

# Loblaws – college essay



**ASSIGN  
BUSTER**

Loblaw Companies Limited - research of an organization Table of Contents  
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an Organization11 Human Resources Management13 Company's  
weaknesses15 Used Sources16 Introduction For this paper I'll try to research  
an organization I am familiar with, Loblaw Companies Limited and apply an  
administrative theory concept, discussing its strengths and weaknesses.  
Loblaw Companies Limited is Canada's largest food distributor and a leading  
provider of general merchandise products, drugstore and financial products  
and services. Through its various operating banners, Loblaw is committed to  
providing Canadians with a one-stop destination in meeting their food and  
household needs. This goal is pursued through a portfolio of store formats  
across the country. Loblaw is known for the quality, innovation and value of  
its food offering.

It also offers Canada's strongest control label program, including the unique  
President's Choice, no name and Joe Fresh Style brands. " (1) Loblaw  
operates ten retailer banners: Loblaw's, Real Canadian Superstore, Real  
Canadian Wholesale, Atlantic Superstore, Dominion, Fortino's, Maxi, No Frills,  
Provigo, Zehrs, and Your Independent Superstore. The company also is  
diversified at retail, offering Canadian consumers financial services, home,  
auto, travel and pet insurance, and mobile phone and Internet services.

#### Administrative theory

In order to understand the administrative theory concepts at an organization,  
to my mind it is necessary to clarify the definition of an administrative  
theory, the history of its emergence. During the Industrial Revolution in the

19th century, need to develop management techniques that would integrate technology, materials, and worker activities in a productive and efficient manner rose. " Administrative theory focuses on the total organization and attempts to develop principles that will direct managers to more efficient activities. Prominent writers in this perspective were Henri Fayol, Max Weber, and Chester Barnard. (2) Henri Fayol, in his book " General and Industrial Management" classified the study of management into several functional areas: planning, organizing, directing, coordinating, and controlling. Although, now 90 years old, his principles for successful managing, such as efficiency, order, stability, and fairness are still being applied by managers today. Max Weber sought to rationalize the organizations through bureaucratization, which is essentially a set of regulations to control the activity of the organization. As a manager by profession, Chester Barnard relied on his own experience in developing a theory of the organization.

He " viewed it as a " cooperative system" of individuals embodying three essential elements: willingness to cooperate, a common purpose, and communication. The absence of any one of these three elements would lead to the disintegration of the organization, according to Barnard. He viewed the distribution of authority as an important process within the organization. However, he felt that the source of authority did not reside in the person who gave the orders; rather, authority resided in the subordinates who could choose to either accept or reject directives from their superiors.

Subordinates would assent to authority when four conditions were satisfied:

1) they could and did understand the communicated directive; 2) they

believed that the directive was consistent with the purpose of the organization; 3) they believed that the directive was compatible with their own personal interests; 4) they were mentally and physically able to comply with the directive. This view of authority has become known as acceptance theory. " (2) The environment of Organization

Business environment consists of the external environment, the task environment and the internal environment. (5) For any company the most important factor of its existence is the internal environment, which consists of Owners, Board of directors, Management, Employees and Culture. Owner of Loblaw Companies Limited is the man called Galen Weston of George Weston Limited, one of the largest Canadian food processing and distributing company. Mr. Weston is the second richest person in Canada, according to Forbes. (3) His son, Galen Weston Jr. is the chairman of Loblaw, and the "face" of the company. During his commercials on T. V. Galen Jr. focused on an environmentally friendly image of Loblaw, promoted President's Choice product, etc. Good looking friendly young guy with a smile as a CEO is good for an image of the company. Board of directors at Loblaw consists of 13 people, experienced with a wide variety of organizational settings, from managing a Toronto Blue Jays Baseball team to Royal Bank of Canada. (4) Loblaw is one of Canada's largest private sector employers, having over 139,000 full-time and part-time employees. 1) To my mind, employees at Loblaw have a sense of stability and job security, they feel motivated to work and respected by their managers, who often help them with their tasks. Also, the company has 10% off for all in store merchandise for its employees, which ensures certain level of job loyalty and appreciation. At Loblaw there is a

strong sense of theory Y management, employees are given freedom in terms of approach of their work, they are being consulted before making alterations in it, and workers are involved in decision making.

Loblaw's culture is explained on their web-site: " Loblaw is committed to a strategy developed under three core themes: Simplify, Innovate and Grow. The Company strives to be consumer focused, cost effective and agile, with the goal of achieving long term growth for its many stakeholders. Loblaw believes that a strong balance sheet is critical to achieving its potential. It is highly selective in its consideration of acquisitions and other business opportunities. The Company maintains an active product development program to support its control label program.

It works to ensure that its technology and systems logistics enhance the efficiency of its operations. " (1) Task environment has a very high affect on organization. It consists of Competitors (" One of Loblaw's main rivals is Sobeys, which currently around \$37 a share, with 1, 311 stores across Canada. (7) , Wal-Mart, Safeway Inc. and Costco Wholesale Corporation), Suppliers (close relationships with suppliers are crucial for success of an organization), Regulators (both government and non-government organizations), Strategic partners (Weston, President's Choice, PC Financial, many different stores within Loblaw are ll partners, and having their promotions interlinked can significantly strike their competitors), Labour (workers are unionized, can put pressure on the company), and Customers (for the company that sells food the good public image is vital for its survival, so Loblaw has a few charitable and community investment programs, such as President's Choice Children's Charity and Greening our Cities initiatives

(6); also, Loblaw notices trends in customer's preferences, such as buying organic foods and Canadian grown produce). Ethics at Loblaw Loblaw has adopted a code of ethical decision making.

Main points of its Code of Business Conduct oblige employees to: \* allow no discrimination or harassment; \* do not use company's property for any purpose other than the performance of your duties; \* rule out conflict of interests; \* Conflicts of interest include: accepting gifts from suppliers; engaging in an outside business activity that interferes with your obligations and duties to Loblaw; engaging in a personal relationship with a subordinate, colleague self-dealing; and conducting business with a relative or friend who is employed by a competitor or a supplier. protect confidential and proprietary information; \* This includes information about customers, other colleagues, and Loblaw's affairs, operations and products. \* use systems for only approved purposes; \* deal with government and regulatory officials fairly; \* protect Loblaw's reputation; \* Do not make any public comment that could harm Loblaw's business interests or reputation. (from this we can observe that the company won't tolerate whistle blowers) \* Properly Maintain, Retain and Destroy Documents and Records; \* Insider Trading; Colleagues must not trade in the securities of George Weston Limited, Loblaw or any other company while in possession of material undisclosed information that could reasonably be expected to affect the value of those securities. \* Be Environmentally and Socially Responsible and Safety Sensitive; \* Honour Your Post-Employment Duties; \* Report All Fraud, Code Violations and Unethical Conduct; A colleague who violates the Code or otherwise behaves in an unethical, illegal, discriminatory or harassing

manner may be subject to appropriate disciplinary measures, including dismissal and/or legal action. 8) Also, it is important to note company's environment policy, which can be found on its web-site: 1. Loblaw, through its operations, will develop, maintain and implement policies, procedures and management systems to monitor its operations with a view to protecting the environment. 2. Loblaw, through its operations, will strive to incorporate in its environmental practices the best available technology which is economically achievable. 3.

Loblaw, through its operations, will consider and, when appropriate, promote energy efficiency to reduce the consumption of non-renewable natural resources and will promote source reduction initiatives as a means of reducing waste. 4. To ensure continuous improvement in environmental performance, Loblaw, through its operations, shall review periodically its environmental operation practices and procedures and establish, maintain and monitor environmental objectives and targets to measure performance. . Where appropriate, Loblaw will request its employees to notify customers of its Environmental Policy as it relates to how they conduct business. 6. Loblaw will promote awareness amongst its stakeholders, including employees, to increase their understanding of environmental protection initiatives from time to time. All officers and employees are expected to respect Loblaw's environmental policies and procedures. (11) " Back to the Best"- Loblaw's strategic plan

In the new millennium " increased competition from Wal-Mart Supercenters , on the price and value side, Whole Foods Market and Planet Organic Markets on the upscale, natural and prepared foods' fronts, have made the iconic

supermarket chain less relevant to Canadian consumers than it has ever been before" (9). Loblaw's sales decreased and stock price dropped. As a way to return its previous leading position in the market, Loblaw announced the program it calls " Back to the Best".

As a part of " Back to the Best" program, which foresees the expansion and upscaling in the fresh, prepared foods category, the company has hired a new president and deputy chairman, Alan Leighton, a veteran of North American food and grocery retailing, including having experience at Whole Foods Market, Inc. , where he gained understanding about the fresh, prepared foods and produce categories. " Loblaw also is in the process of improving, upscaling and expanding its long-popular President's Choice brand private label food and grocery product line.

President's Choice was essentially the first upscale store brand of premium, specialty, gourmet, natural and organic food and grocery products from a major food retailer in North America, when the brand was introduced in the stores over 20 years ago. At its height, the President's Choice brand was so popular, Loblaw sold it to supermarket chains and wholesalers throughout the United States, who at the time didn't have their own upscale or premium store brands like they do today.

Loblaw has increasingly positioned the President's Choice brand as a " green" or sustainable brand, including reusable shopping totes and other related products under the brand banner, along with natural, organic, specialty and premium food and grocery products. " (9) The main points of " Back to the Best" plan: \* Refocus of food, increase in merchandising the



local-produced Canadian produce, meat and other products, to attract customers, who enjoy buying Canadian. \* A complete overhaul of Loblaw's discount supermarket format stores in Western Canada.

Western Canada is where Wal-Mart is killing the supermarket chain's discount grocery store format stores with its Supercenters the most. \* Decentralized and localized purchasing and marketing programs for individual stores, which allows the retailer to better tailor its stores to the particular region, community and even neighborhood they are located in. The textbook tells us that effective plan needs to fall into the SMART category. Smart stands for Specific, Measured, Agreed, Realistic and Time Bound. I shall now research "Back to the Best" from SMART perspective. Specific: the plan stipulates increase in sales performance, cost management and operational effectiveness, as well as transformational priorities of food renewal, store enhancements, product innovation, infrastructure improvement, and customer value. \* Measured: "in 2008 full-year profit grew 65% to \$545 million, or \$1.99 per share, on sales of \$30.8 billion. This compared with 2007 net income of \$330 million, \$1.20 per share, on sales of \$29.38 billion." (10) \* Agreed: "Back to the Best" was introduced at the Loblaw Cos. Ltd. annual general meeting; the program's main points were explained to all its employees. \* Realistic: Loblaw is still the Canada's biggest food and grocery retailer with over 139,000 full-time and part-time employees in more than 1,000 corporate and franchised stores throughout the country. Hence it is achievable to combat the competitors for business. \* Time Bound: the plan is set for a period of five years. So, by

analyzing “ Back to the Best”, I can conclude that the plan falls into the SMART category, and has all chances to be successful.

Structure of an Organization Loblaw Companies Limited is a large organization with over 1, 400 supermarkets operating under different regional banners, which employs more than 139, 000 workers. In this chapter I’ll try to determine the exact structure of Loblaw Companies Limited to the best of my abilities. On top of the company there is a C. E. O. , which is called an Executive Chairman position at Loblaw. Currently Mr. Galen G. Weston occupies it. Next, goes the President and the Deputy Chairman (Allan L. Leighton, was hired to execute “ Back to the Best” strategy).

Both of them are the members of the Board of Directors, the senior structure in the organization). Next to the Board of Directors there is a Management Board, which, “ Consisting of individuals with a diverse range of experience, viewpoints and professional expertise, the members of our leadership team share a deep understanding of our industry and a strong commitment to our Company and its continued success. ” (12) We can observe a clear Functional Structure in the management board. It consists of fourteen people: Galen G. Weston, Executive Chairman|

Allan L. Leighton, President and Deputy Chairman Catherine A. Booth, Senior Vice President, Information Technology| Mark Butler, Executive Vice President, Central Operations| Barry K. Columb, Executive Vice President, Financial Services| Roy R. Conliffe, Executive Vice President, Labour Relations| Gordon A. M. Currie, Chief Legal Officer| Sarah R. Davis, Executive Vice President, Finance| Craig R. Hutchison, Senior Vice President, Marketing|

S. Jane Marshall, Executive Vice President, Real Estate, Loblaw Properties Limited| Judy A.

McCrie, Executive Vice President, Human Resources| Peter K. McMahon, Executive Vice President, Supply Chain and Information Technology| Dalton T. Philips, Chief Operating Officer| Robert G. Vaux, Chief Financial Officer| The company is divided into four regional divisions, Westfair Foods Ltd. (western Canada and northern Ontario), National Grocers (southern Ontario), Provigo Inc. (Quebec) and Atlantic Wholesalers Ltd. (Atlantic Canada), as well as into a number of banners, such as: Superstore (107 locations throughout Canada);

Great Food, which consists of Loblaws (78 locations), Provigo (over 300 stores), and Zehrs (44 locations); Wholesale, The Real Canadian Wholesale Club (34 stores), Real Canadian Liquorstore (30 locations) The company also has a number of unique products and services, most notably, President's Choice and no name label products, Joe Fresh style clothing line and President's Choice Financial banking services, which operates in associations with CIBC. In terms of management Loblaw has a matrix structure where both regional structure and division structure intersects.

In individual stores there is a store manager with five to seven department managers, so on the small level we can see division structure of management in place. Although Loblaw's organizational structure is very complex and puzzling, it is understandable because of its magnitude. Human Resources Management Being one of the largest employees in Canada, it is very important for Loblaw to properly manage its human resources.

Recruiting, as the textbook says, is the act, which “ is primarily concerned with determining what the desired candidate pool consists of and attracting those candidates to specific positions within the organization”. 13) The company uses various recruitment techniques, such as job posting within the organization, advertisements in media, employment agencies and employment referrals (employee will receive a gift if the person they referred stays at work for certain amount of time), the internet (you can apply for various positions on the company’s web-site). To quote loblaws. ca, “ And when it comes to employees we strive to provide a positive, fast-paced environment where co-workers often become teammates and friends. We realize that our employees are one of the key reasons for our success, and look to support them by offering: \* Paid training; Attractive benefits; \* Scholarship programs; \* Employee share ownership opportunities; \* Career opportunities (we work to hire from within); \* Flexible hours;” (14) When a potential employee is recruited, a selecting process starts. The first step in the selecting process is an interview. If the candidate passes it, an on-the-job training begins. Depends on the store and department, the new employee is given either “ assistant to” o apprenticeship position. This kind of training usually lasts for a week, when the new employee is ready to take his own responsibilities.

Every store and department has its own way of appraising employees on their performance. For instance, cashiers are scaled on the basis of how many items were scanned per minute. The best cashiers are given rewards (usually a gift card), when the worst have a talk with a manager about the ways they can improve their work. As part of the “ Back to the Best”

strategy, the company “ plans to convert more part-time jobs to a full-time to boost productivity and help the economy. Loblaw Cos. Ltd. said it could convert as many as 10, 000 jobs from part-time to full-time, giving employees higher pay and reducing costly staff turnover. ” (15) The plan is to convert 10% of Loblaw’s part time workforce to full-time within 2009-2010 years. This move would require changes in the company’s union agreement with United Food and Commercial Workers union, which represents Loblaw’s employees. The company would be looking for more “ flexibility” from the union in exchange of the increase in full-time employment. The highly unionized Loblaw competes increasingly with non-unionized Wal-Mart in sales of food sales. Company’s weaknesses

When it comes to the weaknesses of Loblaw Companies, people usually point the problem of a failing purchasing, logistics and distribution systems for its stores. The problem is caused by centralized purchasing and marketing system. In the words of the Executive Chairman Galen G. Weston, “ We have not been focused on our core strength of being the best food retailer in Canada; our organization is too complex and is ineffective and slow to respond to the customer and to the competitive environment. Our actual prices relative to Wal-Mart’s are significantly higher than we thought”.

It is worth noting though, that there is a process of decentralization in the company, although it is arguably too slow and limited. Getting products to the shelves is the most basic of functions for a food retailer, and Loblaw has lost numerous customers over its failure to do so. Mostly this problem arises because of insufficient in-store cooperation and little motivated “ minimum wage” employees. “ If it’s in the store, then it’s on the shelf” is the new

mantra, according to Dalton Phillips, the retailer's new chief operating officer.

Loblaw has created a new 'store clock' for basic activities, to help align deliveries, replenish shelves in a more efficient manner and address the 'root cause' of any stock outages. (16) Used Sources 1. About Us: Company Profile - [http://www.loblaw.ca/en/abt\\_corprof.html](http://www.loblaw.ca/en/abt_corprof.html) 2. Administrative theory - <http://www.en.articlesgratuits.com/administrative-theory-id1590.php> 3. Forbes.com: Forbes World's Richest People - <http://www.forbes.com/finance/lists/10/2004/LIR.jhtml?passListId=10;p>