

## **BUSINESS OWNERSHIP**

There are many ways in which business can be organized. It can be from a small one-man business to a multinational organization. The business ownership is mainly divided into different sectors. In this part I am going to explain about two types of business ownership.

1. **Private limited company**
2. **Public limited company (plc)**

### **Private limited company**

The limited company is fast becoming one of the most common forms of business organization. When a small business expands there is need for extra capital. The proprietors may start the business as a limited company just to obtain the benefits of limited liabilities. The partners may decide to turn the business into limited company to raise this capital. A limited company is a separate organization in law from its shareholders and directors.

The main points of private limited companies are:

- The name of the company must end with the word 'limited'.
- There is no limit to number of shareholders.

### **Advantages**

1. Limited company can continue even after the owner dies.
2. With limited liabilities company is able to attract capital from public.
3. The founder of company can usually keep control of it by holding majority of the shares.

### **Disadvantages**

1. The company is not allowed to appeal to public for extra capital.
2. The accounts of the company must be filed annually by the Registrar of the company.
3. The shareholders of the company may be able to transfer his/her shares to someone else only with the consent of other shareholders.
4. The company is unable to trade shares publicly on the stock market.

### **Public limited company (plc)**

The second type of limited company is public limited company (plc). This is largest and most important business unit. Public limited company must stated in the Memorandum of Association that the company is public. The process of creating a public limited company is very similar to that of creating a private limited company. The name of the company must end with the words 'public limited company' (plc). The most common examples of PLC are football clubs and supermarkets.

## Advantages

1. The public limited company has independent legal entity.
2. It is allowed to appeal to public for extra funds/
3. There is no restriction on the transfer of shares.
4. They can sell their shares publicly on stock market.

## Disadvantages

1. The accounts of the company must be published to public.
2. The owner can normally exercise little control over it.
3. The formalities are quite complex.

**Sainsbury's** is a public limited company (PLC), which is set up in the private sector. They contribute far more to national output and employ far more people than private limited companies.

Public limited company - This is the other, much larger, type of joint-stock company and, just like a private limited company, a PLC is an incorporated business, is run by the **Board of Directors** on behalf of the shareholders and has an A.G.M. at which shareholders vote on certain key issues relating to the company. The main difference between a PLC and a private limited company is that a PLC can **sell its shares on the Stock Exchange** to members of the general public and can, therefore, raise significantly more finance than a private limited company. They also contribute far more to national output and employ far more people than private limited companies. If a private limited company wishes to become a PLC, then it must change its Memorandum and Articles of Association and re-submit them to the Registrar of Companies. If the company is considered to have acted legally and for the best interests of its shareholders, then it will be issued with a new Certificate of Incorporation and also with a Certificate of Trading, which will allow it to sell its shares on the Stock Exchange. The price of the shares will then fluctuate according to investors' perceptions of the PLC. It is often the case with a PLC that the owners of the company (shareholders) will wish the PLC to make as much profit as possible, so that the shareholders will receive a very handsome dividend per share. However, the Board of Directors and the management will often wish to devote some of the PLC's resources to growth and diversification (such as the introduction of new products) and this will clash with the shareholders' desire for maximum profits. This is known as the **divorce of ownership and control**. The PLC **has to publish its annual accounts** (known as disclosure of accounts) and therefore is extremely vulnerable to investors' and bankers' perceptions about its progress and success. Following on from this, a PLC is also at risk from a takeover from an outside body, if they manage to accumulate over 50% of the shares in the PLC.

Individuals, entrepreneurs who seek to make profit from their business activities, set up private sector firms. Although many private sector firms are controlled by entrepreneur(s), different, people (or organisations) may own them, for example companies owned by shareholders, either as private or institutional (organization-based) investors. This may lead to a conflict between ownership and control. The public sector consists of those organisations owned or financed by central and local government. This sector provides goods and services to the community through

public corporations, local government and other statutory agencies (e.g. the NHS). The profit motive is not so prominent: the emphasis in the public sector is on providing for the community by the community, using funding supplied through taxes and government borrowing.

PLC's must have a minimum £50,000 share capital, and can sell their shares to the public and may be quoted on the stock exchange. A stock exchange acts as the market for second hand stock and shares (securities). It therefore encourages investment in business, offering investors a degree of protection through its strict rules of admitting firms (AIM). Public corporations have a separate legal existence through the act of parliament creating them. Their assets are owned by the state on behalf of the community. Their objectives, whilst influenced by commercial considerations, often emphasise social aspects. PLC's find it easier to raise finance, tend to be much larger than private companies, and find ownership and control more clearly separated.

### **Divorce of ownership and control**

This phrase is closely associated with PLC's: shareholders own the company but do not control it. Few directors have direct say in the daily running of the PLC, because through the annual general meeting (AGM) they appoint specialist directors to exercise effective day to day control on their behalf.

Once ownership and control has separated in this way, the decisions made by the directors-the controllers-may clash with the wishes of some of the shareholders-the owners. A common example is where the shareholders may wish to see a policy of profit maximisation, which may not be the wish of directors who see long-term growth as a more important strategy to pursue.

### **Legal Liability and legal status**

Most large companies are limited by share and must include limited or plc as appropriate in their name. One feature of limited companies is that they all have separate legal identity from their owners. This means that they can own assets, forms contracts, sue and be sued in their own right. Another feature is that the owners all have limited liability. If a limited company has debts, the owners can only lose the money they have invested in the firm. They cannot be forced to use their own money, like sole traders and partners, to pay business debts.

### **Benefits of a public limited company**

- Shareholders have limited liability. As a result more people are prepared to risk their money than in say, a partnership.
- The business will continue even if one of the owners dies and more power is enjoyed due to their larger size.
- Huge amounts of money can be raised from the sale of shares to the public.
- Production costs may be lower as firms may gain economies of scale.
- Because of their size, plcs can often dominate the market.
- It becomes easier to raise finance, as financial institutions are more willing to lend to plcs.

### **Constraints of a public limited company**

- The setting up costs can be very expensive – running into millions of pounds in some cases.
- Since anyone can buy their shares, it is possible for an outside interest to take control of the company.
- Members of the public can inspect all of the company's accounts. Competitors may be able to use some of this information to their advantage. They have to publish more information than private companies.
- Because of their size they are not able to deal with their customers at a personal level.
- The way they operate is controlled by various company Acts which aims to protect shareholders.
- There may be a divorce of ownership and control, which might lead to interests of the owners being ignored to some extent.
- It is argued that many of these companies are inflexible due to their size. For example, they find change difficult to cope with.

## **BUSINESS OBJECTIVES**

Business objective is a goal that every business wants to achieve to be successful. You can find these objectives in the mission statement of the company or in details in the corporate strategy. In this they clarify for everyone what the business is working to achieve. They aided the decision making process and choice of alternative strategies. They provide the means by which performance can be measured and actions can be controlled. Sainsbury also have many objectives that you can find in their mission statement. They want to be consumer's first choice for food, products and outstanding quality. They want to give great service at a competitive cost by working simpler, faster and together. In order for objectives to be effective, they must:

- Provide detail about what specifically needs to be achieved (often in a quantitative form)
- Have a time limit by when they need to have been achieved
- Need to state the necessary resources that they require in order to be met.

Setting clearly defined and realistic objectives will enable many employees to understand exactly what their job entails and achieving clearly stated objectives might be linked to bonus payments - this can easily act as an incentive and motivator to employees.

### **Primary and secondary objectives**

A primary objective is an ultimate long-term goal of the business (e.g. survival, profit maximisation, diversification and growth). They are often referred to as strategic objectives.

A secondary objective is a day-to-day objective, and it makes a direct contribution to meeting the primary objectives (e.g. increase sales by 5% each year, keep labour turnover at less than 4%). They are often referred to as Tactical objectives.

Sainsbury's wants to be the leading store in United Kingdom by staying above their competitors.

**The main objectives of Sainsbury's are:**

- [Outstanding Quality](#)
- [Great Service](#)
- [Competitive Cost](#)
- [Customer Satisfaction](#)
- [Store Refurbished](#)
- [Improving Shares](#)
- [Major Benefits for Customers](#)

### [Outstanding Quality](#)

Quality food is a priority of Sainsbury's customers and a key component of the Sainsbury's brand. Sainsbury have invested in their food ranges during the year, they have improved over 320 products. Their own labels are sub-brands amongst the best in United Kingdom. They are developing stronger complementary non-food offer through Adams children's clothes, Jeff & co. and a trial of home enhancement range. They are working to develop their own health and beauty offer through up-grading their in-house capability.

### [Great Service](#)

Delivering great service is a main objective of Sainsbury's business transformation programme. Sainsbury had made great strides last year by retraining their staff to serve their customers better. Their mystery shopper is now embedded in the company, this and their customers satisfaction index demonstrates the progress they are making. Their mystery shopper measure is now embedded in the company; this and their customer satisfaction index demonstrate the progress they are making. They have achieved cost savings of £ 160 million in the year delivering a total of £ 250 million since they began the programme. These savings will be reinvested in enhancing the customer offer, building sales and in improving their operating margin.

### [Competitive Cost](#)

Sainsbury monitor 10,000 lines weekly to ensure that they remain competitive in the market. They have reinvested some of their cost savings in price adjustment. Alongside this they continue to run a highly attractive, sustainable promotional programme. They have set up many promotion plans to attract more customers to their business, like buy 1 get 1 free policy.

### **Customer Satisfaction**

Despite all the work in stores Sainsbury still focused on the high standards their customers expect. They know that their customer's satisfaction drives sales and that the investment they have made in improving their stores.

### **Store Refurbished**

Their store reinvigoration has now been implanted across more than a third of their estate and they plan to improve further 70 stores during the coming year. A major refurbishment now takes place under 12 weeks ensuring that the improved offer is available to customers as quickly as possible.

### **Improving Shares**

Sainsbury will improve their market shares by 2/3% to increase sales of food by 3.5%. Directors are proposing an increase in the final dividend of 5% from 10.30 pence to 10.82 pence per share.

### **Major Benefits for Customers**

Sainsbury has to make many improvements, which will make a major difference to customers, enhancing availability and ensuring a freshest product, are on the shelf. They are developing groups to help bring their plans to life and, through their largest ever training programme, involving and engaging their colleagues. Overall cost benefits will include a reduction of at least 25% in warehouse costs and transformation programme will amount to \$ 100 million.

Sainsbury's are replacing their legacy systems with 'best in class' IT solutions to help the company gain competitive advantage. The Accenture relationship continues to go well and systems, which have already been implemented, are delivering substantial business benefits. During the year they reprioritized their programme in light of new opportunities and have updated the original sequence of work.

They embarked on a major programme of modernizing their supply chain by developing a network of new depots around the country. They have made good progress and three depots, Emerald Park, Haydock and Langlands Park, are already operating.

Their first automated fulfillment centre at Hams Hall, Birmingham, had opened early this year. Three additional fulfillment centres are under construction at Stoke, RYE Park (Hoddesdon) and Waltham Point; Sainsbury's says these will be in operation by end of 2003.

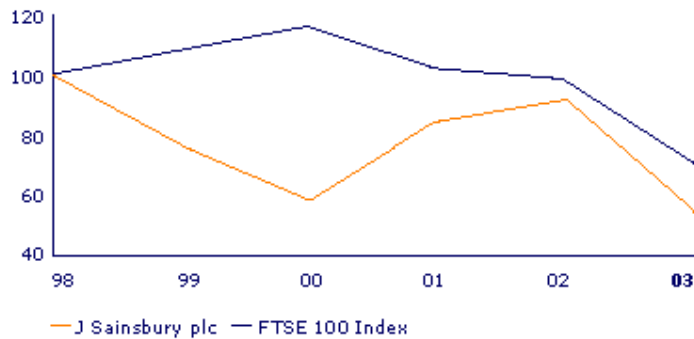
### **Sainsbury's Launches New Non-food Range**

Today Sainsbury's new non-food range of 2,500 homeware and cookware products, chosen to complement the company's quality and choice food offering, goes on sale in the first 12 selected stores. The range will be introduced into over half the estate by the end of October and is the biggest ever range launched in Sainsbury's history. In addition, 1,500 new own-label and established brands have been added to Sainsbury's existing 4,500 strong health and beauty products and are also being rolled out to selected stores.

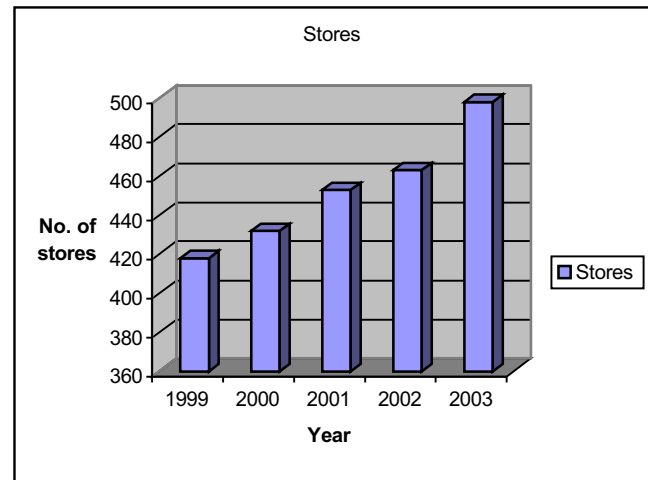
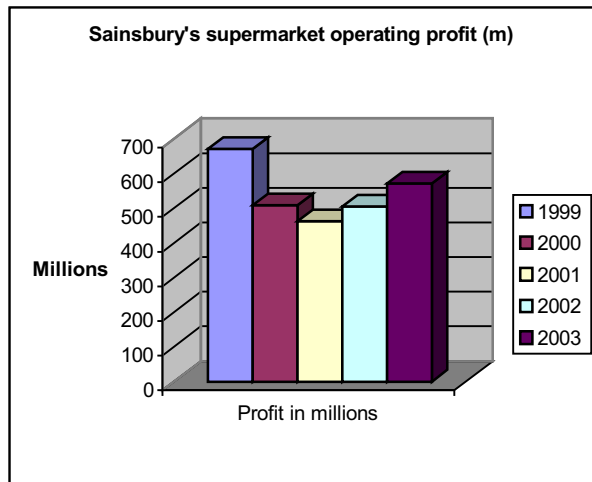
|                   | Objectives                        | Why and how?   |
|-------------------|-----------------------------------|--|
| <b>Maximising</b> | <b>Competitive cost</b>           | Delivered £110m of cost savings. Confident of achieving cumulative savings of £710m by March 2004 and £960m by March 2005  |
| <b>Maximising</b> | <b>Increase in sales</b>          | Sainsbury to You sales increased by 35 per cent. * Losses substantially reduced to £10m in first half (2002: £19m). Expect to break even by March 2004   |
| <b>Maximising</b> | <b>Customer satisfaction</b>      | Sainsbury have grown their customer base averaging 13.5 million customer transactions a week during the first half of the year 2003, and delivered significant customer benefits.<br><br>Nectar continues to give us more customer contact and greater customer insights. The UK's leading loyalty programme with 13 million active collectors has given our customers the chance to earn 80 per cent more points than with Reward card and redeem them against a wide range of rewards. |
| <b>Maximising</b> | <b>Rebuilding supply chain</b>    | Four new automated depots coming on stream along with new transport and warehouse management systems will improve service to stores. By March 2004 our new facilities will deliver 60 per cent of our total network volume giving us a much more efficient and competitive supply chain.   |
| <b>Minimising</b> | <b>Store refurbished</b>          | In year 2002 they delivered 40 refurbishments and 29 extensions bringing the cumulative total to over 230 stores. The reinvigoration activity is planned to reduce in 2003/04 to 10 refurbishments and 23 extensions   |
| <b>Minimising</b> | <b>Reduce capital expenditure</b> | Sainsbury's group capital expenditure in the first half was reduced by £245 million to £350 million (2002: £595 million). Sainsbury's Supermarkets' capital expenditure was down by £300 million to £212 million, with substantial reductions in all categories. Capital expenditure relating to the supply chain has also reduced significantly with three of the four new depots now operational and the fourth came on stream during October 2003.                                    |
| <b>Satisfying</b> | <b>Labour turnover</b>            | Sainsbury don't have high percentage of labour turnover but still there is some down figures in part-time employees. The total number of full time employees in 2002 was 44,000 which is increased to 44,700 in 2003 and the total number of part-time employees in 2002 was 101400 which is reduced to 100,700 in 2003.   |
| <b>Satisfying</b> | <b>Improving share</b>            | In 2002 the dividend of per share was 4.22 pence, which is increased by 2.5% to 4.33 pence in 2003.  |

The graphs below shows how Sainsbury's business is going for past few years the graphs shows that how Sainsbury's is meeting its objectives by gaining big profit margin every year.

### Business at present stage



The above graph shows the Total Shareholder Return ('TSR') performance of an investment of £100 in J Sainsbury plc shares over the last five years compared with an equivalent investment in the FTSE 100 Index.



You can see from the above two graphs that how well Sainsbury's is doing by meeting its objectives. First graph shows the profit made me Sainsbury's supermarket from last five years, the profit went down rapidly in 2001 this is because of the September 11 2001 (attacks on world trade centre USA). The second graph shows the increase in Sainsbury's supermarket.



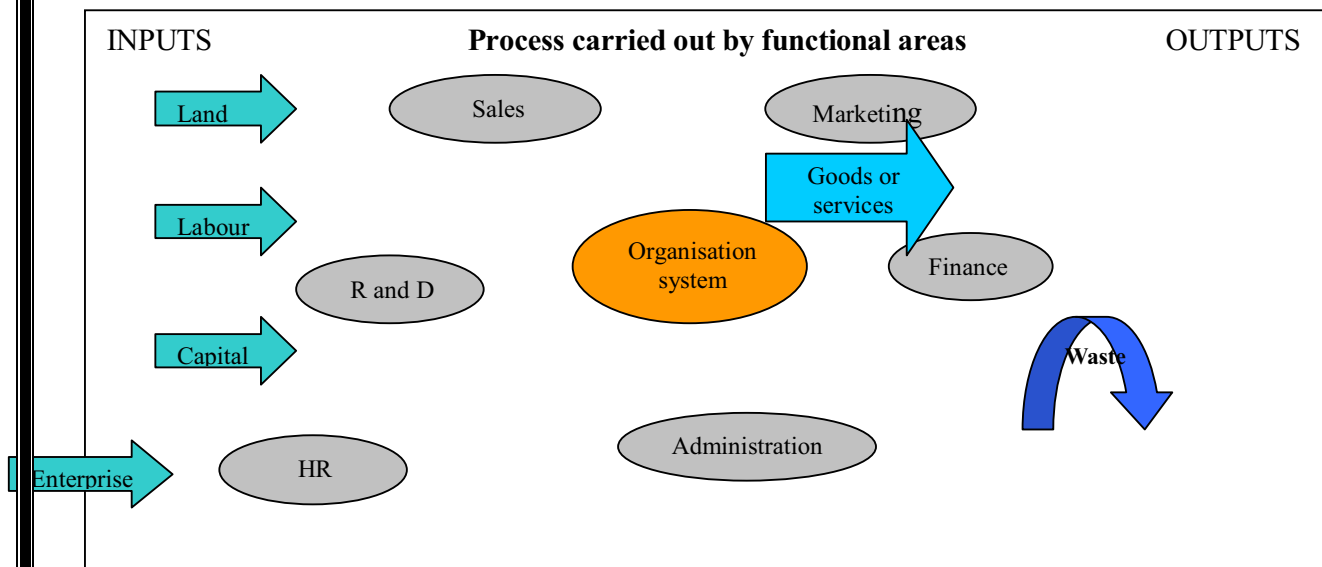
## FUNCTIONAL AREAS IN BUSINESS

Businesses are divided into different functional areas, which are specialized in dealing with different matters involving the business and its activities. All businesses or organizations have different functional areas to help them to achieve their aims and objectives and to be successful in the market and real world. There are many different functional areas in businesses, but I will explain about few and important functional areas of the Sainsbury.

**The functional for Sainsbury are:**

- **Finance**
- **Human Resources**
- **Marketing**
- **Administration**
- **Research and development**

**A business should be viewed as a system. This system processes inputs to produce outputs.**



### Finance

Finance department is known as the backbone of every organization. It is very important department in every business. The purpose of using this function is that every business needs to look after their financial sides. Sainsbury's finance department is concerned with creating an effective balance between from where to raise the finance and where it should be used, so that it can provide the maximum

return to the company. Finance function also deals with financial operations such as salaries, taxes, paying bills and keeping information of accounts for all departments within Sainsbury. This department is responsible to keep track of all the money coming in and going out of business accounts. The financial staff will check regularly about the company's expenditure and income. This is very important for every business, as they would need someone to go over and finalize how well the business is doing financially. . Sainsbury's finance department has to provide finance for all other departments for e.g. like Research and development team is researching new service in the organization and they need extra funds to carry out this research so they have to ask to finance department for these funds and even departments like Human resources and marketing cannot carry on their process in Sainsbury's with the help of finance department, if Human resources department wants to train their staff in different fields, they need extra capital to carry out this process so the managers in Human resources have to ask Finance department for these training costs.

As chief executive of Sainsbury's said that Sainsbury's has sparked a bidding war for rival Safeway after detailing plans for a bid of more than £3.16 billion. Sainsbury's says it believes it would need to sell of 90 of Safeway's 479 sites to satisfy local competition issues. Sir Peter says a deal with Safeway would generate cost benefits of at least £300 million but conceded 1,700 jobs could go. This all process cannot be successful without the contribution of finance department of Sainsbury's.

Under finance function Sainsbury has maintain two departments:

- 1. Finance department.**
- 2. Accounting department.**

#### **Finance department.**

It decides about the capitalization of company, the capital structure of the company, return on investment to be earned by the company, how to manage the earning of the company, when to raise the capital, from where to raise the capital, what should be the cost of the capital and what should be the source of finance. The person who is incharged of this is known as accountant or chartered accountant.

#### **Accounting department.**

It deals with recording the financial information and processing it for the managerial use such as making balance sheets and profit & loss accounts, interpreting the financial information by calculating ratios (ratio analysis), using capital budgeting techniques for project appraisals to calculate the financial viability of the project. Similarly making competitive balance sheets, doing funds flow analysis to determine the working capital position of the company. Doing cash flow analysis to workout the liquidity position of the company. All this is done for the purpose of processing the information for managerial use. Accounting department also deals with wages and salaries calculation.

## Human Resources

This is the most important department in many organizations. Human Resources department of Sainsbury covers a variety of activities. It performs many various roles in the organization. The work of HR is to communicate with all other areas within the company. In this department employers ensure that their employees are provided with safe work place, methods, appropriate training and more over safe equipments. HR also deals with recruiting, selection, training and development, compensation, promotion, transfers, demotions. In nutshell we can say that it is playing the following roles in Sansbury.

1. Establishing a major policy that covers the place and the importance of the people in the organization.
2. It is concerned with helping other managers to develop their work for e.g. helping production managers to appoint and train new production workers.
3. It is concerned with looking after people at work and their needs.
4. It is concerned with acting as an intermediary between different groups.
5. It is also concerned with compensation, remuneration, bonus pays and fringe benefits such as implementation of health and safety rules.
6. It is also concerned with educating the employees to make them capable of competing in the changing circumstances.

### **The key areas of Sainsbury's Human resources department:**

| <b>Area</b>                         | <b>Reasons</b>  |
|-------------------------------------|---|
| <b>Manpower planning</b>            | To identify and meet Labour shortfalls; and to review employees' current skills; and to help employees achieve their potential. |
| <b>Recruitment and selection</b>    | To ensure organizational objectives are met, bringing in new ideas, to appoint suitably qualified and skilled employees.        |
| <b>Training and development</b>     | To allow new employees to settle in quickly, to help employees develop and contribute more to work of the organization.         |
| <b>Appraisal</b>                    | To encourage employees to achieve their potential, to support employees in their attempts to achieve personal goals.            |
| <b>Welfare</b>                      | To help employees satisfy their personal needs.   |
| <b>Consultation and negotiation</b> | To communicate key policies, to motivate employees through involvement, to anticipate and identify employee concerns.           |

## Marketing

Marketing is essential to the survival of most organization. It is fast paced, dynamic, highly visible and rewarding to its successful practitioners and frustrating. The main purpose of using marketing is that to find out what customer needs and providing it. In other words, marketing is looking to the business through customer's eyes. When the need is identified the company will try to sell these needs to customers. These needs can be identified through market research. Marketing is useful for further success and profit, like Sainsbury marketing is a huge part of the activity. Their main aim is to one step ahead of their customers by identifying and anticipating their needs.

Asking someone for his/her views and opinions is called market research this has to be carried out by asking appropriate questions. In marketing terms this is called survey. Sainsbury conduct this survey by face to face, through Internet and through customer's suggestion boxes by asking questions like.

**For e.g.**

- What more products do you like to be in Sainsbury?
- What kind of improvement do you like to be here?
- What prices do like?

Marketing function of Sainsbury is very important because it is responsible for anticipating the market demand, doing the research about consumers taste, behaviors and preferences, identifying marketing opportunities, making the strategies to compete with its rivals. The marketing objective is to increase Sainsbury's lead over the United Kingdom. Competition in business performance attracts more customers and retains more profit.

Sainsbury advertise through TV, radio, press, direct mail, Internet and promotion. Marketing will run promotions with partners who reflect equal brand value to Sainsbury. They have to make sure that promotional plan is delivered with high quality communications. Sainsbury's brand must have strong incentives with national coverage and covering various market sectors but ensuring the brand is not devalued. The types of promotion Sainsbury use include **BOGOF** products.

### Administration

As the spinal cord is the basic structure upon which our human body is standing. Similarly every organization for successful standing depends upon administrative spine. Sainsbury's administration department deals with the enquiries, communicating messages, doing correspondence, and maintaining the past records and producing documents for the workforce. So the administration is very important.

The problem arises when the administrators clog up the arteries of an organization with administrative work that moves the organization away from its capital objectives. Every large firm like Sainsbury is having a central office that is responsible for controlling key aspects of the firm's paperwork. This department might handle the filing of the materials, the companies mail, word processing and data handling facilities. Sainsbury focuses on the management of work through information technology and communication system.

Each department is having office services manager with the responsibility of coordinating office services and for offering the expert advice to the departmental managers. The office manager is bearing the following duties:

1. He/she takes the responsibility for and to organize the training of administrative staff.
2. Advise department about office layout, working practices, maintainance of office equipment and staff development.
3. Ensure the standardization of administrative work and the layout of documents and letters etc.

4. Study and analyze administrative practices within the organization in order to develop an overall strategy for administration.
5. Reporting to the higher authorities about the optimum utilization and effectiveness of administrative work.

### **Research and Development**

The research and development department is the department that researches new products and develops the old products. To remain successful, business must constantly work to create new and better products and processes. Sainsbury is also doing a huge expenditure on research and development for which Sainsbury has maintained a research and development department.

**Research-**this involves carrying out investigation to come up with new idea, e.g. by carrying out brainstorming, examining competitors products or carrying out research in laboratory.

**Development-** this involves turning the findings of the research into useful products or processes.

If Sainsbury had a mishap with its products, the research and development department would try to correct the mishap. The research and development department must work closely with the marketing and production Departments in particular this is because marketing and production are the beginning and end of producing a product.

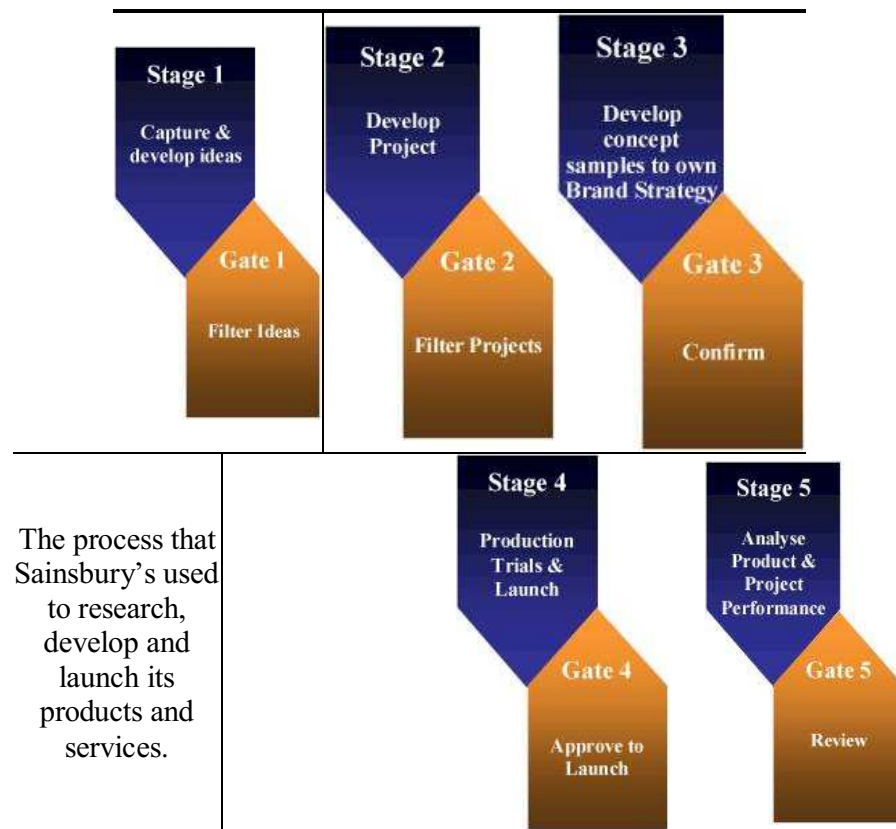
As Sainsbury's Research and Development team was developing a major service initiative Scan and pack had been successfully launched in April 2003 creating 10,000 new jobs to improve their checkout service. They had also launched the self-service checkout, which allows the shoppers doing all the work themselves. This new service allows the customers to scan items, put them in carrier bags, pay and even get cash-back – all without need for a cashier.

The first of the checkouts have been installed at the Sainsbury's store in Hazel Grove, Stockport, Greater Manchester, and will be followed by a wider trial in six additional branches.

Sainsbury's research and development team had just developed Blue Parrot café. This is a new range of food products especially for children, this is mainly aimed at parents that this food is healthy for children and as good as home made, but with all the convenience of ready-made meals. Blue parrot café is very successful in the market.

So Research and development function helps Sainsbury's to create new ideas, new tastes for different people and helps Sainsbury's to be successful in the market, meet its objectives and to compete with its rivals.

All these functional areas are combined effectively. If the organization is to meet its objectives from time to time we hear of organization in which the functional manager have been pulling in different directions. Each function may have developed its own value and culture that are at odds with what the overall organization is trying to achieve.

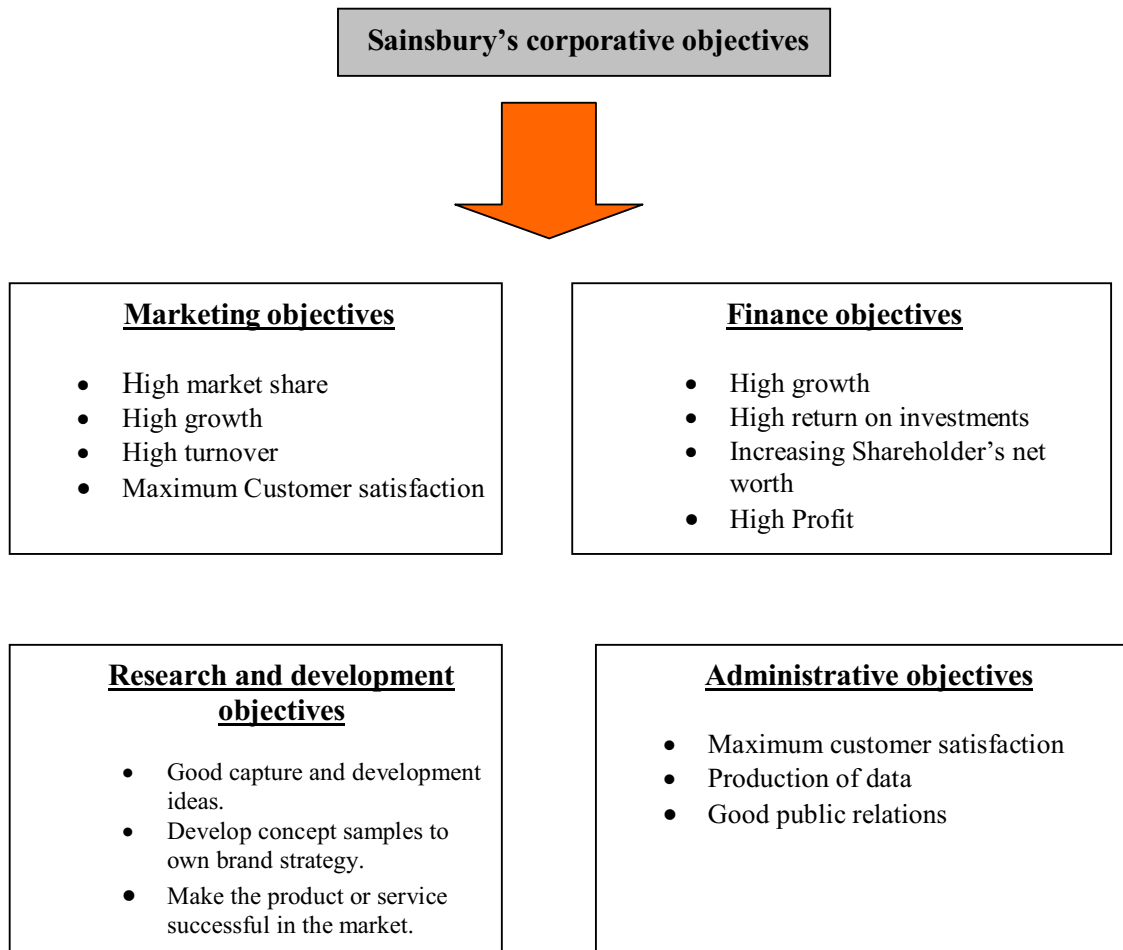


(Diagram from [www.j-sainsbury.co.uk](http://www.j-sainsbury.co.uk))

### Combining the functions

It is essential for the functions to combine if the business is to meet their objectives. From time to time some department managers may develop their own values and cultures that are odd at what the organisation is trying to achieve. The best way to pull the functions in the same way is to create a clear set of company objectives that can then be made into functional objectives, so each function is driven by the organisations objectives.

**Sainsbury has translated down its functional objectives so that each of the function is driven by organization's objectives.**



### **HOW THE FUNCTIONAL AREAS HELP SAINSBURY'S MEETS ITS OBJECTIVES.**

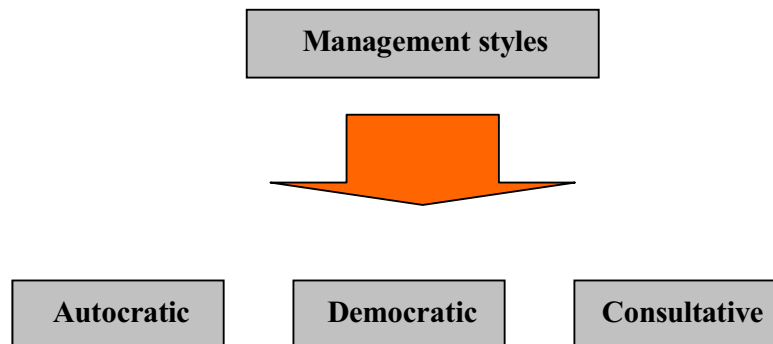
In order for the functional areas to work effectively, they must be able to communicate with each other, at Sainsbury's some of the ways they do this is by holding regular appraisals schemes, setting up staff training events and other staff development activities, organizing induction programs to familiarize, the functional areas with Sainsbury's methods, which keep them up to date.

The functional areas at Sainsbury's benefit from these activities, as they are able to gain experience, which makes them eligible for promotion, which gives them a chance to broaden their skills and knowledge. Sainsbury's also benefits a lot from this, as it helps them to motivate staff which means Sainsbury's will meet their aims/objectives a lot quicker.

At Sainsbury's the administration department has a big impact on the other functional areas as it provides support services for other functional areas to operate effectively.

## Sainsbury's organizational structure

### MANAGEMENT STYLE AND CULTURES



(Diagram taken from AVCE Bus. Pg 82)

Management is the process of influencing people so that they will perform a variety of tasks in effective manner. It is therefore crucial to have a strong leader who can inspire and motivate the employees. In big organizations such as Sainsbury there are many different style of management that could be used but there are three basic categories of management styles. These are:

- **Autocratic Management**
- **Democratic Management**
- **Consultative Management**

#### Autocratic management

This is often referred as an authoritarian management style. The autocratic management style is one where the manager is used to give instructions. Telling his employees what to do rather than asking their opinions. The manager is the only person contributing to the decision making process. The managers are used to hold on to the power, and do not understand how the process of 'empowerment' might work.

#### Democratic management

This style management involves empowerment. Individuals and teams are given the responsibility to make decision, usually within a given framework. The team is then responsible for the decision that it chooses to make. The manager with this style will feel comfortable allowing others to make decisions. However, they will be confident that empowered individuals and teams will use the responsibility given to them.

#### Consultative management

The managers in this style management are ones who seek to consult other people before making a decision. This type of managers wants to draw on more sources of opinion that just him or her. The consultative managers will have listening skills and



also the ability to create the right sorts of channels to consult other people. In an organization with consultative management, there will be a series of mechanism (e.g. news, letters, suggestion boxes etc) that makes it possible to get the feel of the concerns of other people involved in the decision making process, as well as to draw on their expertise.

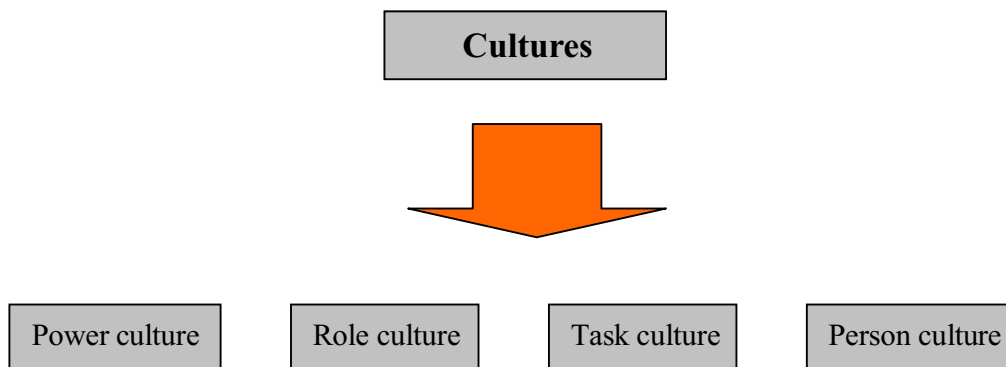
### **Sainsbury's management style**

The Sainsbury's style is under Autocratic management, it cannot be solely categorized in this niche as it has influences from consultative management and probably even some from democratic style.

They are mainly autocratic because they tend to use one-way communication more than two ways. The senior managers will have little or no involvement with junior employees and it is highly likely that each store has its own set of targets and objectives to work together.

## **TYPES OF ORGANIZATIONAL CULTURES**

All organizations have a set of values, attitudes and beliefs. These make up what is called business or corporate culture. This describes the way the organization works. The corporate culture will determine the way in which the business operates and how it interacts with both its employees and other business with which it deals. Culture will affect business objectives and structure. Cultures are founded and built over the years by the dominant groups in an organization. There are four types of business cultures:



**(Diagram taken from AVCE Bus. Pg 23)**

### **Power culture**

This is also known as web structure. This is usually associated with the small organizations. This is where the central character, usually the founder has all authority and is typically surrounded by people they get on with and usually seen with empowerment since there is lot of trust between the web. There is a central power

source and the rays of influence spread out from that central figure. In this type of organization all the decisions are made by individuals rather than a group. The danger of this sort of culture is that, because it is autocratic, there can be a feeling of suppression and lack of challenge in the workforce. Since this is associated with small organizations there are not many theories associated with it and are only seen in smaller companies, which shows it, will only work on small scale.

### Role culture

The role culture is typical of bureaucracies. In the role culture, the jobs that people do- their roles – are more important than the people themselves. Managers have power and influence due to their status within the organization and not because of personal influence or expertise. Business would be divided into various functions (e.g. finance, marketing, production etc.). These would then have a hierarchical ordering of offices (e.g. Finance director, Production manager, Supervisors, operators etc.). Role cultures can only be successful where the environment in which the business is operating remains stable. Where a business faces rapid change, the role culture is likely to collapse. The large organizations, which can be difficult to control often have a role culture.

### Task culture

Task cultures have become very important in business in the first decade of twenty first century. The task culture focuses on getting the job done. Groups or teams within this culture are not fixed but are made up of individuals brought together to achieve a specific task.

In the task culture there is a strong emphasis on building the team. Team members will need to share values and aspirations. They will also need to feel valued by the organization they work for.

In task culture, teams will often have considerable input in determining how a particular job will be done. Their views and opinions will be listed.

### Person culture

In a person culture, individuals are central. Person culture is also known as cluster structure. This is very rare and is only associated to small organizations with very short structures and an extremely wide base. This is because they are usually conjoined with the organizations that are specialist in many different areas (universities, many lawyers and scientific researching) there is no real rules, only law associated with the types of experimenting and research.

Sainsbury is a varied company and I don't feel it can safely be placed into any of these categories, but I will say it's a mixture between Role culture and Task culture. Since Sainsbury is a big organization there can be many things at once, I feel Sainsbury has taken the best attributes of the two and made their own Sainsbury's culture. This includes: -

- Very tall and board structure but with many web links.
- Strict communication channels low down.
- Jobs, not people lowdown (but they do get their say when needed).

- Jobs suited to the task in the central range.
- Communication between departments by knowledgeable workers (not manual laborers).
- Formal communication going up the hierarchy.

All these are associated with the two cultures and so Sainsbury can't be defined to one group. Since Human culture is a mixture of hundreds of separate culture trying to produce the best of all words. In my opinion Sainsbury's would more suite the Role culture since the formal structure also emphasizes this by adding a rigid structure you add a formality quality or a freedom associated with the person, thus the job is more than the employee, which is the role culture. These two also dictate the management style because Role culture has important job. There is communication with the job not the person, this is autocratic because the person has no say. The structure means there is a formality also so Sainsbury is a formal business and this means all jobs are done in formal and this should increase production by having quick workers who don't have to think. All the difference influences each other because they all have an effect on certain aspects of the company. They all knock on to each other and manipulate the finer points of each.

### **Changes**

Recent studies have shown a correlation exists between a strong organizational culture and organizational effectiveness. In fact, some studies question the relative benefit of leadership to organizational effectiveness versus a strong organizational culture. There fore a leader can improve or maintain organizational productivity when armed with an understanding of its culture. Structure, culture and management also affect the objectives of the business.

- Structure
- Culture
- Management style

**Structure:** - If a company is clustered then the objectives will be very similar but specifically different and minutely unique to each section. Whereas Sainsbury's having a formal structure, the objectives will be different for each department and segmentation because they are closed off and separated from the company as whole.

**Culture:** - If the culture will be power the objectives will be set by the manager and will probably be unique and self-satisfying to him/her. Sainsbury has a mixture of role culture so there will specific targeted objectives set by each manager for each type of job.

**Management style:** - If a company adopts the consultative style, then the person may well set the objectives and this would mean a lesser extant of pushing to achieve objectives.

In my opinion Sainsbury uses a mixture of two types of management style. First being autocratic means the objectives would be set high up and to a good standard, they will want the most work out of their subordinates, to gain maximum value. For the key areas of operations, Sainsbury is using autocratic management style, for setting its objectives, policies at top management level.

They also use democratic management style. These would be set to gain maximum revenue they would want this and strive to get this because this style is associated with the managerial levels and will mean they get bonuses. For overall working of the organization at middle management levels and lower management levels, the style of Sainsbury is democratic, because the area of operations is widely decentralized and for the implementation of policies in these different segments, policies should be consulted with the local personnel, which are specially appointed for this purpose. As they know the inner constraints, strengths of that particular segment.

### RELATIONSHIP BETWEEN STRUCTURE, CULTURE AND MANAGEMENT STYLE

**Organizational Structure:** - This is the pattern of work roles and the ways of administration of the organization within the set of duties, responsibilities, following the rules and regulations, so businesses are structured in different ways according to the way they operate and according to their culture.

**Culture:** - Culture of an organization is set of behaviors and value system that characterizes an organization. So organization culture is very much related with the way people in the organization interact with each other.

**Management Style:** - The management style is the typical pattern of behavior of the manager, which he or she performs while performing management roles. So management style on the other hand effects the gripping of power approach towards subordinates and implementation of the work mechanism.

Work culture is directly affected by the organization structure as it takes the rules and regulations, duties and responsibilities from the organization. Similarly management style is also affected by organization structure because the management style depends upon the degree of authority responsibilities vested in the hands of the manager. The duties and responsibilities authorized are strictly defined in the organization structure. For e.g. in Hierarchy structure or tall organization structure management style will be mixture of autocratic. In decentralized organization the structure the management style will be democratic and in the flat organization structure the management style will be consultative because the number of persons to be managed will be very few and easy to managed.

| Culture | Organization structure | Management style |
|---------|------------------------|------------------|
| Role    | Functional structure   | Democratic       |
| Power   | Centralized structure  | Autocratic       |
| Task    | Matrix structure       | Democratic       |
| Person  | Centralized            | Autocratic       |

Similarly the organization culture is also having the impact upon the management style and organization structures. If there is a power culture prevalent then there will be the centralization of power, management style will be autocratic and organization structure will centralize.

Under the role culture where all the members are divided according to their roles, here the organization structure will be functional organization structure and the style will be democratic.

Under the task culture, organizational structure will be matrix organization structure and the style will be democratic.

Under person culture, the organization structure will be centralized and the style will be autocratic.

As the Sainsbury is a multinational company dealing with different segments and diversified products network it is following role and task culture. Thereby its organizational structure is decentralized and the management style is democratic. To the greater extent except a few key decisions, which are strictly reserved for the top management in which, they are autocratic for e.g. financial policy and dividend policy.

In the nutshell we can say that the organization structure acts as the nerve system or the mind of an organizations from where the whole organization takes instructions, rules and regulations, duties and responsibilities. The organization cultures acts as respiratory system and digestive system, which extracts the best ingredient from the internal and external environment for the successful working of the whole organization system.

On the other hand management style acts as the blood circulation system, which provides the whole system with the best ingredients of leadership. So as these three systems are interrelated, similarly the organization structure, culture and style are interrelated.

## METHODS OF ICT IN THE BUSINESS

Every business needs to communicate with range of individual's organizations including all the stakeholders of the business. The good communication is one of the major keys of success in the business. It is only the communication, which can help the business to operate effectively. So multinational companies like Sainsburys use many channels of communications such as: -

- **Internal and External**
- **Formal and Informal**
- **Verbal and horizontal**
- **Open and Restrict**

So ICT had a dramatic effect on the way communication takes place in the business.

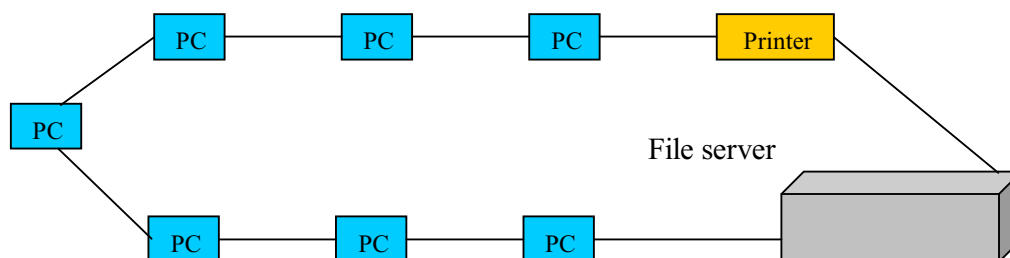
### Internal and External communication

Internal communication is a communication, which takes place within the organization while the external communication takes place between the organization and the rest of the world.

Both internal and external communication has been transformed by the latest developments in ICT. The modernized organizations like Sainsbury have the following types of channels for internal and external communication.

- Line area Network (LAN) A linked internal communication system.
- E-commerce. This is the links with the customers with the help of electronic media.
- E-business. This is the link with the other business through electronics.

Line area Network (LAN): - Networking involves linking together two or more computers to allow the information and facilities to be shared. So the help of networking can assess in best and a time saving manner and to provide solid and systematic base of information to make a decision quickly. A computer network specially developed for the organizations is as follows.



**(Diagram taken from Heinemann AVCE book pg 90 fig 5.3)**

Wide area network (WAN) may also be used to connect the computers on different sides by making use of telecommunication. So wide area network (WAN) includes following type of sources: -

- E- mail
- Tele conference
- Remote database
- Electronic data interchange (EDI)

**E-mail:** - Here the computer is linked through LAN or WAN, mails can be send between terminals. The user of each terminal has his own mailbox for storing the messages.

**Tele conference:** - Here the meeting may take place with individuals, those are not present at the same place, but they are widely dispersed by using a number of terminals.

**Remote database:** - These include the type of services you can pick up on your television for e.g. teletext which provides users with a large amount of information that can be made up to the mark constantly.

**Electronic data interchange (EDI):** - This allows the users to exchange the business documents, vouchers, orders and invoices directly through the telephone network or electronic communication system.

### **Internal Communication**

The sources of internal communication within the organization can be verbal, written and electronic.

- Verbal information
- Written information
- Electronic information

**Verbal Information:** - It is that information where two or more persons communicate face to face, through telephone or recorded messages, through answering machines and voice mails. Although the verbal information is quick but still it needs feedback in written form. For e.g. if you communicate any important message to your colleague verbally, he or she may asks you to send that in writing.

**Written Information:** - Written information always covers a wide range of paper documents that can be exchanged within the organization such as memos, letters, brochures, reports, instructions etc. The written information takes lot of time to process and also they need to be had in a record.

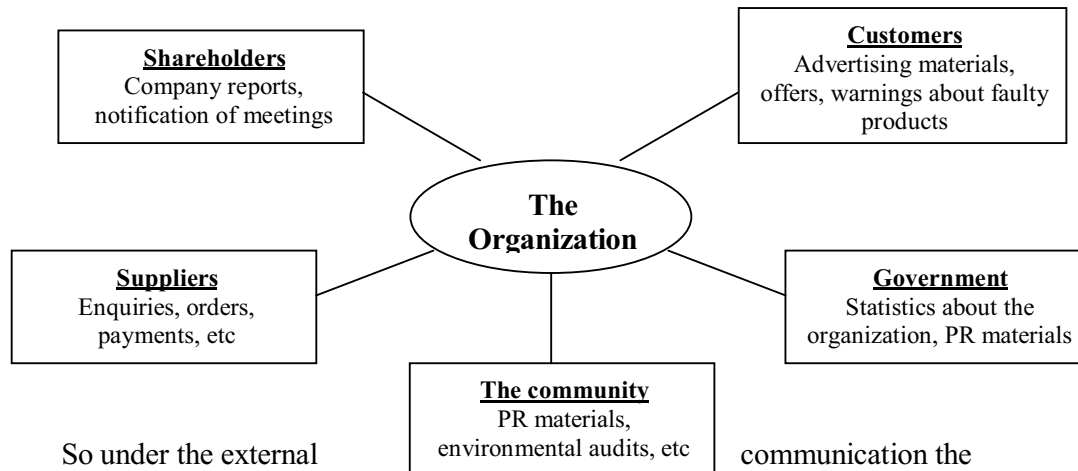
**Electronic Information:** - Electronic information is the latest source of information, which is rapidly replacing all the other forms of communications for e.g. the list of

stock, can be electronically transformed from the business house to the head office. All the successful companies like Sainsburys are using electronic information for the success of the business.

### External communication

All the methods used in networking can also be used for external communication such as e-mails, tele conference, remote database and EDI.

#### Examples of External communication



So under the external organization needs to stakeholders including shareholders, customers, government officials, suppliers and local community. So these external communications performs the number of functions for success of the business.

- Public Relations functions
- Informative functions
- Day to day trading functions
- Transparency functions

Public Relations function: - This enhances the goodwill of the company information of company reports and advertising materials.

Informative functions: - This provides groups with external information about the company for e.g. tax records to inland revenue, hours of opening to the customers and details of supply arrangements to suppliers.

Day to day trading functions: - This is used to transit the business's daily commercial relationship such as making orders, buying goods, making enquiries about goods being offered.

Transparency functions: - It is often very important for an organization that the outsiders can see what is happening inside the organization so that the business can be carried out in a true and fair manner for e.g. environmental reports, audit, ethical reports and financial reports which are complying under company ordinances.



### Formal and Informal communication

**Formal communication** refers to the official channels of communication which exist in a business, such as information being passed through 'line and staff' relationships (e.g. between superiors and subordinates, or between people on the same level.) These information flows will be concerned with the content of the jobs and may be in one of several forms, spoken, written, or electronic etc.

**Informal communication** refers to the unofficial channels of communication that exists in a business (often spoken as opposed to written communication). This is often referred to as the 'grapevine'.

This can be concerned with the content of the jobs (e.g. two employees commenting on the poor performance of a task by their superior), or it can be discussing non work-related matters. (e.g. arranging a staff social function).

### Verbal and horizontal communication

Communications can also be classified in terms of direction, vertical or horizontal.

**Vertical communication** can be top-down (e.g. directions and instructions given from superior to subordinate) or it can be bottom-up (e.g. feedback from subordinate to superior).

**Horizontal communication** refers to contacts and flows of information between people at the same level in the business. Where there is no facility for feedback, (often under an authoritarian management style then this is referred to one-way communication. There is a danger here, however that the message will be misunderstood or poorly performed, since the employee performing the task is unable to ask his superior for assistance or clarity.

It is widely held view among many businesses today that communication must be multi-directional (i.e. top-down, bottom-up and vertical-horizontal) in order to involve employees and make them feel valued by the business (e.g. implementing systems of quality circles or work councils). This will help to improve their job satisfaction and level of motivation, as well as encouraging lower rates of absenteeism and Labour turnover.

### Open and restricted communication

It is important to identify the purpose of message with any form of communication.

**Open communication** refers to the message, which is to be targeted at everyone within the business, or groups outside the business and does not contain confidential materials. (e.g. notice boards, memos to all staff or staff magazines, etc).

On the other hand if the message contains confidential materials, and it is only targeted at specific person or group either within a particular business or at a certain level of seniority, so that its use is restricted. **That is known as restricted communication.** (e.g. college staff meeting where students are needed, or a letter saying private and confidential etc).

Here is the typical example of ICT management is Sainsburys. The chief executive manager can sit in his cabin in front of his computer and receive reports, files and other documents from the subordinates or the assistants. Then he may wish to send the documents to his non-executive managing directors (MD) in the other parts of the country using e-mails. Then he could read the reports under electronic system and can have a video visual making (video conference). They also use some written methods of communication to maintain the secrecy and faith in the business.

## **IMPACT OF ICT ON THE INTERNAL AND EXTERNAL COMMUNICATION OF SAINSBURY'S**

In the first decade of 21<sup>st</sup> century we see that ICT has totally transformed ways of communication within the business. By use of ICT in Sainsbury's has replaced e-mail with many communication systems, which were previously carried out by letters, faxes and phones. It has so many positive impacts on Sainsbury's: -

1. **Work culture**
2. **Time management**
3. **Quick decision making**
4. **Cost management**
5. **Efficiency**
6. **Capacity to retain and improving security**

**Work culture:** - To the use of ICT in the new century has brought a great revolution and improved the work culture of Sainsbury's. ICT has really done a lot to have the potential to transform the business and work culture in new and un forcing way. On the other hand it has improved the customer satisfaction by providing the timely and quick information.

**Time management:** - To the use of ICT the quick information can be passed to all the required parties, thereby the time is saved and that saved time can be used on some other productive purposes. As the Sainsbury's is a multinational company and it is having a wide area of operations, it requires to communicate with all its stakeholders. So its ICT system is well developed to coop up with the situation of time scarcity and it manages all the communication time keeping and time constraint in its mind. So ICT system of Sainsbury's is fully recognized the value of time as time in nowadays is equal to money. Due to the application of ICT in the Sainsbury's, organization's time is being saved in an effective manner for e.g. by using the passed figures the time processing of any information to the stakeholders is being saved by 70%.

**Quick decision making:** - Effective and optimum decision making is based upon the effective supply of write information at the write time, because the information received after passing the time when it is required is useless and obsolete for the management. So with the effective use of ICT in Sainsbury the information is supplied timely and the decision making process is also quick.

**Cost management:** - Cost has a clear influence upon the design of ICT processing system. Keeping in mind the budgetary constraint, the cost has to be managed properly. For the introduction of ICT in Sainsbury's the management has to bear a huge capital cost, but it is equally giving returns in terms of time saving, postage and telephone expenses savings.

Similarly in the old system of communication, Sainsbury's had to manage a separate correspondence department, which was an extra burden in terms of payments of salaries to the staff. Launching of ICT in Sainsbury's automatically saves these expenses

**Efficiency:** - ICT must be developed to meet the needs of all the stakeholders and overall aim of ICT is to reduce the time taken to process the information and to increase the speed with which the output is generated, to undertake the large volume of work and to make it easier for the users to access and operate the system. With the development of ICT in Sainsbury's the efficiency and productive ratio is significantly increasing day by day.

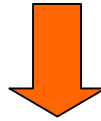
**Capacity to retain information and improving security:** - In the old system the manual and physical files were being maintained for the record purposes, now with the implementation of ICT in Sainsbury's there is no need to maintain the physical and manual files which occupies a lot of space and had to be managed properly, keeping in view the secrecy and security of important files. Now with the effective use of ICT the proper system of retaining and storing the information without occupying the space and without doing the extra expenses for the security and safety of the files is possible, more over the ICT system of Sainsbury's is fully taking into account, the requirements of Data Protection Act and the other legal requirements concerning health & safety. It has also improved the security and ensured unauthorized access of the information by the way of using passwords and data encryption.

## PRODUCTION PROCESS AND QUALITY CONTROL

Now a day today's era is to focus consumers as the king of the market. Every policy strategy, objectives and mission ultimately is made in view to increase the customer's satisfaction. So for that matter every successful company has to focus upon the quality to add value in products and creating utility according to consumer's standards.

### Customer quality standards

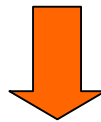
Consumer standards generally involve



Creating consumer satisfaction



Exceeding consumer expectation



Delighting the consumer

**(Diagram taken from Heinemann AVCE Bus. Book pg 132 fig 6.10)**

The intensive quality is worth remembering as it gives us a useful indicator of importance of quality. "We judge ourselves mostly by our intentions, but others judge us mostly by our actions."

Similarly consumers judge a good or service in terms of what they actually gets but not by what the producer hopes to provide. So there are three main stages of quality: -

- Quality control
- Quality assurance
- Total quality management

**Quality control:** - This is the most traditional idea which emphasis upon: -

1. Setting standards
2. Comparing standards with actual
3. If there is any variance monitoring the cause with those variances
4. Fixing the responsibilities for those variances and taking necessary action if the variances is adverse

So under this some of quantative tools of quality control are also used that is called 'Statistic quality control (SQL).' For statistic quality control specialized knowledge is required. In this we have to set the upper range quality, acceptable limit and the lower range of quality. So we have to decide the limits in between which the quality standard may vary if the quality of the product goes below the lower limit or above the upper limit, the products are rejected.

**Quality assurance:** - The main aim of Quality assurance is to produce the products, which should have no defect, or zero defects. So it is used to make sure that all the products are strictly according to the pre determined standards. So quality assurance is the responsibility of the employees.

**Total quality management:** - This is the latest concept, which goes beyond the quality assurance, here the emphasis is made upon creating a quality culture where every person from the hierarchy to the lower hierarchy. Everyone is aware as well as accountable for quality.

Sainsbury's have been following this policy for long time. It always focuses upon the needs of the consumers. Sainsbury's main aim is to create maximum utility for the consumers through the process of total quality management. So for this purpose they always do the research as well as their SWOT analysis for finding out the changing customer's perception, fashion, tastes and behaviors etc. So the positive affected consumers through the process of Total Quality Management (TQM) will pass the message to their friends. Thereby the popularity of the products and services provided by Sainsbury's will increase.

## **PRODUCTION PROCESS**

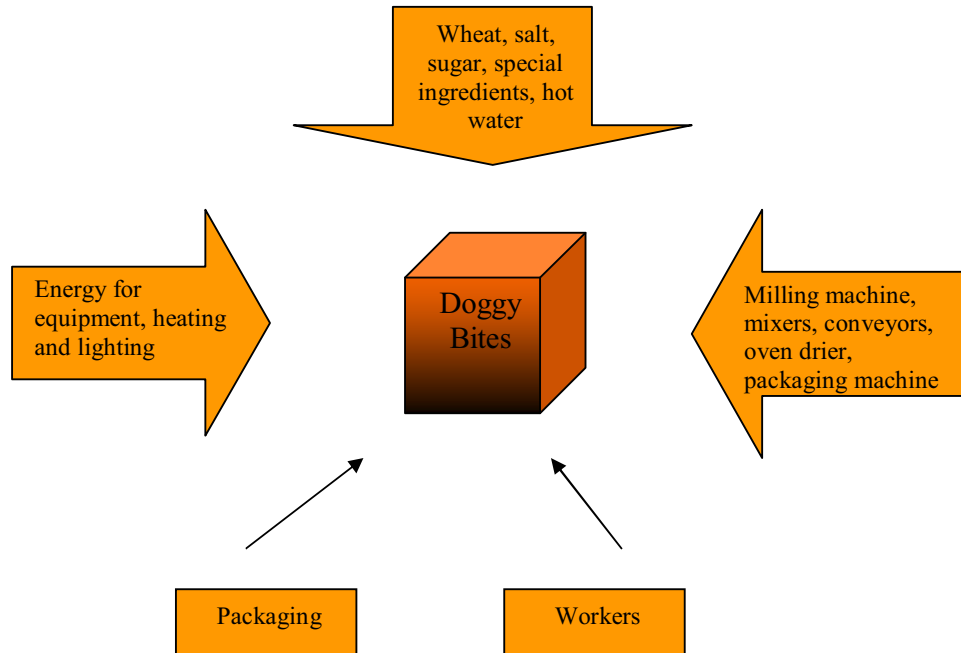
There are three main ways of adding value to the production: -

1. **Combining input to create a physical change.**
1. **Combining input to create a service.**
2. **Meeting customers' requirements.**

## 1). How can you combine input to create a physical change?

So one of the prime concerns of any business is to convert their input to output by joining men, money, material, machines and management together in such a way so that a cost should be minimum and the productivity and utility to the customers should be the maximum.

So adding value to the product generally means by adding certain features and by creating some more utilities making it more desirable for the ultimate consumer. In such manner the ultimate consumer will be willing to buy the product at higher price.



## 2). How can we add the value in service?

There are four forms of adding value to service, which can termed as: -

- Time utility
- Place utility
- Knowledge utility

**Time utility:** - By adding value by changing the time ' for e.g. if the product is not in demand today, keep that product in warehouse, so that when it will be in demand it can be consumed'.

**Place utility:** - By changing the place of the product to add value ' for e.g. transportation, this means transportation of the goods and service where these are needed' will add the value to the product.

**Knowledge utility:** - Providing knowledge about how to use the product, what are the features of the product and what are the harmful effects of the product, will certainly add the value to the product. There are some creative ways to add the value to the product ' for e.g. attractive packing, theme oriented slogans etc'.

We can add the value to the product by different sort of methods of production.

1. **Project production**
2. **Job production**
3. **Batch production**
4. **Line production**
5. **Process production**

**Project production:** - In the project production we join the manpower, money, materials, machines and management to complete a single project such as building a fifty storey hotel, a bridge, a Hollywood movie or road etc.

**Job production:** - When we are to produce a small number of items and products will be usually manufactured in the producer's premises for e.g. dress designing, furniture making etc.

**Batch production:** - Under batch production we have to produce homogeneous products. These items need to be a requirement of specific customer; in this each stage of production is highly planned. For e.g. produce of bread loaves in the bakery.

**Line production:** - It involves the product or service passing down a line of products where the production is repeated every time when the new product is made. For e.g. car assembling, computer assembling etc.

**Continues flow production:** - This is a sort of mass production where the production process goes 24 hours a day. The automatic machines are used and set to make the continues flow production successful. For e.g. paper mills, chocolate factories, and petrol and oil refiners. Here usually the capital-intensive techniques are used, the human labor generally don't touch the product.

### [Link to ICT of Sainsbury's](#)

The production process and stock control systems in a business can be assisted by the use of **Information Technology (IT)**. Sophisticated software packages can enable a business to keep detailed and accurate records on its purchases of stock and its sales to customers, using such systems as **Electronic Point of Sale (E.P.O.S)**. This records every transaction made by a business and can, therefore, enable it to monitor its stock levels and sales of products to a 100% level of accuracy. This system can automatically re-order stock when numbers fall to a certain level in the warehouse, as well as monitoring the quantity of each component that is used in the production process.

**Computer Aided Design (C.A.D)** is the use of sophisticated computer software to design three-dimensional images of products quickly and relatively cheaply.

**Computer Aided Manufacturing (CAM)** is the use of computers and software for a wide variety of production tasks, including automated production lines and stock control systems.

**Bar codes** are used to identify products like reading of deliveries, update stock inventory. Bar codes help to know whether the delivery is over order, under order and also it helps with theft.

### EVALUATION OF QUALITY CONTROL AND QUALITY ASSURANCE OF SAINSBURY'S

“As Sainsbury's mission is to be consumer's first choice for food, delivering products of outstanding quality and a great service at competitive cost through working faster, simpler and together” Reliable quality is a prime concern of Sainsbury's, while deciding supply of raw materials it means: -

- They are following the total quality management concept.
- They are following the self-checking system to monitor their own performance and that of the processes they are working on against giving standards means there is an effective quality culture prevalent in Sainsbury's.
- They are increasing participations in organizations activities through quality circles, which constitutes steering committee to make general policy, the facilitator to support the process, the circle leaders as the supervisors for the problem solving and the members of the circle.
- They are also following ISO 9000 certificate rules to ensure the goods quality.
- They have established a separate research and development department, which has a special wing to do the research on quality.

By emphasis the quality on priority basis they have achieved their objectives of sales growth, high turnover, maximum customer satisfaction and to become more innovative and concerned about quality.