

## *Sunflower Incorporated*

Sunflower Incorporated is a large distribution company with over 5,000 employees and gross sales of over \$700 million (1991). The company purchases and distributes salty snack foods and liquor to independent retail stores throughout the United States and Canada. Salty snack foods include corn chips, potato chips, cheese curls, tortilla chips, and peanuts. The United States and Canada are divided into 22 regions, each with its own central warehouse, salespeople, finance department, and purchasing department. The company distributes national as well as local brands and packages some items under private labels. The head office encourages each region to be autonomous because of local tastes and practices. The northeast United States, for example, consumes a greater percentage of Canadian whisky and American bourbon, while the West consumes more light liquors, such as vodka, gin, and rum. Snack foods in the Southwest are often seasoned to reflect Mexican tastes.

Early in 1989, Sunflower began using a financial reporting system that compared sales, costs, and profits across regions. Management was surprised to learn that profits varied widely. By 1990, the differences were so great that management decided some standardization was necessary. They believed that highly profitable regions were sometimes using lower-quality items, even seconds, to boost profit margins. This practice could hurt Sunflower's image. Other regions were facing intense price competition in order to hold market share. National distributors were pushing hard to increase their market share. Frito-lay, Bordens, Nabisco, Procter & Gamble (Pringles), and Standard Brands (Planter's peanuts) were pushing hard to increase market share by cutting prices and launching new products.

As these problems accumulated, Mr. Steelman, president of Sunflower, decided to create a new position to monitor pricing and purchasing practices. Agnes Albanese was hired from the finance department of a competing organization. Her new title was director of pricing and purchasing, and she reported to the vice president of finance, Mr. Mobley. Steelman and Mobley gave Albanese great latitude in organizing her job and encouraged her to establish whatever rules and proce-

dures were necessary. She was also encouraged to gather information from each region. Each region was notified of her appointment by an official memo sent to the regional managers. A copy of the memo was posted on each warehouse bulletin board. The announcement was also made in the company newspaper.

After 3 weeks on the job, Albanese decided that pricing and purchasing decisions should be standardized across regions. As a first step, she wanted the financial executive in each region to notify her of any change in local prices of more than 3%. She also decided that all new contracts for local purchases of more than \$5,000 should be cleared through her office. (Approximately 60% of items distributed in the regions was purchased in large quantities and supplied from the home office. The other 40% was purchased and distributed within the region.) Albanese believed that the only way to standardize operations was for each region to notify the home office in advance of any change in prices or purchases. Albanese discussed the proposed policy with Mobley. He agreed, so they submitted a formal proposal to the president and board of directors, who approved the plan. Sunflower was moving into the peak holiday season, so Albanese wanted to implement the new procedures right away. She decided to send an email to the financial and purchasing executives in each region notifying them of the new procedures. The change would be inserted in all policy and procedure manuals throughout Sunflower within 4 months.

Albanese showed a draft of the email to Mobley and invited his comments. Mobley said the Internet was an excellent idea but wondered if it was sufficient. The regions handle hundreds of items and were used to decentralized decision making. Mobley suggested that Albanese ought to visit the regions and discuss purchasing and pricing policies with the executives. Albanese refused, saying that the trips would be expensive and time-consuming. She had so many things to do at headquarters that a trip was impossible. Mobley also suggested waiting to implement the procedures until after the annual company meeting in 3 months. Albanese said this would take

too long because the procedures would not take effect until after the peak sales season. She believed the procedures were needed now. The email went out the next day.

During the next few days, replies came in from most of the regions. The executives were in agreement with the email and said they would be happy to cooperate.

Eight weeks later, Albanese had not received notices from any regions about local price or purchase changes. Other executives who had visited regional warehouses indicated to her that the regions were busy as usual. Regional executives

seemed to be following usual procedures for that time of year.

### Questions

1. How well did Albanese manage the pricing and purchasing changes at Sunflower? Were the changes implemented successfully? How would you find this out?
2. What might Albanese have done differently? What should she do now?

*Source: Adapted from R. Daft, Organization Theory and Design (St. Paul: West, 1983), pp. 334-36.*

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