

THE MARKET BASKET CASE REVISITED: COMMUNITY EMPOWERMENT THROUGH LEADERFUL ORGANIZATIONAL CULTURE

SOYHAN EGITIM 

Faculty of Global and Regional Studies, Toyo University, Tokyo, Japan

Market Basket started as a local grocery store in Lowell, Massachusetts in 1917, and rapidly expanded into a large supermarket chain by following a business model driven by community empowerment. However, success did not come easy. A sudden change in leadership and the resulting top-down organizational culture pushed the store chain into unprecedented chaos with boycotts and supply chain disruptions. The collective force generated by employees, customers, and business partners left the shareholders with no choice but to reinstate the ousted CEO with full authority. But how did the leadership cultivate trust, loyalty, and commitment in all stakeholders, which resulted in undefeatable resilience against the intended top-down approach? The current paper answers this question by analyzing the collective organizational culture built through collaborative leadership and the ensuing leaderful response of all stakeholders to adversity.

In East Asia, organizations tend to embrace hierarchy and operate based on rigid rules and policies determined by a singular body of power at the top and com-

municated down to the subordinate units (Aubrey et al., 2015; Bebenroth & Kanai, 2010; Egitim, 2021). One of the characteristics of hierarchical organizations

Correspondence: Soyhan Egitim, Faculty of Global and Regional Studies, Toyo University, Tokyo, Japan. E-mail: soyhanegitim@gmail.com; soyhan@toyo.jp

is that they tend to implement cumulative changes with a focus on maintaining stability and growth (Burke, 2017). Continual cumulative changes are considered less risky than large-scale changes where a period of uncertainty is often unavoidable. However, due to the highly unpredictable and discontinuous external environment driven by advances in knowledge and technology, the need for continuous adaptation has become self-evident. Recent studies argued that a collective approach to leadership is essential for adaptation to the everchanging external environment as it recognizes the emergent nature of the collective response (Burke, 2017; Kotter & Cohen, 2012; Raelin, 2014). The Market Basket case analyzed in the current leadership review offers insights into how an organizational culture based on community empowerment through collaborative leadership responded to major adversity by mobilizing and authorizing those leading without authority.

Background

In 1917, Greek immigrant Athanasios Demoulas and his wife started a small market business called DeMoulas, in Lowell, Massachusetts. In 1954, the business was taken over by his sons, Mike and George, who acquired equal stakes and established DeMoulas Super Markets, Inc. After the sudden death of George in 1971, Mike took over the business and established a customer and employee-oriented business growth model based on maintaining low prices, clean stores, and higher-than-average wages. Mike greeted customers in stores, listened to his employees' needs and concerns daily, and showed his commitment to the community with generous donations to institutions. As a result, the business expanded from 14 stores to 51 stores between the years 1971 and 1994 along with the additions of 47 shopping malls and a golf course, generating \$1 billion in annual revenue and an estimated \$50–\$70 million in net income (Ton et al., 2015).

However, the company's growing success led to animosity between Mike and his brother George's widow and children, who brought a lawsuit against Mike and his son Arthur for failing their fiduciary duty. Following Mike's death in 2003, his son, Arthur, became the president and followed the company's successful business model driven by community empowerment

(Chaison, 2016). In 2013, some shareholders opposed Arthur's leadership practices, accusing him of wasting financial resources. With the support of Arthur's cousin, Stephan, the board of directors suspended Arthur's authority and prevented him from making daily operational decisions. On June 23, 2014, Arthur and his team were ousted by the board of directors, which pushed the organization into chaos (Ton et al., 2015).

Market Basket employees, customers, and business partners organized nationwide rallies to protest the expulsion of their CEO. The board of directors was confident that the newly appointed management team with a more top-down approach would suppress the opposing voices in the organization by maximizing Market Basket's potential and assuring continued success. Despite the written wishes of the employees, the board stood behind their decision. Three and a half weeks after Arthur's expulsion, the majority of Market Basket front office workers, warehouse associates, and truck drivers went on a strike leading to a temporary closure of the company. All store and delivery operations came to a halt, leaving the board of directors with no option but to reinstate Arthur as the CEO with full operational authority (Chaison, 2016; Korschun & Welker, 2015; Ton et al., 2015). But where did things go wrong for the board of directors? The fundamental issue was that the board of directors took the existing success for granted and disregarded all the internal and external forces contributing to the organization's longevity and growth to date. As a result, they had no choice but to yield power to the true owners of the organization: employees, customers, and business partners.

At present, the supermarket chain is continuing its success thanks to its commitment to community empowerment through collective organizational culture. According to the 2022 inflation edition of the Retailer Preference Index, Market Basket was ranked the best-performing retailer with the highest customer retention in the United States (Redmon, 2022). As of October 21, 2022, the supermarket chain is operating 90 stores across New England (ScrapeHero, 2022). Due to high customer retention, the company was also successful at retaining both part-time and full-time employees. Embracing an organizational culture

premised on building strong emotional connections with customers, employees, and vendors is what has helped the organization successfully navigate adverse circumstances and ensure continuous growth.

The Organizational Culture of Market Basket

The leadership of Market Basket nurtured an inclusive organizational culture with an emphasis on employee and customer care. During the reign of Arthur, respect, loyalty, and trust were viewed as the pillars of the organizational culture (Ton et al., 2015). Employee satisfaction was ensured by giving both part-time and full-time employees bonuses and promotion opportunities to advance into management roles and closing all the shops during the major holiday periods. The employee-centric approach allowed Market Basket to maintain a collective organizational culture based on robust community support (Chaison, 2016; Korschun & Welker, 2015; Ton et al., 2015).

When new employees joined the organization, they immediately embraced the collective values, mission, and objectives ingrained into the organizational culture. From part-time employees to upper management, everyone was involved in decisions (Chaison, 2016; Korschun & Welker, 2015; Ton et al., 2015). The leadership also ensured that Market Basket customers benefited from lower-than-average prices. The goal was to prioritize customer satisfaction over high-profit margins. This strategy helped Market Basket build trust and loyalty with customers who were viewed as part of the Market Basket family. Both Arthur and his father were known to greet customers in shops and engage in genuine dialogues with them. Vendors also benefited from Market Basket's inclusive and community-oriented business model (Korschun, 2015; Ton et al., 2015). The leadership emphasized supporting local businesses and thus, exclusively used local vendors from New England farms which led to strong personal ties over the years. All these policies aimed to achieve one goal, which was to create and reinforce a collective vision, values, and objectives through community empowerment. Hence, the organization was viewed as indispensable for low-income customers, employees, and local vendors, which

paved the way for a strong community commitment to maintain the organizational culture in the wake of hardship and adversity.

Community Empowerment through Collaborative Leadership Practices

Community empowerment develops communities through a collective vision, values, and objectives embraced by the members of the community (Taroreh & Manongko, 2019). Welzel (2013) argued that human beings share a universal desire for liberation from domination and external constraints. Thus, building a community based on strong emancipative values likely promotes the community's desire to protect its collective values and objectives during times of adversity.

It became evident that the leadership's investment in community empowerment brought collaborative leadership to defend the deeply ingrained collective values embraced by Market Basket. Collaborative leadership is fostered through what Raelin described as "leaderful practice," which entails "collective, concurrent, collaborative, and compassionate" tenets of leadership (Raelin, 2014, p. 283). Leaderful practice provides psychological safety and freedom for the most capable members to lead.

Arthur and his team embraced leadership as a collective and social process. Employees, customers, and business partners sensed what was happening, informed one another, and took leadership amid the crisis. The organization turned into an effective system of decision and action when all internal and external units acted collectively (Hatch, 2018). When the organization faced adverse circumstances, which threatened the emancipative values of the community, all facets of the community embraced the challenge and allowed them to unify around a need for action (Heifetz & Linsky, 2017).

In traditional organizations, upper management holds power and authority to make decisions. These decisions are communicated down through a chain of command to maintain consistency and precision. The rationale is that maintaining stability through mechanistic and scientific models would eventually lead to success (Morse

et al., 2007). Thus, hierarchical organizations strive to achieve efficiency and productivity through decentralized management (Conger, 2015; Morgan, 2006; Winkler, 2010). Although this mechanistic approach may produce effective results with machines, it may fail to achieve the intended goals with humans who have complex needs and emotions (Egitim, 2022b).

After ousting Arthur, the new leadership exerted its authority by maximizing the company's productivity and efficiency. This new business strategy created fear and anxiety among the managers and employees who viewed it as a threat to the organizational culture driven by community empowerment (Korschun & Welker, 2015; Ton et al., 2015). Thus, all facets of the community unified around collective action, generating strong resistance against the leadership. Employees, customers, and business partners held region-wide protests and boycotts, leading to a more than 90% drop in Market Basket sales (Ton et al., 2015).

During the crisis, the leadership faced a major adaptive challenge and lent themselves to an obvious solution, which was to suppress protests by dismissing managers and employees. The leadership failed to recognize that organizations are complex adaptive systems and best suited for adaptive practices (Heifetz & Linsky, 2017). In the case of Market Basket, it was evident that the organization faced an adaptive challenge that required grasping the community's needs and focusing on establishing a workable and context-specific solution through iterative cycles of testing and learning while also embracing the period of uncertainty driven by change (see Figure 1) (Dunn, 2020).

The Hawthorne experiments conducted by Elton Mayo in the early 20th century illustrate why mechanistic solutions are unlikely to work in humans with complex social and sentimental needs. The experiments took place at a Western Electric plant in Cicero, Illinois, between 1927 and 1932. Initially, the researchers investigated how physical aspects of the work environment, such as lighting, break times, work hours, and wages affected productivity and motivation. Upon completing the first phase of the experiments, the findings revealed that the cumulative improvements in physical working conditions brought no drastic change to productivity and efficiency.

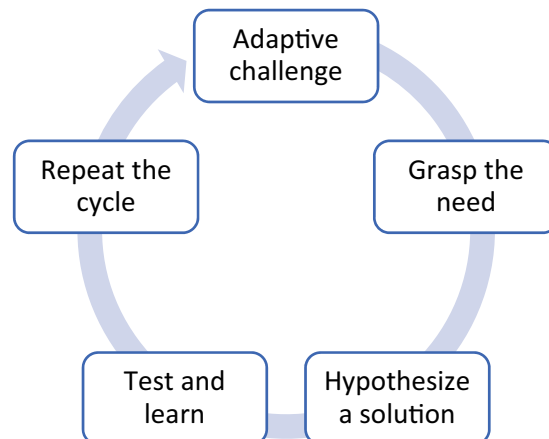


Figure 1 Responding to Adaptive Challenge.

Note. The above cyclical process was designed based on the step-by-step approaches to adaptive challenge (Dunn, 2020, p. 12).

These initial findings puzzled Mayo and his team and prompted a series of new experiments. During the second phase, the researchers investigated the role of social and sentimental factors in worker productivity and motivation. The physical work conditions were kept the same, yet employee motivation and productivity increased when their emotional needs were addressed through inclusive leadership practices (as cited in Mannevu, 2018). When employees were given psychological safety, empowered with leadership responsibilities, and given recognition for what they achieved, their motivation and productivity increased regardless of the physical conditions (see Figure 2).

Charles Schwab was an American businessman appointed as the CEO of Andrew Carnegie's steel business in the early 1900s, with no prior knowledge of the steel business. However, Schwab was able to have his employees produce more steel than anyone had ever accomplished by that time. His approach was to establish a culture of mutual respect and genuine recognition (Carnegie, 2009). As Schwab once said, "I consider my ability to arouse enthusiasm among men the greatest asset I possess, and the way to develop the best that is in a person is by appreciation and encouragement" (Carnegie, 2009, pp. 25–26). That is the culture Arthur nurtured with his employees, customers, and business partners where everyone is recognized as the true owners of the organization.

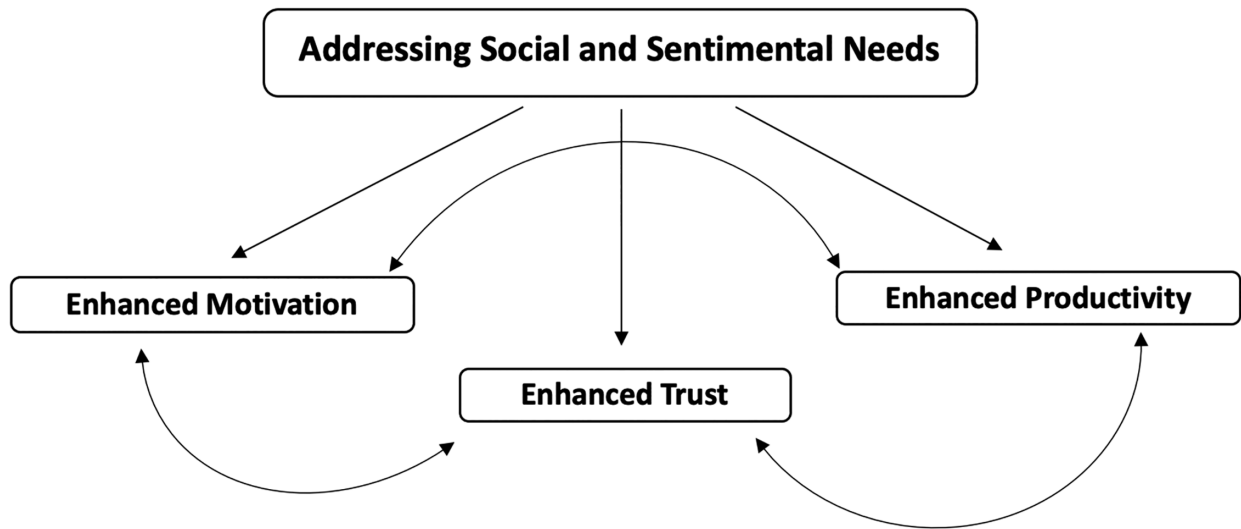


Figure 2 Adaptive Response to Challenges.

Note. The above cyclical process demonstrates the positive relationship between addressing social and sentimental needs, motivation, commitment, and productivity.

Conclusion

Transforming an organizational culture is a complex endeavor that requires leading change through adaptive leadership where leadership practices and cultural ideals are aligned with each other. When the alignment is achieved, core values and ideals are embraced by all members of the organization (Warrick, 2017). Human interactions are what turn organizations into dynamic and adaptive systems (Burke, 2017). Arthur and his team viewed Market Basket as a collective system fueled by community empowerment. The non-verbal self-organization by all facets of the community was a demonstration of leaderful practice which worked through and within relationships (Raelin, 2021). As a result of the spontaneous collaborations and intuitive working relations of the stakeholders, the CEO was reinstated with full authority 1 month after his ousting on June 23, 2014, and the resilient organizational culture persevered.

Building relationships based on trust requires a long-term commitment and continuous interactions between members of the organization (Raelin, 2014). The freedom and psychological safety created within the organic system gradually lead to a robust and dynamic structure where all parts grow independently yet act interdependently (Egitim, 2022a). This socially constructed system promotes meaningful interactions,

which result in bonds of emotions between members (Hatch, 2018). The leaderful resistance of Market Basket employees, customers, and business partners created the perception of viewing themselves as the true owners of the organization, and the market basket case proved that the power belonged to the people.

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Soyhan Egitim, EdD, is an Associate Professor at Toyo University in Japan. He completed his Doctor of Education degree at Northeastern University, with a focus on leadership practices and organizational management in higher education institutions. Recently, he developed a new pedagogical framework, Leaderful Classroom Practices premised on the core values of liberty, equity, and social justice. Communications can be directed to soyhanegitim@gmail.com; soyhan@toyo.jp.