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An address given by Robert Beyer at the top management session of the National Retail Merchants Association's 55th Annual Convention in New York City, on January 10, 1966.

# Top Management in the 1970's ... and Beyond

People say that if you forecast far enough into the future, you're on relatively safe ground. If you're right, you become something of a seer. If you're wrong, not too many people remember anyway.

Chronological time has become a highly unreliable measure of what constitutes the future in terms of change, innovation and invention. The "future," has had a way recently of sweeping down upon us and becoming part of today—or tomorrow, at the latest. It isn't enough to be able to discern the dimension of change the future will bring, we must also be able to appreciate when that "future," as fashioned by change, will arrive.

In military parlance, strategy is the science of planning to meet the enemy under the most advantageous conditions. Strategic planning for the future in business—to meet its challenges, opportunities and problems under the most favorable conditions—is a basic function of top level management. How well management can continue to meet current problems—its operational or tactical moves—will depend on how well it has discharged its planning responsibilities in the past. This is fundamental. But the lead time between planning, or strategy, and its employment in operational problems has been greatly compressed. Subject to the forces of revolutionary change in every element of our society—technological, economic, social, cultural—management has less and less time be-

tween planning and implementation. (There is a paradox here though—which I will explain later—and that is the lengthening time required for the planning or preparation function in certain areas—such as systems.)

The reason for my first point is not the fact of change itself, or even its size or dimension. It is the rate or the velocity of the change that is significant. That rate is constantly accelerating—like a car with a fast pickup that never stops going faster and never arrives at a speed limit. We see this in every possible measure of our environment whether it is population, education, production or, most significantly, knowledge itself. So conscious are we of the rapidity of change in virtually every area that we speak of it quite properly in terms of "revolution" and "explosion."

Nothing illustrates this better than the computer industry, the development of which has provided an impetus to change and at the same time has given us the means to cope with it.

The first commercial computer was not installed until 1950. A dozen years later 13,000 were in use. Today, only two years later, 20,000 are in use. In an economy with five million businesses this number of computers is not in itself extraordinary. What is startling is that the rate of increase in two successive years has been over 50 percent.

By 1970 the computer industry will have increased some



ROBERT BEYER, TRB&S Managing Partner

350 percent over 1963, at which time approximately 45,000 computers will be installed. That rate of increase here is far more significant than the figures themselves. It illustrates the impact of the so-called "knowledge revolution," the super abundance of information that business managers must absorb, judge, and act upon within the inflexible bounds of hours, days, and weeks.

What we have come to call the business information revolution stems from three basic areas of accelerating change. One is volume—generated to such enormity that the clock has become an anachronism as a measure of time to cope with it. The second is new and mounting complexity emanating from that mountain of data which management must understand and control to make sound decisions. The third is speed—speed virtually beyond comprehension by which this volume of data can be collected, transported, stored, retrieved and processed. The upward thrust of change is evident in all these areas with no indication in sight of when it will slow down.

This upward thrust is revealed, in fact, in virtually every area of business. It is *not* evident, however, in the one area that justifies the existence of business in a profit-motivated society—profit. In this sea of accelerating change, innovation and invention the rate of profit has actually declined. It has followed a downward curve for all corporations—and has also followed a downward curve in retailing. What has happened is that management has

not yet learned to use the forces of change effectively and bring them to bear on the profit picture. It is not unlike the principal of judo where we use our opponent's own strength to help accomplish our end.

Perhaps I do management an injustice in saying it has not yet learned to cope with the dynamics of change. It is learning, and learning quickly. There is a question though of whether the learning is taking place as rapidly as the change—whether the tools produced by the scientific and technological revolution are being applied with sufficient intensity to business problems.

No industry has been more subject to the effect of change than retailing. Out of the population explosion, shifting population, increasing disposable income, and proliferation of new products have come more customers, more stores, more charge accounts, more employees, more government reporting requirements, and so on. We need only to look at a single, staple item in retailing such as men's shirts to be made acutely aware of the explosion in merchandise assortments. A seemingly endless variety of fabrics, colors, styles where once there were relatively few. I need not spell out for this audience what this has meant in terms of complexity in planning and control in every phase of the retailing function. I need not spell out either what it means in terms of maintaining an adequate return on investment.

As it has in all types of businesses, this adds up to an

overwhelming increase in the general complexity of management. As retailing expands, managers and owners are more and more removed from personal contact with the elements which must be controlled in order to produce profits. The individual manager, except in the very smallest firm, cannot possibly be in a position to evaluate personally all of the complex factors which affect most of his business decisions. He must rely more and more on information developed by others which is provided to him by means of an information *system*. He needs information to carry out each of the responsibilities in the management cycle: to set realistic and understandable objectives, to establish plans for their accomplishment, to appraise the performance of the organization in implementing the plans and, finally, to feed back information for revising plans as well as adding to them.

The information requirement pervades every aspect of the retail operation. The *system* by which information is collected and presented is a key element in the management structure of a successful store. It is so important, in fact, that it requires consideration of a new element of planning, a new concept of management control—systems planning. In the past we tended to think of store systems in terms of paper work and procedures, lower level problems which did not warrant the attention of top management. The computer has forced us to change our concept of systems. With its application has come the concept of “total,” integrated information systems upon which management must rely with increasing dependence and the operation and control of which has become a top management responsibility.

We are facing, then, a situation in which management must take a more “systematic approach” to solving business problems—one that relies heavily on an adequately designed “system” to assure control in a complex environment.

This systematic approach must be scientific. It must include such elements as mathematics and machines. But, in addition to science, the systematic approach includes judgment that brings the knowledge of people and their experience to bear on the solution of business problems. The availability of increased information does not reduce the need for sound judgment in making management decisions. Nor does it eliminate the need for managers to assume the responsibility for making decisions on incomplete or inadequate information. The quality of judgment will still characterize the well-managed company.

On the other hand we can foresee the increased use of science or “management technology” in retailing in such

areas as merchandise management, store location, warehouse site selection, market analysis and salesclerk scheduling by progressive retailers in the 1970's. Computer systems will be of the on line-real time type in which all store units are connected by direct data communications to a central computing complex. Memory storage devices connected to the computer provide information to all points in seconds through “point of sale,” or more generally “point of origin” devices. Improved financial control techniques will enable management to base decisions on profit-contributing factors. Control centers for the management of information and decisions will be established.

Being a little more specific in retail terms, we can foresee, for example, that the four variables—store and warehouse location, and transfer and delivery routes will be predetermined through the scientific techniques of simulation. Alternative solutions can be worked out in advance so that optimum balance is reached between cost and customer service.

Accounts receivable and credit application data will be utilized to study customer behavior patterns, population shifts, as well as style and cost preferences. Unusual item purchases, which may be made for the first time, will be identified in accounts receivable files and may inspire new product-line sales and promotion. Advertising budgets will be prepared through the use of analytical techniques which will evaluate the effectiveness of proposed alternative advertising programs before they are put into effect.

The bane of the retailer—weather—will be a far more accurately predictable factor in promotion decisions. Utilizing the data from satellites and stations all over the world, the U.S. Weather Bureau will feed data on long range weather forecasts into stores' computing centers providing merchants with meaningful information on which to base seasonal buying plans.

With greater customer mobility, better credit control will be essential. Customer charge applications will be approved according to point rating systems developed through correlation analysis and using data obtained from on line-real time credit information systems serving large areas. Initial inquiries for opening accounts, as well as authorization, will be accomplished at the point of sale or the credit office through direct line communications with the community system.

On line point of sale devices at every selling location in all stores will provide information necessary for unit and dollar merchandise control, accounts receivable, and authorization, as well as other accounting functions. Cus-

customer service time at points of sale and errors by salesclerks will be reduced significantly.

Buyers will be relieved of the burden of making repetitive, routine decisions (such as reordering staple items) and concentrate their time and talents on the judgment and decisions which are their reason for being. Systematic inventory management techniques incorporating decision rules will be utilized in virtually all fashion, staple, and big ticket merchandise areas.

Sales personnel will be assigned on the basis of analysis of customer traffic patterns. Through sampling and statistical methods, sales personnel will be assigned according to measurements of customer flow, service time, percentage of customers contacted and customer purchases by department.

These are a few of the effects we can expect to see as store management moves from the computer systems of 1965 to the more sophisticated, integrated systems that are emerging.

To control and coordinate such on line-real time systems, the progressive stores of the '70s will utilize an Information Management Facility. This will be fed data directly from random access files in the computer's memory. Management will meet in this center and scan information displayed visually on demand. They can call for selected information through a control console and feed results of decisions and other information back into the system. A simulation in which a series of alternative merchandise plans are evaluated is an example of this use of the I.M.F. concept.

All this will require organizational changes reflecting the role of systems in store management. It will result in the establishment of a new function, Management Information Services, if you will, reporting directly to top management. And here, I might add, we are confronted again with the satisfying realization that despite the enchantment and marvel of systems, people are still management's most important asset. Finding people to staff this function and giving them the stature in the organization to perform effectively is the first step in implementation. This will not be easy.

These systems are now less restricted by the ability to compile, process and provide data than by the ability of people, at all levels, to interpret and act upon them. A system, however sophisticated, is still dependent for its operation on the intelligence and skill of those who manage it.

The store we can now foresee in the 1970's then will be one which provides a total systems control to its man-

agement. Information from and about customers, vendors, and external factors will be fed into the system making it possible to relate management control to the real environment in which the store operates.

Such a system takes time to design and install, in each of its logical and progressive steps, as the requirements of the organization and its objectives call for them. And here is where the paradox arises. While the time available for reaction in business is being shortened, the preparation time required in the systems area is being lengthened significantly. With today's methods and with today's level of systems training in retail stores we can look forward to *years* of preparation for such systems components as merchandise management. This means that a fantastic amount of systems work must be done before we can take advantage of advances in machine technology, for example. If all retailers move at the same pace in this area none will be able to capture a competitive advantage. That is an unrealistic state of affairs to assume, of course. So it is safe to say that the time to start is now (if you haven't already done so in the terms I have been describing).

In considering the application of systems planning to your own organization whether large or small, I would suggest nine basic steps:

1. Establish your store objectives in writing.
2. Modify your organization structure and the responsibilities and authority of key individuals to reflect those objectives.
3. Find the executive to direct the overall systems effort.
4. Determine your management information requirements and the essential information required at every level.
5. Learn about systems.
6. Establish continuing training programs for technical personnel and for operating personnel who are affected by new systems.
7. Develop plans and budgets for all systems projects.
8. Continue to study and review your evolving requirements and your people.
9. Urge the retail industry, through NRMA and other means, to form a group to define standard, accepted systems requirements against which manufacturers can design and build necessary equipment.

The stores of the 1970's and beyond are taking shape today. Their managements are adapting the thrust and the tools of change to their reality.

I hope that you plan to be among them.