

Management Approaches and Organisational Structures of Aldi

Matthew Edward Kilgariff

Professor Davina Evans/ Professor Anthony Burns

29th November, 2017

Introduction.

This paper will be looking at the managerial approaches and organisational functions of Aldi supermarket. Management styles will be examined ,taking into account Human Relations, Classical, Contingency and System approaches and how these are used within Aldi's infrastructure.

To understand the management approaches and how they are used it is important to understand the aims, target market, staff motivation and orientation of the company.

Background and business aims of Aldi.

Aldi is a global German supermarket that has extensively expanded since its opening in Germany, 1913. It's main objective is focused on efficiency and catering for a 'bargain hunter' client base (Clifford, S., (2011). It works within a highly competitive industry where supermarkets are constantly being compared on prices and quality. It is a global brand so standards need to follow through across all stores worldwide. One of Aldi's unique points, that sets it apart from other large supermarkets ,is that it has a much smaller product range with a large amount of 'own brands' usually around 95% (Boyce, L., (2017). Many of the products superficially resemble familiar labelled brands but are in fact Aldi's cheaper own brands sourced in huge quantities.

Approaches to organisation and management.

Aldi is similar to most large companies in that it uses a bureaucratic system where there is a hierarchy with clear definition of set roles at different responsibilities (Cole, G., & Kelly, P. (2011). At the top of the chain are the CEOs (in Aldi's case Marc HeuBinger), moving down to

area managers, then store managers, until you reach store assistants. Each level on the hierarchical chain has authority over the level beneath it. The bureaucratic approach relies on strict rules which if followed correctly creates consistency throughout all stores. This is particularly important for a global company with shops worldwide as it creates a set standard which inspires consumer confidence and a consistent performance. Aldi aims to have each store as closely matched to another as possible with blanket layouts that are ruled out to all stores and even a desired size of 1125m² (Boyce, L., (2017).

One of the main criticisms of this system is that having such rigid management structure creates an inflexibility to unforeseen circumstances. Also it can leave workers feeling unappreciated and demotivated as they have to follow strict instructions with little consideration of their own strengths ,personality and creativity. Also, Chanders bureaucratic approach does not take into account workers struggle for power and the detrimental aspect of being made to feel inferior to the managers (Waring, S., (2016). Managers are often encouraged to keep a strict work relationship which can create isolation and resentment between different hierarchies.

An advantage of this approach is that the front line workforce (store assistants) are not highly trained and skilled so are easily replaceable. Everyone knows their place in the organisation and it makes staff performance easier to manage.

Management approaches.

Aldi uses a classical approach in its management of store assistants (Hannagan, T., (2008). There are strict time limits set to each task as part of the efficiency agenda of Aldi. Even the till staff are timed through sales and are recorded on scanning speeds per hour on checkout. This can lead to an emphasis on pace at the expense of customer service. Some supermarkets,

such as Marks and Spencer, take a more human relations orientated approach and are willing to take that extra time to encourage a more social element to the customer experience. To understand why there is this management difference, it is important to consider the general client base at both. Aldi has an emphasis on cutting costs and beating its rivals on price, therefore attracting a budget motivated customer base, whereas Marks and Spencer prides itself on quality and customer service and therefore caters for a more affluent customer who is willing to spend more on what they believe is a quality product/ shopping experience (Nirmalya, K., (1996).

The classical approach also nicknamed 'Taylorism', after one of its founding fathers Fredrick Winslow Taylor 1856, has been criticised and reviewed ever since its inception in Europe and America in the late 1900s (Cole, G. & Kelly, P. (2011). From a scientific point of view it makes sense to find the most efficient way of doing a task through testing and then training staff to repeat it to the last detail. Depending on staff abilities and correctly following the guidelines, Taylor found that productivity was increased. Although in reality, this often causes problems for the front line work force who are working in an almost robotic fashion repeating a method set out for them. It does not take into account social, physical and environmental aspects that may be present in the workplace e.g. if a worker has an issue at home or a strained back this could affect his productivity compared to a worker without these pressures. There is no allowance for variations which could lead to stress in the workforce with high staff turnover and levels of sick leave.

In contrast, the Human Relations Management approach takes into account each individual workers own social needs and personality (Hannagan, T., (2008). Human relations takes account of the social needs of the employee instead of only focussing on the profits of the

employer. This can include altering organisation structures for the employees instead of presuming that everyone works best under the same conditions and having a system that is open to new ideas and initiatives thereby making it less rigid. This approach also includes aspects of the informal organisation such as the relationships between employees that naturally happens between personality types, like friendships or social disagreements (Cole, G., & Kelly, P. (2011). Taking staff wellbeing into account is likely to lead to happier workers who take less sick leave and remain at the company. *‘Management structures solve nothing if they don’t take the facts of human nature into proper consideration’* - (Mullins, L., (2007).

Using this approach can drastically help with staff morale and workers feel their opinions and feelings are being taken into account by higher management. One approach will not meet the needs of different organisations and there are strengths and weaknesses to different systems.

Systems approach is a combination of both the Classical and Human Relations approaches. The systems approach takes into account the people, the organisational structure, the efficiency, environmental factors and even the technology used as a whole picture (Cole, G., & Kelly, P. (2011).

Within an organisation you have internal systems or sub-systems that work together to make up the total system. Sub systems can either be open or closed. Open subsystems mean that they rely heavily on interaction with the surroundings, for example marketing departments need to be aware of trends within the external environment. Or closed sub-systems meaning that they are relatively self contained, an example of this could be an accounting department which carries out most of its functions internally (Cole, G., & Kelly, P. (2011). As a manager it can often be hard to determine boundaries between these sub-systems but it is key in maintaining a healthy

level of communication between different departments. Aldi has been very effective in advertising ,showing good consumer awareness and promoting its key strategy of providing keenly priced products. This was particularly effective as the UK faced recession and the middle classes were being 'squeezed' economically.

The Contingency approach is relatively modern and first suggested by Lawrence and Lorsch in 1967 who were two Harvard researchers (Cole, G., & Kelly, P. (2011)). This theory suggests that there is not one best way of managing a company but instead the decisions must be fluid to the environmental situation. This approach, similar to the systems approach, is a combination of the other managerial approaches (Bloski, W., Cook, C., & Hunsaker, P (2007).. It is very different from the Classical approach which believes that there is one best way of getting things done. The Contingency approach forces managers to adjust differently to each individual task (Cole, G., & Kelly, P. (2011)). The advantages are in its flexibility to deal with tasks that may not have been previously perceived. Disadvantages are that managers may need extra training as they need to use their own initiative in situations instead of following strict rules set by the company which have been tried and tested. This is more challenging and relies on managers being confident and decisive in a range of contexts.

Work motivation and satisfaction.

One of the main motivators for most jobs is pay. Aldi pay their staff more than the minimum wage (for 25s and over this is £7.50) (www.gov.uk) and from February of this year the average wage in the UK stores has risen to £8.53 or £9.75 in London. (Aldi UK website). Aldi UK is actually the highest paying of all the large supermarkets in Britain (O'Callaghan, L (2017)

Aldi jobs: Supermarket beats competition to win employer of YEAR award. Express). This means that staff are attracted by the higher pay which obviously helps with recruitment and retention.

Another main motivational factor is the chance of promotion. Aldi's runs a successful graduate scheme to train district managers and it is possible for employees to work up from shop assistants to store managers.

However after evaluating Aldi Uk employees reviews there is a general consensus that although pay is good a motivator, many of the employees did not consider it worth the amount of work and stress that was expected of them. Aldi has an emphasis on efficiency and to keep this up the staff must work as quickly as possible to meet targets which creates pressure and anxiety in the workplace. A recurring comment by staff was that their work life balance was poor because of the fast pace and shifts that were often unpredictable with unsociable hours ("Working at ALDI: 751 Reviews | Indeed.co.uk", 2017) .

Perception and communication.

It is important when looking at perception to understand that each individual may see exactly the same situation in a different way and this must be taken into account when trying to understand organisational behaviour (Mullins, L., (2007). Internal factors of perception may include an individuals personality, cultural background, intelligence, past experiences and goals. External factors are more involved with the characteristics of the stimuli ,for example if the information was loud or quiet, repeated or mentioned once or if it was a reaction to stimuli that had been experienced in the work place before. The consistent approach taken in training and the precise instructions for carrying out all the duties at Aldis means that individual variations can be minimised but some individuals may find this pressure to conform challenging.

When a worker joins a company he/she often subconsciously brings a physiological contract which is an expectation of what they feel they can contribute and what they think they will receive in return from an employer. (Bloski, W., Cook, C., & Hunsaker, P (2007). So for example, an employee will offer personal skills, time and effort and in return would expect to be paid fairly, treated with respect and have the chance to progress within the job. Giving your employees these kind of benefits satisfies their motives, helping them to improve their rate of work and encourages loyalty to the company. It is also important to understand that these contracts are not at a fixed rate, if a manager starts to expect more and more from an employee , the employee will want more of a return to balance this expectation.

Aldi does have employees who have been working in the UK stores since they have opened so it must be meeting some of the needs of staff. They also received the ‘Grocer Gold 2017 - Employer of the Year’ award (Aldi.co.uk, 2017). However staff testimonials suggest that there is a culture of completing tasks as quickly and efficiently as possible at the expense of staff well being and morale (Working at ALDI: 751 Reviews | Indeed.co.uk. (2017).

Communication is a key factor within any large company and without clear communication and tools to encourage it many avoidable problems can occur. Often when we think about communicating, speech is the main one that comes to mind but in a ever changing digital age emails, phone calls, text messages and written notes are being used more frequently in the work place (Hannagan, T., (2008). Although all of these communication methods have been proven useful, if not essential in modern business, face to face discussion can have an advantage in how the messages are taken by the receiver. In a verbal chat the receiver can pick up on facial expressions, tone of voice and body language which helps with ensuring the listener

perceives the message as intended. Communication through email or text message can be better suited for long messages with additional information such as graphs and hyperlinks as the receiver can study the message without losing detail to memory (Hannagan, T., (2008). Aldi does have face to face performance reviews for staff and meetings as well as written guidelines and information in handbooks and on their website.

Apart from there being different ways of sending and receiving information there are also different types of communication used in organisations. Downward communication refers to members at the top of the hierarchy who send messages down the chain (Hannagan, T., (2008). This type of communication is usually one sided and often used as a control method where people are given a direct message or instruction with no expectation of a reply, an example of this may be a company newsletter or team briefing.

Upwards communication is where staff on the lower levels of the hierarchical chain feed information upwards. This can give managers and CEOs insightful information about what is happening at the front line of there company. It can also help with staff motivation knowing that their opinion is being taken into account and any issues the staff are facing can be acknowledged by the people who have the power to help. It is important for management to give the means to encourage upwards communication so they can have insight in to the daily practice of the business. This can be achieved in regular meetings, service reviews, surveys and the managers spending time with ordinary staff thereby making themselves accessible.

Aldi claims to use techniques like these to help upwards communication with *'The best way to stay at the top of the recruitment drive is to welcome your employees with open arms and ask them how you can improve.'* - ("Corporate Responsibility-Training and Development -

ALDI UK", 2017). However staff reviews contradict this statement with staff saying they do not feel listened to and are not encouraged to give feedback (Working at ALDI: 751 Reviews | Indeed.co.uk (2017).

Conclusion.

To conclude, Aldi is a supermarket placed in a highly competitive business sector. It has a clear rationale of selling quality food, mostly its own brands, in large quantities around the world with an emphasis on value pricing. Having such clear goals, strict ruling system and a refined method that is proven to work time and time again has given Aldi its place as the the UK's fifth largest grocer (Butler, 2017).

However using such a bureaucratic management style with strict rules and a suggestion to classical approaches can leave workers feeling unappreciated. These practises place efficiency above creativity and do not take personality types into account which then leads to bad moral and increased staff turnover. The better than average wage is enough of a motivator for some workers but there is a general consensus through staff reviews that promotion and job satisfaction were in short supply.

Aldi continues to grow not just in the UK but globally with its own defined place in the market. Although not all staff are positive about there management methods, they undoubtably consistently work. As well paid jobs become harder to secure Aldi knows that they can replace staff so I believe there is no reason for Aldi to change its ethos or management style.

References;

- Aldi.co.uk. (2017). ALDI - Awards and Endorsements - ALDI UK. <https://www.aldi.co.uk/awards> [Accessed 13 Nov. 2017].
- Aldi Recruitment - Stores. (2017). Aldirecruitment.co.uk. Retrieved 27 November 2017, from <https://www.aldirecruitment.co.uk/stores/>
- Bloski, W., Cook, C., and Hunsaker, P (2007) *Management & Organisational Behaviour second edition*. Maidenhead, McGraw-Hill Education
- Boyce, L., (2017) Behind the scenes at Aldi: 17 of its surprising secrets.This is Money. Retrieved 27 November 2017, from <http://www.thisismoney.co.uk/money/news/article-4163462/Behind-scenes-Aldi-17-surprising-secrets.html>
- Butler, S. (2017). Aldi becomes UK's fifth largest supermarket. the Guardian. Retrieved 27 November 2017, from <https://www.theguardian.com/business/2017/feb/07/aldi-uk-fifth-largest-supermarket>
- Clifford, S. (2017). Where Wal-Mart Failed, Aldi Succeeds. Nytimes.com. Retrieved 27 November 2017, from <http://www.nytimes.com/2011/03/30/business/30aldi.html>
- Cole, G., and Kelly, P., (2011). *Management theory and practise*. Cengage Learning EMEA
- Corporate Responsibility-Training and Development - ALDI UK. (2017). Aldi.co.uk. Retrieved 25 November 2017, from <https://www.aldi.co.uk/about-aldi/corporate-responsibility/people/training-and-development>
- Hannagan, T., (2008). *Management concepts & practices*. Essex, Pearson limited
- Nirmalya, K., (1996). *The power of trust in manufacturer-retailer relationships*. Harvard Business Review, 1996, Vol. 74, Issue 6

Mullins, L., (2007) Management and Organisational Behaviour. Essex, Pitman Publishing

O'Callaghan, L (2017) *Aldi jobs: Supermarket beats competition to win employer of YEAR award*. Express

Working at ALDI: 751 Reviews | Indeed.co.uk. (2017). Indeed.co.uk. Retrieved 15 November 2017, from <https://www.indeed.co.uk/cmp/Aldi/review>

Waring, S., (2016). *Taylorism transformed*. Chapel Hill : University of North Carolina Press, 1991.