Defining Management Responsibilities in the Retail Food Distribution Industry

by

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Abstract

Decision-making roles of various levels of management in retail food firms were identified. Particular attention was focused on: (1) identifying the range of responsibility for each level of management, and (2) identifying the degree of involvement for each level of management. A "funneling" effect was depicted in the decision-making process, progressing from general policy decisions by upper level management to more specific operating decisions by store level management.

Introduction

The retail food distribution industry is unequivocally in position to surge forward in the application of information technology. Because of scanning technology in particular, a great deal of data is available to the food industry. Translating data into information for management decisions is obviously then a major concern (Capps, Thomas, and Long).

Successful management in the retail food distribution industry requires clear-cut definitions of management responsibilities, parameters of authority, and standards of performance. Several approaches exist in designing a framework from which responsibilities are carried out and decisions are made. Management by objectives (MBO) is one approach that explicitly seeks areas of congruence between individuals and organizational goals (Robey). Specifically, management may create mission statements, policies, or information systems (Curhan and Dickinson).

With regard to information technology, a current primary task is the development of management information systems (MIS). An MIS is defined as "an organized method of providing each manager with the information he[/she] needs for a decision, when he[/she] needs it, and in a form which aids his[/her] understanding and stimulates his[/her] action" (Colbert). The justification for developing an MIS is to identify sources, flows, and forms of information so that management personnel can improve decision-making.

Inherent in the development of an MIS is the determination of the information needs for each level of management. This task in turn demands an analysis and structuring of the managerial responsibilities for each level of management within the retail food industry.

Additionally, managerial responsibilities have been affected by the changing structure of the retail food industry. During the past two decades, chain stores have become more popular, the number of establishments has decreased, and the average size of food stores has increased (McLaughlin and Hawkes). Consequently this structural change has led to increases in bureaucracy and complexity of organizational structures.

In short, an understanding of management roles with regard to responsibility and involvement is essential--particularly from the standpoints of the growth in information technology as well as general structural change of the retail food industry. The objective of this paper is to identify the decision-making roles of the various levels of management in retail food firms. Attention is focused on: (1) identifying the range of responsibility for each level of management, and (2) identifying the degree of involvement for each level of management. Surprisingly, a review of the extant literature sheds virtually no light on this subject. The information available from the literature is similar to that for any type of business--it is not specific to the retail food industry.

Methodology

The information used to meet this broad objective was collected largely through discussions with personnel at various levels of management within 17 retail and wholesale grocery firms in Indiana, Kentucky, Maryland, Pennsylvania, and Virginia. Where necessary, results of the interviews were augmented with information available from trade publications.

Several criteria were used in selecting the firms included in the sample. Among these were: (1) reputation as an innovative, well-managed firm; (2) size of operation; (3) current use of front-end scanning; and (4) willingness to cooperate. No attempt was made to achieve a random sample; a representative sample was the goal.

The discussions with managers within these 17 firms were conducted as open-ended but structured interviews. An interview instrument was developed to serve as the basis for the interviews (Table 1). If by chance some question or segment of the interview instrument was omitted by the interviewer, follow-up inquiries were made in person or by telephone.

Table 1

Set of Questions Used in the Personal Interview Sessions

1. General Information

   Store/Firm
   Location
   Characteristics (Organization, Type, Square Footage, Sales Volume/Week, Number of Items in Store)
   Managerial Levels

2. Parameters of Authority of Decision-Making

   (i) Labor Scheduling
   (ii) Pricing Decisions
   (iii) Decide Specials and/or Merchandising Schemes
   (iv) Ordering Decisions
   (v) Markdown Decisions
   (vi) Other

3. What computerized reports do you presently get in these areas?

4. Give specific examples of how you use each.

5. Why don't you make more use of these reports?

6. For the operating responsibilities you outlined above, what kind of fast, accurate information would you like to help you better manage your store?

7. Technical information

   (i) How much influence in the operation?
   (ii) How are reports developed?
   (iii) Standard software?
   (iv) Form?
   (v) Do you write own software?
   (vi) Additional things that may be used?

8. Scanner information used for personnel evaluation?

Once the interviews were completed, the responses were analyzed for commonalities and differences. On this basis, a simple generic hierarchy of retail grocery store management levels, a list of major management responsibilities (as defined by the respondents), and the degree of involvement by each level in each responsibility were developed. These then became the basis for the results reported below.

Management Responsibilities

Since organizational structures differed from firm to firm, a simple, generic organizational hierarchy was used as the basis for the outline of management responsibilities. This hierarchy consisted of six elements: (1) the chief executive officer (CEO), which included all upper management levels; (2) the merchandiser, which represented buyers, merchandisers, and other positions responsible for merchandising activities; (3) the store manager; (4) the departmental manager; (5) the electronic management information director (EMID) or chief information officer (CIO), which included headquarters personnel involved with scanning and computer systems; and (6) the scanning coordinator, which included store-level personnel responsible for scanning activities. These management levels covered the typical range of responsibilities in a retail grocery firm. The responsibilities in this generic case could be combined or rearranged to fit the organizational hierarchy of specific firms.

In general, however, it adequately described the structure of the firms included in the study.

To clarify the responsibilities of the levels of management, a matrix of management responsibilities then was constructed (Table 2). This matrix depicts a "funneling" effect in the decision-making process, progressing from general "policy" decisions made by the CEO to more specific "operating" decisions by store and departmental managers. For example, the CEO might decide to operate on a low margin/high volume basis. Because of this decision, the merchandiser would have to develop a pricing strategy to achieve an overall desired gross margin and would be responsible for advertising strategies to achieve higher customer counts at relatively low cost. Operating on a low margin/high volume basis would affect the number of labor hours needed to operate a store. Thus, the store manager would have to develop the store operating budget to insure that each department would be provided with sufficient labor. Finally, the department managers would have to schedule the labor in their departments to adequately serve the customer and to stay within their operating budget.

The matrix includes general responsibilities, as outlined by the interviewees, divided into four categories: (1) Facilities (land), (2) Personnel (labor), (3) Capital, and (4) Goals and Strategies. In addition to the responsibilities of management, the matrix reflects the feelings of the managers interviewed as to the degree of involvement each level has in meeting these firm responsibilities.

CEO

The chief executive officer (CEO) is responsible for setting the goals and objectives of the company. This responsibility basically involves the development of firm profitability goals, the management of capital allocation, the development of firm image, and the design of firm operating strategies. Profit, and in particular return on investment (ROI), are perhaps the most common financial performance measures used by firms. Capital allocation decisions relate to real estate and equipment purchases and sales. To cultivate firm image, standards are set for customer service, product quality, product mix, display methods, advertising, and employee appearance. Operational strategies of the firm include pricing methods, sales objectives, and advertising budgets.

Merchandiser

The responsibility of the merchandiser is to develop specific plans to achieve the goals outlined by the CEO. The merchandiser is generally concerned with store layout, product mix, pricing decisions, advertising and promotion, methods of processing and packaging perishable products, inventory control (warehouse), and profitability.

Store Manager

The general responsibilities of the store manager include the maintenance of store standards set by the CEO as well as the implementation of specific directions of the merchandiser. Specifically, the store manager is responsible for in-store personnel management, general operations, merchandising, and profitability.

Department Manager

The responsibilities of the department manager are similar to those of the store manager. The departmental manager is responsible for the general operations of his/her department. These responsibilities include labor scheduling and the training of departmental employees in operations such as stocking, display of items, and procedures for customer service. Other responsibilities include supervising the stocking and display of merchandise, control of shrink through proper ordering (especially in perishables) and prevention of pilferage as well as general merchandising.

EMID and Scanning Coordinator

Because of the potential gains in management control and efficiency through the use of an MIS that uses scanner data, the EMID is becoming an increasingly important position within a firm. Interestingly, neither the EMID nor the scanning coordinator positions were viewed as line management by the respective interviewees in this study. Scanning has experienced considerable growth since its inception in the early 1970s. By the end of 1988, over 15,000 stores will have added scanning at the point of sale (Ricker and Capps). The percentage of products going through scanning devices in 1988 is nearly 60 percent of total sales, up from 40 percent in 1984 (*Progressive Grocer*). Since scanning devices generate a tremendous amount of data, an important task is to filter the data and derive pertinent reports for various tiers of management. Importantly, each tier has different informational needs relative to type, complexity,

Table 2

General Management Responsibilities

Key:
CEO= chief executive officer
STM= store manager
CIO = chief information officer
MER = merchandiser
DPM = department manager
SCC = scanning coordinator

LR = level of responsibility
LI = level of involvement

Level of responsibility or involvement: **H** = high
M = medium
L = low

Responsibility	Management Level											
	CEO		MER		STM		DPM		CIO		SCC	
	LR	LI	LR	LI	LR	LI	LR	LI	LR	LI	LR	LI
Facilities												
Real Estate	H	H	L	M	L	L	L	L	L	L	L	L
Buildings												
(1)merger	H	H	L	H	L	L	L	L	L	L	L	L
(2)new construction	H	H	L	M	L	L	L	L	L	L	L	L
(a) size	H	H	H	H	L	L	L	L	L	L	L	L
(b) design	H	M	H	H	L	L	L	L	L	L	L	L
(3)sale of existing sites	H	H	L	L	L	L	L	L	L	L	L	L
Equipment												
(1)purchase decision	H	L	H	H	L	L	L	L	L	L	L	L
(2)merchandising decision	H	L	H	H	L	L	L	L	L	L	L	L
Personnel												
Hiring Decisions	H	M	L	M	H	H	L	L	L	L	L	L
Wage/Salary	H	H	L	L	M	M	L	L	L	L	L	L
Incentives/Bonuses	H	H	L	L	H	H	L	L	L	L	L	L
Insurance & Retirement	H	H	L	L	L	L	L	L	L	L	L	L
Job descriptions	H	M	H	H	M	H	L	H	L	L	L	L
Supervision of Subordinates	H	M	H	H	H	H	H	H	H	L	L	L
Labor scheduling	L	L	L	L	H	H	H	H	L	L	L	L
Training	H	L	H	H	H	H	L	H	H	H	L	H
Employee evaluation	H	H	H	H	H	H	H	H	H	M	L	L

Table 2 Cont'd.

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	Management Level											
	CEO		MER		STM		DPM		CIO		SCC	
Responsibility	LR	LI	LR	LI	LR	LI	LR	LI	LR	LI	LR	LI
Capital												
Allocation												
(1)real estate	H	H	L	L	L	L	L	L	L	L	L	L
(2)building	H	H	L	L	L	L	L	L	L	L	L	L
(3)operating budgets	H	H	L	L	H	H	L	L	L	L	L	L
(4)equipment	H	L	L	H	H	M	L	M	L	H	L	L
(5)personnel	H	H	L	L	M	H	L	L	L	L	L	L
Inventory												
(1)product mix	H	H	H	H	M	M	M	M	L	L	L	L
(2)display	M	L	H	M	H	M	H	H	L	L	L	L
(3)processing & packaging	M	L	H	M	M	L	L	H	L	L	L	L
(4)ordering	L	L	H	H	H	H	H	H	L	L	L	L
(5)shrink	L	L	H	H	H	H	H	H	L	L	L	L
(6)price integrity	H	L	H	L	H	H	H	H	H	H	H	H
Goals & Strategies												
Merchandising												
(1)pricing	H	H	H	H	L	M	L	L	L	L	L	L
(2)advertising	H	L	H	H	L	L	L	L	L	L	L	L
Develop Image	H	L	L	H	L	H	L	H	L	L	L	L
Customer service	H	L	L	H	L	H	L	H	L	L	L	H
Sales objectives	H	L	M	H	L	H	L	H	L	L	L	L
Profitability												
(1)margins	H	L	M	H	L	H	L	H	L	L	L	H
(2)costs	H	H	H	H	H	H	H	H	M	M	L	L
(3)net profits	H	H	H	H	H	H	H	H	L	M	L	H
Support to other Managers	H	L	H	H	M	L	M	L	H	H	H	H

and punctuality.

The responsibilities of the EMID or CIO and the scanning coordinator are divided into two categories--those of the EMID at headquarters and those of the scanning coordinator at the store level. In general, the EMID is responsible for scanning and computer operations for the entire firm, while the store-level subordinate is responsible for item price accuracy and the general upkeep of the store price file.

Specifically, the EMID is responsible for keeping up the master price file, establishing guidelines for scanning operations, and regulating price accuracy audits. Also, the EMID serves as a supervisor to the store-level scanning coordinator and helps to resolve problems with the price file of the store and general problems with UPCs (Universal Product Codes). Finally, the EMID is responsible for the collection and consolidation of scanner data into useful reports for dissemination to appropriate headquarters staff and store managers.

The major specific responsibility of the store-level scanning coordinator is the overall maintenance of the store price file to ensure price integrity. This maintenance includes the verification of shelf price tags, individually priced items, and the computerized price file.

Level of Responsibility and Involvement

Each management level then was classified according to: (1) level of responsibility (LR) and (2) level of involvement (LI). The responsibility classification defines the degree of authority the manager had in the decision-making process concerning a specific area. The involvement classification indicates the amount of direct involvement by a manager in a particular management decision. For each general area, the manager's level of responsibility or involvement is indicated as high (H), medium (M), and low (L). These gradations indicate, in a qualitative sense, a relative level of responsibility or involvement. For example, under the heading of facilities, both the level of responsibility and the level of involvement of the CEO in real estate decisions is high. For the merchandiser, the level of responsibility for such decisions is low, but the level of involvement is medium. Under the heading of goals and strategies, the level of responsibility of the store manager and the department manager in image development, customer service and sales objectives is low, but their level of involvement is high.

Concluding Comments

It is difficult either to manage or to be managed without clear-cut understandings of responsibilities, parameters of authority to meet these responsibilities, and standards of performance. To date, little formal research concerning these has been done (at least reported) in the retail food distribution industry. Given the structural changes in the retail food distribution industry, analyses dealing with management decision-making are needed. This study attempted to fill this void.

In general, the results of this study depicted a "funneling" effect in the decision-making process, progressing from general policy decisions by upper level management to more specific operating decisions by store level management. Additionally, attention was focused on the roles of the electronic management information director (or chief information officer) and scanning coordinators. Also, analyses probably should be conducted on a functional basis rather than on an organizational chart basis.

Resource constraints (time, personnel, and money) limited the scope of this study. Additional work is needed to refine all segments of the matrix. This research effort does however provide a base for further work, both for formal research and for individual firms to analyze their own managerial hierarchy and functions.

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