

Food conglomerate gives autonomy, gets results

While many large corporations tend to run tightly controlled, highly centralized operations, others take an opposite approach, maintaining effective control of widespread operations with a small headquarters staff.

One of the more successful companies in the second category is Curtice-Burns, Inc., which manages its seven food manufacturing divisions as a loose confederation with a headquarters staff of 12 at Rochester, New York.

In its 17 years, the corporation has grown to sales of \$269 million (as of 1978) primarily through acquisitions. In the ten years ending in 1978, earnings per share climbed to \$3.67 from 62 cents. Today, each profit center continues to stand on its own regionally famous name-Blue Boy in the Northeast, Nalley's in the West, Snyder's in Pennsylvania and Ohio, and so on. The corporate logo is in small type on the bottom of the can.

"Each division has a chief executive officer," said Curtice-Burns President and CEO Hugh Cumming. "He is completely responsible for that business, other than major capital investments."

These division heads come with the companies, and Cumming likes that. "One of our prerequisites is that we will not acquire a business that does not have capable management that's going to stay," he stated. While that has not made acquisitions any easier, Cumming said, "it attracts more competent people - they like to run their own show."

Because of the high achievement of the divisions and the physical distance from headquarters, face-to-face meetings have decreased to every other month. Requests for major expenditures are normally made annually.

"We manage by exception, rather than by control," explained Cumming. "When you start to get too many exceptions, then you get into the act." Curtice-Burns gives more than lip

service to delegation of authority. "If there is a problem and [the division CEO] is a good manager, he's already briefed corporate management that he's taking a risk and may fail," said Cumming. "If he's done that, the corporate management should wait.

"We, as managers, have to have failures to learn. If every time you have a failure, you get into the act, nobody's going to take any chances."

This managerial outlook did not occur accidentally. Cumming has a definitive list of pluses and minuses for it.

"First of all, you have low corporate overhead," he noted. The people at headquarters are largely financial, including two internal auditors who spend most of the time on the road. The company hires consultants for specific studies, because of cost and specialized expertise.

The pivotal advantage to the system, according to Cumming, is "clearly centered responsibility on the chief executive officer of each division for the performance of the division." A related plus is that peer pressure among divisions is great.

Because of the cyclical nature of the food business, Curtice-Burns does not tie its incentive plan to the performance of a single division. It is based on corporate results and allocated by payroll. "You can look around at those divisions and see the peer pressure is really there," said Cumming. "If his division is not doing well, it's taking away from my bonus."

Since the food industry is loath to reveal marketing and production information, the Curtice-Burns setup provides a frame of reference. When two or more divisions make and sell the same product, they can compare costs. It may even be more accurate than comparison with the competition, since the same cost system is used.

The corporate philosophy is positively reflected in the entrepreneurial

concept, contended Cumming. "I think our people look at running those divisions, whether \$10 million or \$85 million in sales, as though each were their own. All of our top management people came from small businesses. And we're convinced that small businesses are likely to have less overhead and operate more efficiently than those that build up big staffs."

Because of the autonomy allowed the CEOs, the divisions can react quickly. For example, when one division decided it was time to get into the natural potato chip business, it did so in a month. In contrast, Pepsico's Frito-Lay division took 15 months. Cumming feels his company used the time to advantage and will hold on to major market share, even with Frito's huge ad budget and marketing machine.

"When the division CEO decided

President Hugh Cumming shown with some of the dozens of food products manufactured and marketed regionally by Curtice-Burns companies.



