consider the division of the basic functions. H. A. Hopf states that, "The primary step in organization is to determine and to establish as separate entities the smallest number of dissimilar functions into

which the work of an institution may be divided."<sup>6</sup>

These functions naturally are dependent upon the nature of the enterprise. For example, in a manufacturing business sales and production are two of the basic functions. In a retailing concern the functions might be buying, merchandising, and store operations. Other functions are added to these depending upon the size of the operation. These additional functions are such things as finance, personnel, advertising, et cetera.

The division of work follows the determined goals or purposes of the organization. In this sense Hopf is not quite accurate when he places division of work as the primary step in organization. The more detailed and clear the organizational goals, the more logical and clear is the division of work. Should an enterprise have as one of its goals the enlargement of the body of knowledge in its field, the establishment of a research department might be forthcoming. Likewise, an objective of product diversification could have organizational consequences in a departmentalization along product lines. A goal of employee welfare could lead to the establishment of a personnel department.

There are many alternative methods for the division of work within a company. They are determined by the nature of the company goals and the abilities and limitations of

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<sup>6</sup>H. A. Hopf, Organization, Executive Capacity and Progress (Ossining, New York: Hopp Institute of Management, 1948), p. 4.



the personalities within the organization. Usually division may be made along the line of function, location, product, customers, time, process, and equipment.<sup>7</sup> One method alone usually does not exist throughout a company, but generally there is one basic subdivision of the company activities made by the board of directors or the chief executive. This first breakdown is made according to the purpose of the enterprise and the major functions necessary to accomplish that purpose. For instance, in food retailing the primary functions are buying, merchandising, and store operation. These subdivisions may then be divided into a number of different ways as mentioned above.

Division by function usually takes place at the top level within a company. At lower levels other bases are used. In the buying operation the division of work is along product lines. In operations the activities performed in a particular location are brought together and is termed territorial division or division by location. If both a wholesale and retail operation are carried on, the division of work might well be along the lines of the type of customer served.

The fact remains that no matter how the division of work is made, it must be done in such a way to enhance the attainment of efficiency and effectiveness.

The fourth criterion of sound organization is the "functional definition with authority and responsibility."<sup>8</sup>

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<sup>7</sup>Dale, op. cit., p. 25.

<sup>8</sup>Ibid., p. 141.

This means that the contents of a particular job or its functions must be defined in relationship to the organizational objectives. Dale bases this step on two precepts developed by other authors. The first is "define duties clearly";<sup>9</sup> the second, "the work of each man in the management should be confined to the performance of a single leading function."<sup>10</sup>

Henri Fayol further defines and elaborates this point as follows:

Authority is the right to give orders and the power to exact obedience. Distinction must be made between a manager's official authority deriving from office and personal authority, compounded of intelligence, experience, moral worth, ability to lead, past services, etc. In the make up of a good head, personal authority is the indispensable complement of official authority. Authority is not to be conceived of apart from responsibility, that is apart from sanction--(or "accountability for the performance of duties" as Mary Parket Follett expresses it)--Responsibility is a corollary of authority, it is its natural consequence and essential counterpart and wheresoever authority is exercised responsibility arises. The best safeguard against weakness on the part of a higher manager is personal integrity and particularly high moral character of such a manager, and this integrity, it is well known, is conferred neither by election nor ownership.<sup>11</sup>

Alvin Brown sums up the criterion in developing the "principles":

Responsibilities should be defined by identifying and then grouping the elements of administration.

Each responsibility should be as homogeneous as practicable.

The criteria of partition of responsibility depend upon the requirements of administration.

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<sup>9</sup>Fayol, op. cit., p. 44.

<sup>10</sup>Ibid., pp. 34-35.

<sup>11</sup>Ibid., pp.34-35.

No responsibility should have to depend for effective performance upon another which may have a contrary interest.

Definition of responsibility must be clear and precise.<sup>12</sup>

A chain of command is also a criterion for a sound organization. Whether authority is thought to originate in the highest position in the organization or be delegated upward from the bottom, as in Bernard's views, some chain of command or authority is necessary to give formal notice of those communications originating at levels in the chain which can be thought of as for the good of the organization. There is not much argument over the time-honored principle of organization that each man should have one boss or receive communication that presumes to be authoritative through one channel. This need is met by the formal chain of command. Alvin Brown describes the nature of the authority chain and the relationship of its members as follows:

This examination of organization has disclosed it to consist in the delegation of mutually-exclusive responsibilities, beginning at the first stage with a more or less complete delegation by the author of the enterprise and continuing through subsequent stages of delegation until the whole requirement of administration has been provided for. Each act of delegation creates a relationship between the principal and his deputy. Subsequent redelegations create additional relationships which are linked thereto. Thus, there is caused a series of such relationships extending from the first principal through persons who receive delegations and in their turn make them to the last stages of delegation of tasks which are capable of complete performance by individuals. This series of relationships has often been called a "line" of organization. Since the links

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<sup>12</sup>Brown, op. cit., p. 71.

represented by the several stages of delegation are its characteristics, the term chain of organization is, perhaps, more allusive.<sup>13</sup>

Fayol also defines the chain of command in similar terms when he writes that it is:

The chain of superiors ranging from the ultimate authority to the lowest ranks. The line of authority in the route followed via every link in the chain by all communications which start from or go to the ultimate authority. This path is dictated both by the need for some transmission and by the principle of unity of command.<sup>14</sup>

As necessary as this formal chain of command is, it poses one serious problem. If the formal channel is followed for all communications, the process could become unwieldy and time consuming, especially in a large organization with many levels. Also, there is a great danger that the communication could become distorted or lost in the long process of vertical transmission up and down the chain of command. For instance, in a retail food store operating under a system of separate supervision for the meat department and the grocery department, if there is to be communication between the meat and grocery managers using the formal chain of command, the process would involve the grocery manager, his superior (the superintendent), the general superintendent, the operations head, the branch manager, the head of the meat operations, the meat superintendent, and finally the meat manager. It is obvious that such contact

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<sup>13</sup>Ibid., pp. 56-57.

<sup>14</sup>Fayol, op. cit., p. 34.

would be extremely time consuming. Many endeavors require great swiftness of decision and execution for their success. Because the formal chain of command does not provide this swiftness, any sound organizational plan will provide for additional channels of contact outside the formal chain of command where necessary. The establishment of these channels does not violate the unity of command principle if the superiors of those engaged in contact have authorized their subordinates to deal directly with each other, and if the supervisors are kept informed on the outcome of these contacts. In the example above it is much more logical that the grocery and meat managers should deal directly with each other. This results in savings of time and effort for all concerned and achieves a speedy and probably better decision.

There are a great many instances in any organization where an individual is faced with the problem of choosing between the formal line of authority and a direct channel of contact. The choice should rest on the line dictated by the general interest. To needlessly depart from the line of authority is a mistake, but it is a bigger mistake to keep in that line when it is to the detriment of achieving the organizational goals.

Companies are well aware of the necessity for channels of contact apart from the formal chain of command and recognize the fact in their organizational plans. The organization manual of the Jones and Laughlin Steel Corporation reads as follows:

- a. The plan of organization should permit and require the exercise of common sense and good judgment, at all levels, in determining the best channels of contact to expediate the work. These channels of contact are not described or limited by the lines of responsibility and authority of the organization structure as shown on the organization chart.
- b. Contacts between all units of the organization should be carried out in the most direct way consistent with good sense. In making contacts beyond the lines in responsibility and authority on the chart, it should be the duty of each member of the organization to keep his senior informed on:
  - 1. Any matters on which his senior may be held accountable by those senior to him.
  - 2. Any matters in disagreement or likely to cause controversy within or between any units of the organization.
  - 3. Matters requiring advice by the senior, or his coordination with other organization units.
  - 4. Any matters involving recommendations for changes in, or variance from, established policies.
- c. Staff instructions to units under supervision of others should be channeled through that supervision if the instructions are of direct concern to and require personal attention of that supervision. Such channeling can be minimized by the routing of copies to the supervision with the action papers going direct.<sup>15</sup>

This system serves the two-fold purpose of maintaining the chain of command and at the same time allowing rapid communication to take place without an undue amount of red tape.

Another necessity for a healthy organization is utilization of the principle of balance. Balance in this sense

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<sup>15</sup> Jones and Laughlin Steel Corp., Organization Manual (Pittsburgh, Pennsylvania: Jones and Laughlin Steel Corp., June, 1950) pp. 4-5.

implies that there should be a reasonable relationship between the strength of a function in terms of manpower and appropriation and its importance in achieving the goals of the enterprise. Balance also requires that there be proper proportions between the amount of centralization and decentralization and the power of an enterprise to spontaneously react to changes in the environment. In the words of Urwich, an enterprise should be able "to wring the maximum possible advantage standardization and simplification, and at the same time to retain always the full measure of flexibility postulated by the circumstances."<sup>16</sup>

Currently the balance between centralization and decentralization has swung toward decentralization. However, the basic problem remains, allowing decisions to be made at the level in the organization that is closest to where the need for decision and action originates, and at the same time maintain enough central control to insure that these decisions are made within a general framework of policy so as to contribute to the attainment of the over-all goal of the total organization.

Another principle of an "ideal" organization is that of control. In brief, "A well designed plan of control covering each major administrative activity permits top management to delegate responsibility and authority, freeing

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<sup>16</sup>L. Urwich, The Elements of Administration (London: Sir Isaac Pitman and Son, 1943), p. 31.

itself of unnecessary detail, yet retaining the means for assuring that results will be satisfactory."<sup>17</sup>

There are many various plans for control, but each has several elements in common. First, there must be an established objective or purpose which indicates what is to be accomplished. Secondly, there must be an outline of the procedure which specifies how, when, and by whom the action is to take place. There must be some basis to judge the action or criteria as to what constitutes good performance; and lastly, there must be means provided for an appraisal of the action to judge whether or not it has led toward the desired goal. This last step is mainly a process of comparison of the results with the criteria for a good performance.

The proper function of control is tied in closely with the exception principle. In the words of Taylor:

The manager should receive only condensed, summarized, and invariably comparative reports covering, however, all of the elements entering into the management. They should have all the exceptions to the past averages or to the standards pointed out--thus giving him in a few minutes a full view of progress which is being made or the reverse.<sup>18</sup>

A final general criterion of a sound organizational plan, and perhaps the most important, is that the organization will provide for its own perpetuation by providing an

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<sup>17</sup>Paul E. Holden, Lounsbury S. Fish, and Hubert L. Smith, Top Management Organization and Control (Stanford University, California: Stanford University Press, 1941), p. 9.

<sup>18</sup>Frederick Taylor, Scientific Management; Comprising Shop Management, Principles of Scientific Management, and Congression Testimony (New York: Harper and Brow., 1947), p.126.



atmosphere conducive to the development of executives to replace those now in office. It is well summed up by the following statement:

The plan of organization should provide a "ladder" of positions of increasing scope of responsibility, authority, and accountability so related to each other that at all times there are replacements in training for each higher position. One of the most important responsibilities of top management is the successful perpetuation of the corporation through making available qualified personnel for future management needs. These needs must be filled by executives with a breadth of experience gained from a variety of management responsibilities as well as depth of training in a specialized management area.<sup>19</sup>

Throughout this chapter criteria have been presented for developing a sound organizational plan. These should not be construed as infallible "principles" since in the writer's opinion there are no such things in this area. However, while many organizational schemes lead to effective results, it is our feeling that an organizational plan utilizing the outlined criteria would have less change of being unsuccessful than one that did not.

In order to plan successfully, it is necessary to have a clear idea of the means at one's disposal for the accomplishment of the plan. In order to experience any benefits from organizational planning, it is certainly necessary to have some understanding of the organizational criteria.

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<sup>19</sup>Jones and Laughlin Steel Corp., op. cit., p. 7.

## CHAPTER III

### THE NEED FOR ORGANIZATIONAL PLANNING

After considering at some length the meaning and nature of organization purpose and also discussing criteria for a so-called sound organization, there is always the danger of thinking of "organization" as static. To overcome this though, we will now consider what is meant by organizational planning and how it will aid in securing for each enterprise the values accepted as sound organizational criteria.

Organizational planning is the process of developing, setting up, and maintaining through time a workable pattern of relationships of the individuals within an enterprise. As a process, it is a dynamic, continuous maintenance of a structure that is static only in the sense that it reflects the organization at a given moment of time. It is the assigning of responsibility to individuals and integrating their efforts in the light of the current environment and organizational purpose as a means toward the attainment of that purpose.

It might be said that organizational planning is unnecessary and that the enterprise will react to its environment in such a way as to naturally evolve a satisfactory organization. However, this is not always the case. For example, Studebaker was the one carriage manufacturer that altered

its organization and objectives sufficiently to stay alive in the face of the automotive age. We cannot rely on unguided evolution to produce an entirely satisfactory organizational structure.

It might also be argued that success in the future lies not so much in planning the company's organizational structure, but in developing new executives who can capably succeed the present management. This is indeed important, but is by no means the total answer.

Top executives, no matter how competent, cannot function to full effectiveness without a sound plan of organization. A well conceived, long-range organization program permits changes to be made in the right direction as opportunities arise. In the absence of such a plan changes must be made on the basis of expediency, organization errors are often perpetuated and fundamental improvements are seldom realized.<sup>1</sup>

There is nothing more important in any enterprise than the constructive attitude of the individual, and it is the first function of management to create the kind of atmosphere in which such an attitude can grow and develop. The organizational structure can contribute materially to such an atmosphere. If there are clear-cut duties and responsibilities and definite chains of command; if the division of work is logically made; if the structure has good balance and adequate control, then the individual is better able to conceptualize his part in the total organization and will better gain personal satisfaction by seeing how his efforts contribute to the success of the group endeavor.

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<sup>1</sup>Holden, Fish, and Smith, op. cit., p. 5.

In defining organization planning, Ernest Dale relates a number of concrete advantages to the process.<sup>2</sup> First, it is of considerable value in reviewing and defining the objectives of the company. The location of responsibilities is clearly indicated in easily understood terms. The organizational charts and manuals developed through organizational planning allow the executive to grasp at a glance, with little effort, the total company structure and his relation to it.

As a direct result of organization planning, executives may be able to relinquish overloads of responsibility and be able to devote more time to the important work of long-range planning, reviewing, coordination, and innovation. The heads of different departments within the enterprise may be able to work more closely together toward the accomplishment of the company's over-all objectives.

A greater opportunity is provided by organization planning for executives to utilize better their abilities to plan their own work and to develop and train themselves and others. Organization planning may provide the basis for estimating manpower resources and requirements and thus enable a company to improve its system of executive succession and replacement, and in the process, offer better promotional opportunities to its younger men.

Improved human relations can result from organization planning. The personalities of individuals can be integrated

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<sup>2</sup>Dale, op. cit., p. 16.

with the objectives of the enterprise and make for better personal satisfaction. In the words of a sociologist:

There is no reason why . . . the labor of supplying society with all the material goods needed for its general comfort should not become both agreeable and attractive. There is no necessity of waiting for the slow action of evolution in transforming human character. The result can easily be brought about by the transformation of human institutions.<sup>3</sup>

Many of the faults prevalent in many business enterprises can be partially or completely eliminated by sound organizational planning. Goals to shoot for in planning are the reduction or elimination of duplication of effort (resulting in executive manpower saving); eliminating "red tape" (by shortening lines of communication and assigning definite responsibility and authority); improving coordination between different functions (such as manufacturing and marketing); eliminating unnecessary functions (checking the tendency of empire building through a manpower budget or, better still, through financial audits); elimination friction (through reduction of the number of levels of management and clearer, more logical and more definite allocation of responsibilities). Good organizational planning tends to reduce mistakes by placing decision making nearer to the problems, improves specialization, and properly balances the expansion of various management functions.

In the most basic terms organization planning provides for the adaption of the organizational structure and

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<sup>3</sup>Lester F. Ward, Applied Sociology (Boston, Mass.: Ginn and Company, 1906), p. 336.

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procedures to changes in personnel, material resources, and the external environment. The inevitability of change is one fact that cannot be denied. It is also certain that to be successful, an enterprise must be able to adapt to that change. This can be done in many ways, but in general, there are both orderly and disorderly adaptations. It is the prime job of an organization planning program to foresee the need for adapting to specific changes and to initiate steps to adapt to that change. Thus adaptations are made in a predictable, orderly manner rather than haphazardly. Changes are so planned that an enterprise is not caught napping and is prepared for every foreseeable eventuality.

It cannot be said that a business using formal organization planning will always succeed while one without such a program is doomed to failure. It is logical, however, that a company using such a plan is more likely to succeed than one that does not.

Most enterprises would not think of having lack of control of their monetary expenditures. However, the organization of a company is often one of its most valuable assets and in many cases uncontrolled. Organization planning, by indicating the present stage of the company's organization and pointing the way to future developments, helps to provide some control over this most important asset.

The virtues of organization planning are aptly summed up in the words of Dr. H. A. Hopf:





That a business cannot permanently occupy levels of effectiveness higher than those clearly determined by the capacity of its executives is self-evident, but it is not generally understood that the influence of superior organization upon the accomplishments of mediocre executives can raise the enterprise to heights not otherwise attainable.<sup>4</sup>

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<sup>4</sup>H. A. Hopf, Engineering Journal (Canada), XX, No. 12 (December, 1937).

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## CHAPTER IV

### RELATIONSHIP BETWEEN PERSONALITY AND THE ORGANIZATION STRUCTURE

Thus far we have been considering organization planning as a mechanistic process somewhat apart from the individual personalities of the members of the enterprise. This is a rather unrealistic approach. Any organization is merely the working relationship among individuals, each with particular strengths and weaknesses. Quite naturally the personalities and abilities of these various individuals will have an effect on the organizational structure. However, there is quite a wide range of opinion on the ideal extent of the influence of personalities on the structure of an enterprise. These go from one extreme that holds the ideal organizational pattern based on so-called organizational principles is paramount and that individuals should be selected and trained to conform to the job as outlined on an organizational chart. The other extreme argues that the personal abilities of the individual are the most important consideration. The formal organizational structure is not necessary, but if present, the jobs should be built around personalities.

An example of an argument supporting the former extreme is seen in several of Alvin Brown's principles of organization:

Organization should determine the selection of personnel rather than personnel determine the nature of organization.

Each responsibility should be defined with regard to the natural abilities of men.

No responsibility may exceed the capacity of the person who will perform it.

Definition of responsibility should deal with capacity quantitatively as well as qualitatively.

The larger the enterprise the less occasion is there for organization to be influenced by personalities.<sup>1</sup>

In developing these principles Mr. Brown admits that personalities do play a large part in the organization of a small enterprise such as a partnership. He also stresses that human capacity should be considered in so far that no job shall require abilities not humanly available. However, he states that even in a small enterprise the prescription of organization will determine in some part the membership. For example, the outline of responsibilities for a secretary or a salesman will precede and govern their selection.

In the ideal situation the purpose of the enterprise will indicate one best form, or at least discard most forms, of organization as being best suited for the attainment of that purpose. That is, a certain distribution of individual responsibilities will be preferable to another. If it is then possible to locate and employ individuals who are exactly suited to the prearranged responsibilities, there can be no question that this is certainly the logical thing to do for a well ordered organization. Accordingly, in such

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<sup>1</sup>Brown, op. cit., p. 80.

cases organization should determine the selection of members, so far as possible, rather than membership determine organization.

Organization does, however, deal with individuals and therefore it should be constructed in terms of individuals. This does not mean that the capacities of only one man should be considered, but rather that the definition of responsibilities be guided by an awareness of the capacities of men in general. This must be done to forestall the prescribing of responsibilities to which no person could be found suited. For instance, if the greatest economy of operation could be theoretically afforded by the performance of a simple extremely repetitive act, the monotony and boredom might not agree with any available individual and so the operation capacity might be impaired and economy lost.

The capacity of an individual to fit to a job should be defined in two ways. The first, termed qualitative, determines whether a person is able to do a job. The second aspect is quantitative, which is a measure of how well he can do it. If an individual were desired to lay bricks, for example, the qualitative capacity would be his ability to do the work and the quantitative capacity the number of bricks he is able to lay in a day. Therefore, the organization should not only determine the nature of the responsibility, but should determine what quantity is most economical in terms of the remuneration the capacity commands.

Brown does concede, however, that in many cases individuals are not available who are exactly suited to the ideal responsibilities. In such a case an instance might arise where a choice was necessary between an individual who was capable of performing all the responsibilities in a mediocre manner and a man who could perform most of it well and the rest not at all. In this situation the latter man should be selected and the organization pattern adjusted by reassigning the excess responsibilities.

As an organization grows in size, individuals lose more and more of their relative importance and influence in the organization. This is a result of the greater differentiation in jobs, and the fact that a larger part of the jobs become homogeneous. There is a better chance to hire persons of more narrow technical capacity.

Brown points out what he considers great danger in being too closely guided by personality in planning an organization. First, an enterprise may have a life greatly exceeding the life of any of its present members. If the organization structure has been formed around the personal abilities of a single or a few individuals, their successors may overlook their special influence on the organization and so fail to reapportion responsibilities. In such a case the organization's effectiveness might suffer from an ill that should have been corrected originally. Secondly, if an organization is moulded to the capacities of particular persons, there is no assurance that these capacities have been properly utilized. In other

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words, the starting point should be, "What is there to be done?" rather than, "What can this man do?"

Summing up, Brown says:

Personnel, however competent, loses much of its worth in the absence of effective organization; and, given the same personnel, its performance is better or poorer in proportion to the character of organization. Often, it is true, personnel is capable of rising above poor organization. But this triumph of personnel over organization affords no guarantee of endurance; protection should be sought behind the armor of effective organization regardless of present fortuitous escape from hurt.<sup>2</sup>

At the other extrement of the dilemma are those who in some cases deny the value of a formal organization. They insist that each individual is different in the manner in which he performs his job. Therefore, the enterprise should have a very flexible organization built around the individuals currently employed. As an example of this type of thinking, Dale cites a statement by an executive of a large company:

We are traditionally opposed to the use of organization charts. Our reason is that no two individuals handle a given job in the same manner. In our view, it is unrealistic to create a well-defined spot on an organization chart simply because the individual placed in that spot probably would not function in accordance with the specifications, or if he did so function he would not be effective. Moreover, we are committed importantly to the position that business cannot be conducted effectively through the lines of authority, but must be conducted via lines of communication. As an illustration, our factory and branch house managers deal directly with each other rather than through the general office, and generally throughout the organization individuals within a factory or a branch house communicate directly with individuals in the various central office departments and in the factories and branch houses without going through managers.<sup>3</sup>

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<sup>2</sup>Ibid., pp. 79-90

<sup>3</sup>Dale, op. cit., p. 47.



A similar view was expressed more briefly by Robert E. Wood of Sears, Roebuck and Company, when he said,

While systems are important, our main reliance must always be put on men rather than on systems. If we devise too elaborate a system of checks and balances, it will only be a matter of time before the self-reliance and initiative of our managers will be destroyed and our organization will gradually be converted into a large bureaucracy.

The argument for this point of view stresses that an organization structure that is too formal and too confining will stifle individual initiative and spontaneity. The really important thing is to create an atmosphere that encourages creative thinking. If too much stress is laid on formal structure, there is an ever-present danger that individuals will become so immersed in red tape that any creative work will be an impossibility. There is also a possibility that over-organization may be economically wasteful because there is no assurance that the full capacities of each individual within the enterprise has been utilized.

It is our view that both these extremes have points in their favor. There seems to be much that can be gained from utilizing organizational principles. There is also little doubt that the individuality of each person in an organization should certainly be taken into consideration. It is wise to have some foundations in principle, but if these foundations are applied too rigidly, there is an ever-present danger that the resulting organization may become inflexible and unable to adjust to changing conditions.

There is a middle road that can be taken where the organization structure provides only a rough framework which is adjusted to use the capabilities of individuals. In such instances, there is a short- and long-run plan of organization. The long-run plan is the "ideal" organizational structure for that enterprise. It is envisioned with an awareness that it may never be totally applied. The short-run plan of organization is an adjustment of the ideal plan to the supply of the current personalities. An ideal plan of organization cannot be put into effect at any given moment because of the difficulty of securing the suitable personnel. However, such a plan may be drawn up and the specifications for the various positions and their relationships be established. When the problem of implementing the plan arises, there must be a consideration of the qualities of the individuals to be fitted into the plan. Since it is not likely that there can ever be the ideal man for every job, the long-run plan must be changed to fit the available men.

Joseph B. Hall, president of The Kroger Company, relates such an example of balancing personalities and jobs.<sup>4</sup> A basic change occurred in the organization structure of The Kroger Company when a shift in emphasis was made from buying to selling. Prior to that time one man was responsible for buying and another for selling. This setup created many

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<sup>4</sup>Marvin Brown, The Development of Executive Leadership (Cambridge, Mass.: Harvard University Press, 1951), p. 108.



occasions for friction between the two men. If merchandise did not sell, the buyer blamed the salesman, while the salesman accused the buyer of securing inferior merchandise. Because of this, one man was put in charge of both the buying and sales functions and is called a merchandiser. When it came time to implement the new plan, it was necessary to utilize the capable men within the organization. Some men were quite able sales promotion men, while others were excellent buyers. Very few men were capable individuals in both fields. The strongest men were, naturally, selected for the jobs. If a man's abilities lay in the sales promotion field, he was balanced with an assistant who was strong on buying. Likewise, when a man's strength was in market and product knowledge, his skill was supplemented with an assistant with a background of sales promotion. In these instances the organization structure served as a foundation for outlining the duties and responsibilities of the job. However, this foundation was completed with a superstructure determined by individual personality.

In other words, what is needed is a compromise between the principles of organization and the needs of personality. The first step would be to isolate the two. Then an ideal plan of formal organization may be drawn up. After an inventory of the available personnel is made stressing their informal contributions, the formal organization structure may be modified in the light of personality. In this way it is possible to insure the greatest growth of the individual and his maximum contribution to the enterprise.

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It is, therefore, essential to consider the best aspects of the formal organization structure and the living personalities in shaping an organization. Too little attention to personalities can help create a rigid organization that stifles initiative and spontaneity. Too little attention to formal organization can create an anarchy of empire building. The nature of the responsibilities of a job will change with each man who undertakes that position. The organizational structure should only outline the job; the individual personality should fill in the outline.

PART II

THE APPLICATION

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## CHAPTER V

### APPLYING ORGANIZATIONAL PRINCIPLES IN A SUPERMARKET

After seven years' experience working at all levels of store operation and visiting hundreds of different markets, it is apparent that some stores are well operated while others are not. This fact becomes obvious at once to the practiced observer and soon becomes evident to the customer. The net result is lost sales and profit.

Although the symptoms of a poor operation are evident, the cause is not always so easy to locate. Just what are the differences that are credited with causing a store to show signs of poor management?

1. The physical facilities of the building might have some effect. However, it is not uncommon to see stores in a chain with identical physical setups that are worlds apart in the effectiveness of the operation.
2. The available equipment is sometimes given as an excuse, but all stores in a chain usually have the same--or almost the same--tools to work with.
3. The manager's ability to get along with customers is another possibility. It is not unusual for a good "customers' man" to hold customers with the

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strength of his personality; however, the same man might be losing many more customers because of bad store conditions.

4. More help in one store than another is a frequently offered explanation. Yet all stores in a chain usually work on the same man-hour allowance or have the same standards of sales per man-hour or wage percentage. Regardless, this explanation is getting close to the cause because some stores seem to have enough people to get the jobs done that others leave unfinished. It must be that some men have found a way to get more done with the manpower available.
5. The manager's merchandising knowledge is another factor which must be considered. The store manager certainly must have some knowledge of the products he sells and how to display and promote these products. This is necessary, but many men with the merchandising knowledge are unable to implement their ideas.
6. Knowledge of store operations is also very necessary, but again implimenting that knowledge is the dividing line between a good and a poor operation.
7. Ability to "handle" people is another basic requirement of the job of store manager. This does not mean that the manager must necessarily be a "nice

guy," but he must know how to get work done through people. This is done either by constant follow-up--or nagging--or by knowing and following the principles of good human relations. However, this is not the whole answer to a good operation. It is not possible to run a good operation with an aimless collection of individuals, no matter how well motivated they are to do a good job. This ability "to handle" people must be combined with an over-all purpose and plan in which the people operate.

8. This total concept can be called "the organizational ability" of the manager. This calls for his use of the organization principle discussed in the first part of this thesis.

The good manager must first place functions in their proper relationship. He must have a knowledge of the functions in store operation and then clearly outline each individual's part in the enterprise. The manager who fails to do this never has enough help to get all jobs done. He must set up his organization with an awareness of human limitations--first, his own (how many people can be personally supervised), and secondly, the limitations of his help. A disregard of human limitations leads to assignments which his employees are unable to complete because of time or ability. This is dangerous to individual development, and also is bad organization. The employee must be able

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to accomplish the work assignment, but it must also represent a challenge. As an individual improves, constantly higher standards must be set. His place in the organization must change.

When the entire job of operating a store is analyzed and broken down according to the necessary functions, the functions must be delegated to subordinates. This process of delegation is something that is not quite understood by the poor organizer. This does not mean handing out a job and forgetting about it from then on. Neither does it mean giving a person a job and not allowing them the necessary authority to carry out responsibilities. Delegation must be done with an awareness of how much freedom of action is necessary for the accomplishment of the given job.

Before any job is delegated, the manager must know that the worker fully understands what is expected of him. He must also make sure that the worker has the necessary knowledge to do the job. A process of gradual delegation might be followed to insure this. For example, a clerk might be given the responsibility of stocking an aisle. When he has mastered the first step, he might be delegated the additional responsibility of ordering for this aisle. Then he could be given decision-making powers in so far as sales promotions and extra displays of his merchandise are concerned. Finally, he could be given responsibility for and authority over one or more assistants who will assist him.



A good example of the difference in the ability to delegate is seen in the use the manager makes of his assistant manager. In some cases, in less successful operations, the assistant manager is such in name only. The manager makes no effort to give his assistant the necessary knowledge to manage the market. The assistant becomes a glorified grocery clerk with responsibility over only a few details of the store, such as ordering and building displays. He is supposed to have charge of the crew in the store, but the manager had not given him the authority by making this clear to the remainder of the crew and backing up his instructions. As a result, the assistant manager rarely, if ever, gives any instructions to the produce manager or the head checker. On the other hand, if the manager supports the assistant and makes sure his training progresses to a point where he is able to manage the store, the manager can leave most of the operating to the assistant and be free himself to supervise the operation without being bogged down with the many everyday details of store operation. The same would apply to the produce manager, the head checker, or any other person who would best do his job with the delegation of the necessary responsibility to do what a good organization calls for. One way this type of delegation is done is with definite assignments and schedules. One of the best operators the writer has met once told him that in his store he could go all day without anyone needing to ask him a question. This is one measure of a successful organization.





No matter how well thought out are the breakdowns of function in the store and no matter how well delegated is the authority and responsibility to do the various jobs, the organization of a store can be quite ineffective if the manager does not follow-up and make sure that his organizational plan is working as he intended. An organization can be drawn up on a beautiful chart or on elaborate work schedules and assignment. It can be on the back of a paper bag, or it can be in the mind of the manager. The important thing is not the fineness but how well the organization works to accomplish the goal of a well run market. This is largely decided by how well the manager follows up a basic assignment. It is one thing to tell the assistant manager and the rest of the store crew that he (the assistant) is in charge of running the store. This breaks down entirely if the manager in following up on some part of the work bypasses the assistant and deals with the subordinate himself. For example, the assistant manager will have very little authority over the produce manager if the store manager in discussing produce always deals directly with the produce manager without ever consulting the assistant manager.

The organizational scheme may call for a clerk to do a particular job, but if no one checks to make sure that the job is done as planned, the organization in effect does not exist.

The manager may give certain responsibilities to a clerk, but make requirements on all the clerk's time for



other jobs. Again in this case there is no organization.

It is exceedingly important in organizing a market to make sure that there is effective follow-up through the established channels. It is also important to see that, if job assignments are reasonable, then the time is allowed for each task to be completed.

We have been discussing the importance of organizing individuals into a functioning group. There is, however, another type of organizational task that goes hand in hand or perhaps precedes the organization of individuals and that is the physical organization of the market. It is then pertinent to our discussion to consider briefly some of the necessities of physical organization.

### Store Layout

The arrangement of the departments within the store and the arrangement of merchandise within these departments is usually made on the basis of merchandising considerations rather than on the criteria of the most effective arrangement for productive work. However, the physical arrangement of the store sales area does greatly affect the manner in which the manager forms his work assignments and organization. For example, stocking assignments are usually made on the basis of aisles or gondolas rather than strictly by family groups of merchandise. It might make sense for several reasons to have someone responsible for all canned fruits and vegetables as a department, but because these might be

in different parts of the market, they are assigned to different clerks. The store layout then creates a situation where it becomes more difficult to appraise individual production rates because the individual may be stocking many different kinds of merchandise that have many different package sizes or container shapes which affect ease of handling.

The store layout must be carefully considered in making work assignments. If a checker is given assignments other than checking, they should logically be near the front end so she is readily available in case of emergency. The store layout enters the organizational picture in the example of the checker whose stand is closest to the produce department having the extra job of bagging or packaging produce when she is not busy with a customers.

### Backroom Organization

It is in the backroom that real physical organizational skill is needed. Stores with the same physical facilities may have the backrooms lined up in many different manners. Observations soon reveal that some of the backroom arrangements are good and others poor. The poor arrangements create the necessity for several handlings of merchandise, require much stepping over and around cases, takes many extra steps, and in general creates much extra work, and creates bottlenecks. In a well-planned and organized backroom, a smooth flow of merchandise is evident. Of course, the actual backroom layout will have to be different in different markets



because of different facilities, volume, manpower, et cetera. Yet there are several principles which seem to apply in all cases. These might be called "principles of physical organization."

1. A place for everything and everything in its place.<sup>1</sup>

Unless a place is assigned to each type of merchandise, each tool, and each supply item, et cetera, in the store, everything is soon lost and confused. It is also important that the place be well chosen. It was my personal experience that many hours were wasted in looking for equipment and tools that were needed for the job but had not been returned to their proper place when last used. Merchandise that is not put in its proper place may quite easily become lost and may either create an out-of-stock condition on the shelves or an over-stocked condition in the backroom. If there is no pre-arranged place set aside for each delivery, much valuable time is lost in finding room and in walking around piles of merchandise in the way. Cleanliness comes with orderliness, for there is no appointed place for dirt.

There is sometimes a danger, however, that the appearance of order may be taken for real order. This can sometimes be seen in a backroom where every case of merchandise is neatly piled on another to create a pleasing impression of orderliness. Closer inspection might reveal that the cases were not in the proper storage area.

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<sup>1</sup>Fayol, op. cit., p. 38.

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Keeping each thing in its place sounds like an easy thing to accomplish. However, it takes constant follow-up. It is always easier to drop something down in the first convenient place with every good intention of putting it away later. This habit soon creates numerous bottlenecks and may ruin the smooth running organization.

2. Backroom organization should be closely related to store arrangement. Certainly if job assignments are made on the basis of aisles to stock, it is a time-saving feature if merchandise is kept in the backroom in the same order.

3. The backroom should be organized with an eye to saving steps. Items that need frequent attention should be near the door to the sales floor. Items for return (empty bottles) should be near the out door. The physical organization must precede the organization of people. Without physical organization, social organization becomes much more difficult.

## CHAPTER VI

### SCHEDULING OF EMPLOYEES

In most writings on organization there is usually some mention of an organizational chart as a tool to reflect organizational planning. While the organizational chart is of questionable value, a formal one may not always be in use in a market. There is, however, almost always an organization chart in the form of a schedule which outlines the responsibilities of each employee and tells when these responsibilities should be performed. One of the activities which clearly indicates the manager's ability to organize is in the making up and maintaining of work schedules.

In today's era of rising wage costs and the necessity for increased dollar per man hour production, the importance of thoughtful scheduling has come into the limelight.

In many stores with no formal organization chart, the posted time and work schedule is the only written expression of the store organization. All too frequently, however, the making of the work schedule becomes a routine job without the proper amount of consideration. Other times a "regular schedule" is posted which is almost permanent and unvarying. Almost every store has weekly fluctuation in sales and certainly every store has a variance in the jobs that have to be done one week to the next.

Another common error in scheduling is to let the wishes of employees or their availability determine their work times. An attempt to give a favorite checker her choice of a day off can create a bottleneck at the front end on busy days. A part-time worker may give his available hours as 4:00 P.M. to closing every day and all day Saturday. Many times he will be told that these work hours are satisfactory. It might have been much more desirable for that store operation to schedule him for the busiest nights only, and with the hours saved, hire another part-timer to work a schedule that fits the store traffic demands.

What, then, is the best way to arrive at a good work schedule? Of course, the needs will be different in each store, but there are some guides that all stores can use. A schedule should be based on a forecast of anticipated needs.

The manpower needs of the store are based on the store volume. The first job in scheduling, then, is to forecast the sales for the week. From the estimate of total business a breakdown can be made by departments. The sales dollar per man hour, or wage percentage standard, can then be applied to the sales estimates to arrive at the man hours that can be used. Example Number I shows a simple form that can be of help in this calculation.

After the allowed hours are anticipated, the next consideration that must be made is how this fits into the jobs that must be done in order to move merchandise from the receiving door through the checkstands.

## EXAMPLE NUMBER I

## ANTICIPATED ALLOWED MAN HOURS

1. A conservative estimate of next week's sales is:

- a. Total           \$ \_\_\_\_\_
- b. Grocery        \$ \_\_\_\_\_
- c. Meat           \$ \_\_\_\_\_
- d. Produce        \$ \_\_\_\_\_
- e. Other           \$ \_\_\_\_\_

2. The sales-per-man-hour standards are:

- a. Total           \$ \_\_\_\_\_
- b. Grocery        \$ \_\_\_\_\_
- c. Meat           \$ \_\_\_\_\_
- d. Produce        \$ \_\_\_\_\_
- e. Other           \$ \_\_\_\_\_

3. The allowed man hours are:

- a. Total           \_\_\_\_\_
- b. Grocery        \_\_\_\_\_
- c. Meat           \_\_\_\_\_
- d. Produce        \_\_\_\_\_
- e. Other           \_\_\_\_\_

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A schedule should allow for the uninterrupted flow of merchandise to the customer. To accomplish this within the allowed man hours usually takes considerable planning. First, the ordering of merchandise should be considered by the manager. How many orders must be made out? When written? By whom? When is the deadline for submitting? How long should it take to complete the job?

Next, the schedule must plan for the receiving of merchandise. The schedule must take into account when goods are received. Who receives? How many men should be on hand to do the most efficient job? What processing must be done in conjunction with receiving? How long will it take?

Shelf stocking must also be allowed time on the schedule. The manager must ask: When and by whom is shelf stocking done? When is the merchandise available to stock? When is the most work on the shelves necessary? Who does fill-in stocking? When?

Another big job that must be considered is price changing. What is the paper work involved? When and by whom are changes made on shelf merchandise? What changes must be made in backroom stock?

A schedule should allow for service to the customer. In order to properly consider this in the schedule, the manager must be fully aware of the daily and weekly fluctuations in store traffic. Of obvious importance in serving the customer is the front end operation. A big challenge in scheduling is to have enough people available to man the

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checkstands needed to avoid long lines. Too many stands open means wasted man hours and probably a pinch somewhere else in the store. Too few checkstands open means customer dissatisfaction. To achieve the desired balance, the manager should know first the day-by-day requirements and, secondly, the hourly volume of traffic during each day. With this knowledge, he can schedule man hours to coincide with traffic needs. Also of importance in scheduling are questions such as: What other jobs can the checker do if she is not busy at the front? Who is available for emergency service in case of an unexpected rush? In what order will the help be called up front?

Plans must be made to have persons available in other areas in the store to serve the customer. Does the schedule allow for someone on the store floor to help customers locate items that they cannot find? Is someone on hand to operate scales for weighing customer purchases? Who will cash customers' checks?

In scheduling to meet the customers' rightful expectation of service, good use can often be made of part-time help. Often people can be found who are available to work during the hours when they are most needed.

A schedule should call for the right person to do the right job at the right time. The manager should determine how many hours are available to him for the coming week. He knows what he has to accomplish with the available help. The key job in organizing a schedule is to play by whom and when each job should be done.



First, every department should be covered by a person "in charge" at all times. The designating of someone in charge of a department for a given time is one good device for developing this person for greater responsibility. It also prevents work slowdown or stoppage from lack of direction.

Lunch periods, breaks, and days off should be staggered so that people are on the job when needed. This is particularly important in the front end operation of a market where slack and heavy periods can usually be anticipated.

A schedule should plan for regular maintenance. Unless cleaning and maintenance of store equipment is scheduled in some regular way, these jobs have a way of not being done. A plan should be in effect to have every area of the store cleaned and checked regularly.

A schedule should be accessible to each employee. The time spent planning a schedule is wasted effort unless each employee is aware of what he should do and when he should do it. Schedules should be posted in a place where every employee can see the days and hours of his work, when he takes his meal hours, and what his job assignment is. He must have a clear idea of what his job assignments are for each day of the week and an understanding of their importance.

One further word on schedules. If the manager posts a schedule each week without consulting his department heads or employees, they lose some sense of the purpose of the organization. If the employee only finds his assignments on a cold impersonal list, he may well feel his personal

satisfactions thwarted. The manager should, then, occasionally consult with the people involved as to what must be accomplished. He should listen to their suggestions and try to incorporate them into his planning. If this is done, the sense of group purpose is more easily maintained and the schedule is more likely to be accepted.

Schedules are only check lists, they will not get the job done without follow-up on the part of the manager. Conditions change daily and the organization must be flexible enough to meet these new conditions. A continuous review of the schedule is a must.

PART III

GETTING BETTER ORGANIZATION AT STORE LEVEL



## CHAPTER VII

### SELECTING A GOOD ORGANIZER

Now that some of the basic areas and problems of organization in the supermarket have been discussed, we are faced with the problem of selecting the right man for the job of store manager and helping him develop the organizational skills necessary for the management of a successful operation. The first and most obvious step is to select the proper man to be a store manager. In choosing a man to manage a store, a man with organizational ability must be picked.

William J. Reilly, in his book The Law of Intelligent Action, says that the intelligence of an individual's action when confronted with a problem is dependent on three factors:

1. His desire to solve the problem.
2. His ability to solve it.
3. His capacity for handling the human relations involved.

In these terms, then, we are looking for a manager with the desire to engage in organizing a market with the ability, or at least the potential ability, to organize an operation, and with the well developed capacity for getting along with other people. All of these qualities are certainly of paramount importance to the organizer.

How, then, can we go about selecting such a person? It is certainly more difficult than when a person with physical skills is needed. With these, all that is needed is to try him out on a sample of the work that is to be done and judge him on how well he does it. If we are looking for a cashier, it is a simple matter to test her for proficiency in arithmetic and the manual dexterity needed to perform the job. Unfortunately in the selection of store managers, all too often the man is selected who has most successfully performed physical jobs in the market. The clerk who has the fullest shelves is promoted to head clerk or produce manager. The produce manager who keeps the best looking and freshest produce stand is promoted to assistant manager. The assistant manager who builds the best displays and does the best job of ordering is sometimes promoted to store manager. These latter two jobs do require some organizational ability for their successful completion. However, how can one be more sure that the candidate for store manager possesses this quality? There are numerous tests on the market which might give some clue in this matter, especially if the candidate's results on these tests are compared with the results on the same tests of a manager who is known to be a good organizer. However, in the use of any ready-made test, the words of the National Industrial Conference Board report must be considered.<sup>1</sup>

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<sup>1</sup>Herbert Moore, Ph.D., "Experience with Employment Tests," Studies in Personnel Policy, No. 32 (New York: National Industrial Conference Board, Inc., 1941).

Personnel men who use tests as selection tools are not concerned with the same problem as academic men. Their concern is not with the level of intelligence, degree of mechanical ability, amount of clerical ability, or extent of personality development. Their concern is with the particular kind of ability that the demands of their organization establish, with the particular kinds of mechanical skill that must be acquired by operators of their machines and with the particular personality assets that their organization demands. For that reason, the tests that are selected are in terms of organizational needs first and foremost.

Some substitute for formal testing can well be utilized to further locate the presence of ability in the prospective manager. The "work sample" approach might also be used. In order to get an indication as to whether or not a man can organize a market, he might be asked several questions on how he would go about handling certain problems in store organization. His answers to these questions would show his knowledge of organizational principles.

Even though the person has the ability to fill the job, his desire to work at the job of market manager is also a determining factor and must be considered. In this case we are concerned with the question: "Does he desire to work at this kind of job?" Human desire is the great motivating force and the extent to which a person's desires have been defined and developed determines the extent to which he is motivated to do anything.

A few tests have been developed to measure this factor, but they are not in wide use. Personal interviews must then be used in an attempt to get at a person's underlying desires. W. J. Reilly suggests as "conversation

starters" in getting this information such questions as:<sup>2</sup>

1. Suppose you were financially independent and perfectly free to do anything you wanted, what life would you select, if any?
2. Is there anything that you do which interests you so much that you lose all sense of time and forget to watch the clock?
3. How do you spend your spare time?
4. What courses of study did you enjoy most in school and why?

These simple questions are effective in finding the real desire of a person and revealing whether or not he really wants to work at a particular type of job. They help to show whether or not he has a belief in the importance of that kind of work.

The third element to measure is the candidate's capacity for getting along with other people with whom he will have to associate and organize. This is a very difficult talent to measure. There are several ways, however, that the candidate's capacity for good human relations can be judged. Most obvious is the person's past performance in getting along with the people he has worked with. Presumably, a prospective manager has been with the company for some time, and there is a history of observations available on the candidate.

Another way to judge a candidate's capacity in human relations in specific situations which he might encounter in organizing a market is to ask him how he would handle

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<sup>2</sup>Ibid., p. 70.



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such as these: "How would you win the acceptance of your employees to a new assistant manager?" or "How would you get an assistant manager to take a greater interest in the produce operation?"

In addition to specific questions, we can use some general questions in a written test or in a personal interview to discover the person's attitude toward people. Some helpful questions are: "Do you enjoy being with all kinds of people?" "Do you like to work with people or would you prefer to work alone?" "Do you enjoy trying to persuade others to your point of view?" The quality and quantity of answers to such questions give a clue to the candidate's skill in human relations.

If the right kind of job is done in the selection of a manager, we have gone a long way toward the establishment of a good organization in his particular store.

## CHAPTER VIII

### SUMMARY AND CONCLUSIONS

When a man is made the manager of a modern, large supermarket, he is placed in charge of up to one hundred employees. Reporting to him are two to seven department heads, often with a knowledge of their departments that the manager cannot hope to equal. The capital investment in the physical plant may be up to one and one-half million dollars. The annual sales volume of the store might be as much as five million dollars a year. In some areas this store might be open seven days a week, twenty-four hours a day. This store may sell over seven thousand different items and have over ten thousand customers a week. Surely a man given this responsibility is in an executive position.

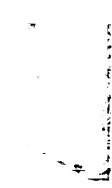
Not many years ago in some grocery chains, the store manager was responsible for about one to ten subordinates. The store was small. An annual sales volume of \$150,000 per year was quite respectable. Most of the work in the store was done either personally by the store manager or done under his close supervision.

There is little similarity between the requirements for managing a small grocery store and the abilities needed to successfully operate a large supermarket.

With the rapid growth of the supermarket industry, many of the market managers and supervisors today come from the ranks of former service store managers. What changes did the transition require in the way that a manager accomplishes his job? An understanding of this will help in giving all store managers a better knowledge of how to do their jobs successfully. The key difference between a small and a large store manager's job is obvious. The small store manager works with his hands while the large store manager must spend his time working through others. The key to his success is in organizing and directing the work of his crew.

To successfully coordinate the activities of a large group, the successful manager must have an understanding of some basic criteria of a sound organizational structure in his market. He must first recognize that the purpose of his organization is to serve his customers in such a way that they will be completely satisfied and at the same time show a profit. This dual purpose must be accomplished in a way that will allow his employees to satisfy their personal goals and have the opportunities for individual development.

The first step in accomplishing this is to relate the functions in the market and make individual assignment of the functions. These should be related by a chain of command understood by each person in the market. This sets forth the part which each member of the enterprise is expected to perform. In establishing these relationships, the manager must keep in mind the strong and weak point of



each member of his team. The assignments should be a challenge for each individual and allow room for personal development by giving each man the authority to carry out his responsibility.

The market manager must recognize that the process of organizing a market never is completed; he must be thinking a year ahead to make his organization suitable for a changing environment. The schedule of duties and hours, which is usually the organization chart of a market, must be constantly revised to keep it from becoming obsolete.

It is the duty of management and supervision to choose store managers who will be able to carry out the manager's duty of maintaining an effective organization and to give them every help in fulfilling the objectives.

We have tried to show in this thesis some of the classic principles of organization and to test their soundness in terms of a supermarket operation. We have also discussed briefly the problem of selecting a man with organizational skills as a manager.

The following check list is offered as a guide to how well the organizer is fulfilling his requirements:

1. Know-How    --    Does he know the fundamentals of the operation he is directing?
2. Planning    --    Does he know how to divide or assemble operations into jobs which represent a fair distribution of the work?

Does he know how to relate these jobs into a unified, smooth-running team?



3. Judgment -- Does he show good judgment in allocating duties and responsibilities in accordance with the ability and attitude of the personnel?
4. Selling -- Can he sell people on the importance of their jobs and the necessity and desirability of doing them capably?
5. Developing Men -- Is he good at developing the skills and attitudes of his personnel?
6. Follow-Through -- Does he follow-through to see that each man does his job?

If there is a "yes" answer to each of these questions, the organization is in good hands.



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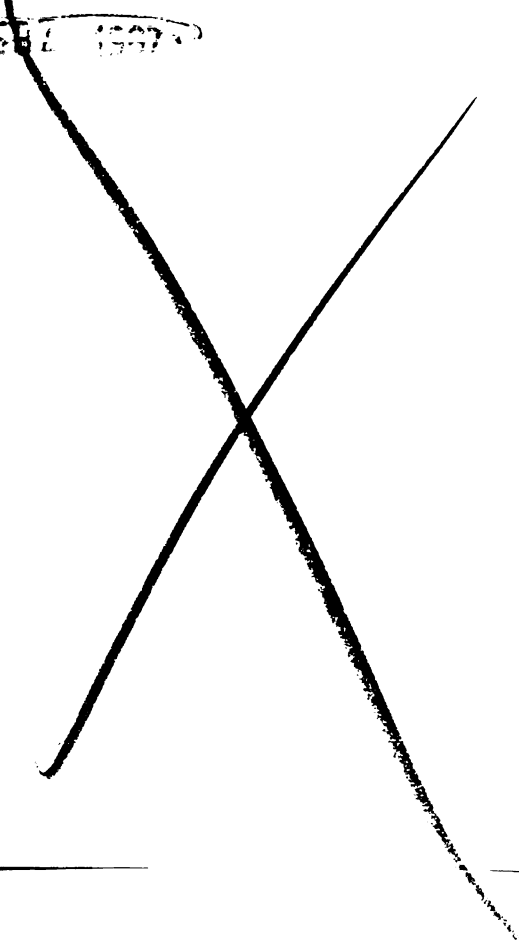
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