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THE

MANAGEMENT GAME

Do **you** have
what it takes
to be a top
manager?

**ARDIS BURST AND
LEONARD
SCHLESINGER**
of HARVARD BUSINESS SCHOOL

**THE _____
MANAGEMENT
_____ GAME**

**_____ Ardis Burst and
Leonard A. Schlesinger**



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Introduction

Welcome to the international headquarters of Consolidated Commodities, Inc. ConCom, as it is known to its friends, is a Fortune 500 company located side by side with many sister corporations in the lovely county of Fairfield in the no-personal-income-tax state of Connecticut.

This book is about a year in the life of a member of ConCom's top management team. Ed Cunningham, who recently has risen to the position of senior vice-president of the corporation, heads Specialty Foods, a small but complex division of ConCom.

By following Ed's story, you will have an opportunity to see exactly what a manager does in the course of a year in the corporate life cycle. You will meet his superiors, his subordinates, even his press as he grapples with typical—and occasionally atypical—decisions a top manager has to make.

In order to develop an in-depth understanding of Ed's world, you'll first get an overview of Consolidated Commodities and the Specialty Foods Division in Chapter 1. In Chapter 2, you'll learn about the industry in which Specialty Foods competes: the gourmet or specialty foods area.

In Chapters 3 through 10 the real challenge begins. Each of these chapters describes a specific management problem that Ed faces and offers a number of "solutions" from which he can choose. In each of these specific management situations, there will be anywhere from two to five options. In addition, each problem is set in a different management discipline: marketing, organizational de-

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sign, accounting, and so on. At this point, you will have the same opportunity as Ed to make choices: you will have the same information he has, you will know of his personal concerns and needs. You can decide what he should do.

For each of the eight problem chapters, you'll get a "big picture" perspective on Ed's options, in Chapters 11 and 12. These chapters include a description of the key decision factors in each particular situation and how these factors affected corporate needs, division needs, and even Ed's personal career alternatives. Following each chapter's overview, you'll find out the outcome for each of the options that was available in that management situation. Here you'll share Ed's perspective. You'll know exactly what Ed would have found out if he had chosen a particular option.

At the end of each chapter review, each option will receive a score. If you keep track of the choices you make in Chapters 3 through 10, you'll be able to add up your scores and in Chapter 13 get an idea of how you did for the year.

We believe that if you work through all the decisions with Ed, not only will you have a good idea of what his life as a manager is like, but you will also find that you have gained some new management perspective from sharing his challenges.



Specialty Foods: The ConCom Challenge

January 6, 1987

Ed Cunningham leaned back in his office chair with a deep sense of satisfaction. A 7:30 arrival at the office guaranteed him plenty of time to review the materials Irma Saloman had dropped off for their meeting at 9:00 A.M. It always paid to be ready for Irma. As executive vice-president of Corporate Relations, she was the only female top manager at Consolidated Commodities, Inc. Consequently, she seemed to believe that she had a duty to God, country, and women's rights always to be 100 percent prepared, buttoned up, and at least three steps ahead of everybody else.

Ed pulled out the bottom drawer of his desk, rolled his chair back, and propped his feet on the edge of the drawer. He picked up the stapled pile of papers and read the long note Irma had penned on the front page.

Ed:

Here is a draft of some sections of the upcoming Annual Report. This is the first time the Specialty Foods Division will be included, since it has come into existence during the past year. Consequently, it would be helpful to me if you'd read over the sections related to its structure and future. These include the letter from George Vulcani and Ralph Myerson and the section tentatively entitled, "Actions in the Eighties, Earnings in the Nineties," where

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Specialty Foods is highlighted. Just so you won't be assessing these in a vacuum, I've included the drafts of some other sections that might be of interest.

Please do remember that all this is highly confidential at this stage of the game. I've numbered your copy and would ask that you not make photocopies of any section.

See you Tuesday.

Irma

Ed turned to the first page curiously. Any document that demanded that George Vulcani, chairman of the board and chief executive officer, and Ralph Myerson, president and chief operating officer, actually produce something together had to be interesting. Since becoming a division president and a corporate vice-president six months previously, Ed had had a number of opportunities to observe firsthand what, he confided to his wife, had to be the strangest marriage in corporate America.

First, George and Ralph were completely different in appearance, background, and style. George Vulcani, at age sixty-four, was at the peak of his form. His physical energy was evident from his tanned and lean physique. Every fitness buff at ConCom had at least one story of George passing him on a hike up a mountain or on the company indoor track at 5:00 A.M. (George already having worked up a sweat) or of having been beaten by George at tennis or handball or softball or even riding a horse. The man seemed to do everything.

Then, of course, there was George's marriage. His wife, Geraldine, was in her thirties. It was a second marriage for both. But Geraldine was not some beautiful empty-headed glamour girl. Rather, she was a plain but dynamic management professor at Yale who exuded brains, education, and an intelligent zest for life. Company scuttlebutt said George and Geraldine shared everything: they cooked gourmet meals together in their pied-à-terre in the Trump Tower, raised a huge organic garden in their country home on the Connecticut shore, and vacationed together regularly in a minuscule

village in Tuscany where George had been born and where most of his family still lived.

On the other hand, there was Ralph Myerson. Ralph was as reserved as George was dynamic. With his thinning hair and skeletal frame, Ralph looked exactly like one of Charles Dickens's more woeful figures, perhaps a clerk who'd been chronically underpaid and overworked. In fact, Ralph had started his career at ConCom as a quality control clerk and the first twenty years of his employment had been in various areas of accounting and control. The only place ConCom employees ever seemed to have run into Ralph was in the corporate library, where he reportedly still read through every edition of *American Tax Accountant*.

Yet somewhere there must be more in the man than appeared on the surface. Ed seemed to remember that it was during the brutal recession of the early seventies that Ralph had been tapped to enter the ranks of top management. Reportedly, his conservatism and his grasp of accounting issues had helped ConCom weather those now almost forgotten days of "stagflation" and federal cost controls. Beyond this career information, nobody seemed to know anything about Ralph: where he lived, if he was married, even what kind of car he drove to work (could he possibly *walk*?). It was all a mystery.

Then, perhaps more important, there was a profound difference in how the two men managed. George loved to be involved in everything. He wanted to look at the people who worked for ConCom, shake their hands, ask them personal questions. For George, every business decision offered the drama of an episode of "Masterpiece Theatre." Ralph, on the other hand, preferred to look at the numbers, read the reports, and avoid having his assessments of what was going on sullied by the human element.

Of course, this led to some interesting situations for those reporting to the two men. Ed remembered an incident from his days as marketing manager of the Dry Groceries Division. Dry Groceries had a group of whole-grain products positioned as rice and potato substitutes that was going national after a very extensive and successful test market. The division had marketing plans and produc-

tion plans and financial plans by the briefcaseful because they knew that was what it would take to get things approved by Ralph. Ed and the division president made their presentations and everything was "Go."

Then they went on to George to give him their sales pitch. But all George wanted to see was the packages the stuff would be sold in and the commercials they'd be using. After watching the first commercial, he had insisted it be reshot because the actor didn't have the right look on his face when he tested the bulgur wheat or whatever the hell it was.

Ed forced his thoughts back to the work at hand. He could think about those two forever and never understand how they worked together. Much more important now was his appointment with Irma.

To Our Shareholders and Employees:

Fiscal 1986 has been a memorable and successful year for Consolidated Commodities, Inc. We have accomplished much and stand poised to evolve as a truly great marketing company through the end of the century.

Well, this part certainly sounded like George at his most enthusiastic, thought Ed. All it needed was a bugle corps and a few baton twirlers. But undoubtedly Ralph's hand would be evident as he got to the numbers section.

Fiscal 1986 Highlights

Highlights of the year included the following:

—The largest acquisition in the company's history. In January, we purchased Scarborough Foods, Inc., for \$1.3 billion.

—Introduction of the greatest number of successful new products in any one year of the company's history. New products or line extensions were successfully introduced in the areas of cat food, main meal side dishes, instant cereals, novelty snack foods, and gourmet food products.

—A continuation of our previously announced restructuring, focusing on two key areas: divestment of businesses unrelated to our areas of greatest strength with net proceeds of \$1.1 billion; and internal reorganization of food products sold at retail, primarily focusing on the establishment of the Specialty Foods Division.

Financial Performance

Net sales for fiscal 1986 reached new heights at \$7.8 billion. Primary and fully diluted earnings per share were \$4.76 and \$4.39 respectively. These earnings include \$150 million of business realignment income having to do with the combined results of the divestment gains offset by costs which we believe will be incurred in our continuing restructuring and streamlining of ongoing operations, including those just acquired.

Ed skimmed through the next few paragraphs that focused on asset deployment and capital commitment, making sure Specialty Foods was not mentioned. Then he read the next section carefully.

Our Marketing Commitment

We believe that the strong and successful company of the twenty-first century will be that organization which knows its consumers, listens to what they have to say, and anticipates what they will need and want next. We plan to be that company.

As highlighted above, Consolidated Commodities has refined its business lines to focus on food alone. Our enormous Dry Groceries Division, with sales of \$5.28 billion and earnings of \$531 million, provides food to meet the basic needs of every American family through every major supermarket in the United States. Our International Division, with sales of \$1.9 billion and earnings of \$235 million, feeds millions of consumers throughout the free world. And our Food Services Division, with sales of \$350 million and earnings of \$75 million, gives ConCom a

meaningful position in the out-of-home dining segment without requiring strategic redirection into the restaurant business itself.

This is how we measure our strength today; this is the basis for our strength in the year 2001. But this is not enough. Consumers of our products are changing. These changes are both demographic, for example, as the percentage of the population in older age groups continues to rise; and psychographic, for example, as people's attitudes toward what constitutes a satisfying meal are significantly altered.

Consolidated Commodities has studied these changes and their implications for the future extensively. We are already repositioning products, adding new products and line extensions, and changing preparation requirements for many of our bedrock products. Within the past year, we have taken another important step: we have set up a new division in the corporation, the Specialty Foods Division.

Specialty Foods is designed to look ahead into completely new areas, to respond quickly to what is going on today, and to investigate new distribution opportunities for ConCom. While Dry Groceries marches ahead in the battle for tomorrow's food dollar using its massive resources and highly developed firepower, Specialty Foods will supply our guerrilla fighters: a select few, a lean operation, designed to move ahead of the front line and keep us informed on what to expect two or five or even ten years from now.

Who could have written this? Perhaps Ralph really spent his time in the corporate library reading the Roman historian Tacitus or some other expert on military strategy. Ed felt slightly embarrassed by the drama of the paragraph he'd just finished. His embarrassment rapidly turned to alarm as he realized that regardless of who the author was, he was talking about Ed's division.

Ed removed his feet from their resting place on his drawer, swiv-

eled around in his chair, and looked out the window behind his desk. There was the lush rolling landscape of the Connecticut countryside which obviously, even in winter, was clipped and groomed and managed by innumerable gardeners and landscape experts. This in turn formed the jewel-box setting for the magnificent Consolidated Commodities headquarters building in which Specialty Foods was ensconced.

But rather than continuing comfortably as part of this corporate establishment, Ed was supposed to take his hearty band of men and women to crawl through the muck and slime of changing psychographics and slither up to spy through the windows of other corporate headquarters. And all in the name of figuring out what the average American housewife—who maybe wasn't even going to be around anymore—was going to serve her family for breakfast ten years from now.

Obviously he'd have to talk all this over with Irma. Perhaps these Annual Reports were always filled with purple prose at the draft stage and part of Irma's job was sanitizing and homogenizing them. But even if Irma changed the words, that would not change the unrealistic ideas either George or Ralph seemed to have about the objectives of the Specialty Foods Division.

Ed turned back to his desk. Oh, to be back in Dry Groceries where he knew what he was doing. This was like some crazy inversion of the Peter Principle: they kept promoting you until you got to the level of *their* incompetence, where they expected things of you that could never be done.

Quickly Ed skimmed the last two paragraphs of the letter—corporate social responsibility, equal opportunity—until he got to the summary of management changes.

During fiscal 1986, we added a number of fine people to our management group. These included three new senior officers: Edward V. Cunningham, corporate senior vice-president and president, Specialty Foods; Richard F. Lipping, corporate executive vice-president and chief financial officer; and Lewis Luison, corporate vice-president, Materials Planning. We sadly report the death of one

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of our most experienced and able directors, Zachariah Mallory III, who served for many years as chairman of the Corporate Affairs Committee. He will be missed for some time to come.

Well, there I am, thought Ed. For better or for worse, probably until death did us part. Or early retirement, to be more realistic. Again urging himself onward, Ed turned to the next section of the draft, the Operations Review.

Specialty Foods Division

The Specialty Foods Division was formed this year in a reorganization that drew together a variety of products targeted or potentially targeted toward an emerging segment of the grocery-buying population: the consumers of specialty or gourmet foods.

The basis of the Specialty Foods Division at this time is the Italiano line of imported food products. Previously part of the Dry Groceries Division, Italiano includes a variety of products ranging from such basic items as canned Italian tomatoes and tomato paste to gourmet items such as sun-dried Italian tomatoes and pignoli nuts. Sales of the total Italiano line were \$26 million in 1986. Historically, the greatest part of the Italiano sales has been in supermarkets.

The other major component of Specialty Foods is the Mountain Gourmet line of products. These products, all of which were acquired from Scarborough Foods during 1986, include maple syrup, apple products, cheese, and a large variety of jams and jellies. Mountain Gourmet products are distributed primarily through specialty food retailers, including gourmet shops, food departments of large department stores, and mail-order food merchandisers. Sales of Mountain Gourmet products were \$10 million in 1986.

Other Specialty Foods products include a limited selection of imports from the Consolidated Commodities International Division available under the Good Taste name.

Plans are to increase significantly the number and volume of these imports over the next few years. Good Taste products accounted for sales of \$.5 million in 1986.

In addition, Specialty Foods has a trial entry in the fresh foods segment of the gourmet food business, Salsa! Salsa! Salsa! This product, originally developed in the Institutional Foods Division, is available in limited distribution in the southwestern United States.

That seemed straightforward enough, thought Ed, although it didn't address the important issues, such as how to combine all those different products and different salesmen and different retail outlets to make a sensible whole. But that wasn't the objective of the Annual Report; that was purely internal business, the kind ConCom would prefer shareholders didn't think about too much.

Ed stood up, stretched for a minute, and walked across to the door of his office. Perhaps he ought to have Madeline check the sales numbers for the different parts of Specialty Foods. He glanced at his watch. 8:20. She was probably in by now, plugging away at her calculator or her computer programs or some other analytic tool.

Ed paused in his doorway, momentarily considering turning right and heading for his secretary's office where the coffee machine might or might not be on, versus turning left and going straight to Madeline's office. He hesitated, trying to convince himself that for this meeting he could get by without those numbers.

Abruptly, Ed turned left toward his assistant's office. Dealing with Madeline at 8:20 in the morning might not be the most pleasant task, but he was simply not going to let that woman intimidate him into heading for the warmth and security of Ellie Vogel and her coffee machine.

As Ed walked purposefully down the hall, he found himself trying to figure out yet again what it was about Madeline Beauchamp Ballantyne that threatened to drive him crazy. He had been given a choice when it came to hiring her—sort of a choice, at any rate. When Personnel sent down her résumé, they had included a little note from Ralph Myerson saying that he knew the candidate and

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thought highly of her. That, combined with her credentials—MBA from Harvard, academic honors, training at a big New York City investment banking firm—led Ed to decide he should probably take her, sight unseen.

The problem came when she *was* seen, by Ed and the other people in the division. In a way, it wasn't Madeline's fault. Her height, her lush dark hair, the beautiful and elegant silk and cashmere clothes she wore, her Katharine Hepburn accent: these would be intimidating, no matter what a person's personality was like.

Ed knocked on Madeline's door. She was in, sitting at her desk with pale winter sunlight silhouetting her perfect profile and mass of auburn hair. "Oh, it's you," she said, looking up. "What can I do for you? I've almost finished this five-year financial analysis of the Italiano product line and I'd like to complete it before the early morning coffee klatch arrives."

Ed stood at the door, momentarily silenced. How the hell did this woman always end up making him feel like she was doing him a favor when *he* was the boss?

"Good morning, Madeline," Ed said, determined to regain the upper hand. "Lovely day for January, isn't it?" He crossed the room and sat down in a chair across from Madeline's desk.

"To be honest, I was so involved with my work that I hadn't noticed," Madeline replied, tapping out a command on the computer keyboard. "Let me save this file. Now. What do you need?" she asked briskly.

"I'm meeting with Irma Saloman shortly to review the sections of the Annual Report that have to do with Specialty Foods," Ed said, matching Madeline's tone. "Would you look over these numbers and make sure they accurately report our last year's sales? Irma's very security-conscious, so this is my only copy of the report."

"It would be a pleasure. I'll be there in fifteen minutes, if that meets your needs," replied Madeline efficiently. "That will still give me plenty of time to finish my analysis, which perhaps we can discuss after your meeting with Irma."

"Sure," said Ed, getting up and heading back out the door. "See you then," he added over his shoulder.

Back in the hall, he shook his head, thinking of that nursery rhyme his daughter had liked when she was young: “when she was good, she was very, very good and when she was bad she was horrid.” That was Madeline. A good Madeline was a joy: she was prompt, thorough, brilliant in her analytic work, thoughtful, and rarely argumentative when they had professional disagreements. But her personal style . . . maybe he’d put her name in for one of those interpersonal development seminars Personnel was always pushing.

Ed walked back into his office. He had time to check a couple of things and get a cup of coffee before Madeline came down. Then was his meeting with Irma, and the day was rolling. Today, he told himself, he’d look at Specialty Foods as a challenge, not an impossible corporate dream. This was his big chance, his division, his future. Ed drew himself up straight. Guerrilla warriors, unite. Specialty Foods was a force to be reckoned with in corporate America and, at least for today, nobody could touch its leader, Edward V. Cunningham, senior vice-president, Consolidated Commodities, Inc.