

Motivating front line staff

For bottom line results

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Everyone's been there. Enticed by corporate advertising, you go into a shop, only to find staff chatting with colleagues, products unimaginatively displayed and cashiers unable to raise a smile. Customers are seen as an intrusion – and, anyway, they'll be back if they can't find what they want elsewhere.

THE CRUCIAL CUSTOMER INTERFACE

In theory, this problem was solved long ago, with highly structured processes, handbooks and checklists, or a strong focus on sales staff training. However, neither approach seems to have achieved lasting changes in staff behaviour so, as customers, we continue to receive a lower standard of service.

Keeping sales staff enthused and motivated is one of the most difficult challenges facing any retail organisation. However good a concept may be, its success or failure is decided at the point of sale. In no other sector do so many individual employees have such direct responsibility for the customer relationship – or is their own personal behaviour such a powerful and immediate factor in a company's success.

REMOTIVATING A DEMOTIVATING CONTEXT

It is perhaps no surprise that store staff are hard to motivate. The jobs themselves are often far from exciting and retail businesses usually employ large numbers of part-time staff in less attractive, poorly paid positions, contributing to exceptionally high churn rates. Even successful permanent sales staff have little prospect of rising very high within these typically hierarchical and geographically dispersed organisations.

When implementing their concepts in this context, retailers are constantly torn between structured systems and standards prescribed by central management and autonomous, customer-facing sales staff using their individual initiative to fulfil the service offering locally. Neither of these approaches alone appears to make a real difference in changing staff behaviour. However, retailers like Wal-Mart and Whole Foods Market in the U.S. or Globus in Germany combine creatively standardised processes with individual initiative to build enthusiasm and raise the level of service.

Creating enthusiasm for Wal-Mart



The creation of an enthusiastic and motivated sales staff is one of the most difficult challenges facing any retail organisation. In no other sector do so many individual employees have such direct responsibility for the customer relationship. Wal-Mart is renowned for motivating its staff. Above, former chief executive David Glass shows the sales team how the well known Wal-Mart 'Morning Cheer' should be done. Allegedly, the ritual has proved more popular in the U.S. than it has with Wal-Mart's staff in Germany.

These successful retailers are practical proof that centralised systems and local individual initiative are not mutually exclusive but can – and should – be combined. This idea is similar to the approach taken by actors in a stage play. They are compelled to innovate and give character to a role, but within the set structure, dialogue and explicit stage directions of the script.

UNDERSTANDING AND INVOLVEMENT

We have identified sets of formal, mental and social levers that are crucial in implementing a successful retail staff motivation and management system. These can be used to improve both the individual's and their team's attitude to work, and to strengthen understanding of their role in the business. Often there is a reliance on formal levers, but none of these elements is sufficient in itself. They must blend to create structures and systems that make it essential for the individual to engage and contribute (Exhibit 1).

Formal levers are used successfully by retailers, like Wal-Mart or Whole Foods Market, to improve staff understanding of how their own actions effect the success of the business. They manage this by combining sophisticated store operations management with a sufficient degree of on-site freedom. Extensive personal training and development opportunities are combined with team-based structures, feedback sessions and targets.

Whole Foods Market builds teams responsible for particular departments, giving them clear guidelines as well as decision-making responsibility in certain areas, even in recruiting. All bonus payments are based on team – rather than individual – performance, and every employee has constant open access to sales and margin figures for all branches and departments.

Mental levers influence the employee's attitude both to work and to the company. Successful retailers manage staff attitudes by establishing a shared approach to problem solving and by setting and measuring challenging objectives. If done properly, this results in higher professional standards among store staff. Best practice operators often use approaches such as giving employees simple checklists of company policies, or celebrating publicly excellent work reflecting company values.

However, such communication must be targeted and prioritised carefully: merely pushing the corporate vision statement is unlikely to help. In the mid-1990s, for instance, the U.S. department store and mail-order giant, Sears, showed how not to do it. When Sears sales staff were asked what their main role was, over half answered: "I am paid to protect company assets." While they had clearly internalised one of the company's core values, the one that matters most – customer focus – appeared to be totally missing from their mindset.

Social levers include intensive dialogue, mutual responsibility and high levels of group identity. They increase a sense of community and involvement among employees. Wal-Mart enforces this successfully in the U.S. through its 'Morning Cheer' for the whole store team, the annual meeting in Bentonville and regular branch visits by management. Whole Foods Market organises annual employee visits to other branches and further heightens the sense of community by making the teams themselves – not management – responsible for taking on new employees after their trial period. Interestingly, Whole Foods Market encourages feedback between comparable teams in different stores, creating healthy rivalry and a potent grass-roots channel for sharing ideas between stores.

In all these various ways, retailers can establish strong – and highly motivating – emotional ties with their employees, by building an attractive new social context for their daily work.

PUTTING IT INTO PRACTICE

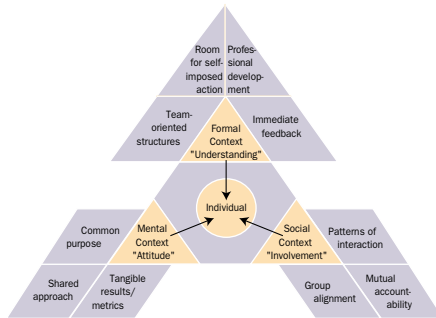
There is no 'one size fits all' approach to managing sales-staff understanding, attitude and involvement. However, organisations that aim to influence the formal, mental and social context in which their staff work can apply a proven process and employ an impressive range of tools.

Our experience working with a number of retail clients in this area indicates that the process can have a strong and direct impact on the bottom line. Exhibit 2 shows how one food retailer's six pilot stores achieved significant sales increases that continued well

Motivation's impact on the bottom line

EXHIBIT 1

Levers for motivating front line store staff

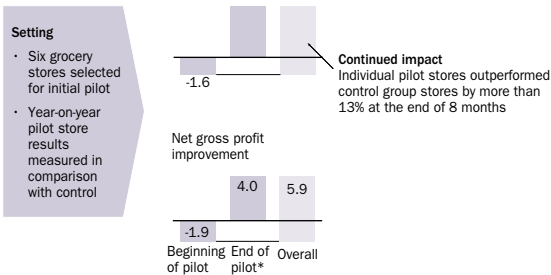


Source: McKinsey & Company

EXHIBIT 2

Dramatically improved bottom line results at pilot stores of a European grocery chain

Per cent



* Measurement: 6 months for sales, 4 months for gross profit

beyond the end of the project. In another company, staff productivity rose by six per cent over a four-month period.

Any such process of change must be tailored to the retailer's specific situation and value proposition, but it should start by analysing the formal levers already used in the organisation. That knowledge, together with the will to improve staff morale, are the foundations of change. Any new structures and processes built on them must be communicated as supporting front line staff performance. This will raise morale, help to ensure buy-in and thus improve the service that customers receive. Crucial to this process is the establishment of a network of overlapping groups in parallel to the hierarchical organisation. These groups – in stores, across stores, and between stores and the centre – need to be an integral part of day-to-day operations. They need to be given responsibility for such tasks as managing shrinkage and waste, introduction of new operational practices, store operation practices, and local marketing.

Changes in staff behaviour do not occur automatically or overnight, so a series of targeted interventions must be made into each group. These may include workshops, training sessions, peer reviews and joint planning and implementation, as well as celebrations, soap-box speeches and Board member store visits. They should be designed according to the social and mental context of the group, something that can be diagnosed using tools such as deep-structure interviews and a range of questionnaires. To be successful, the interventions must be directly related to the groups' day-to-day tasks and continue over a significant period.

Finally, each group's performance needs to be assessed along the dimensions of understanding, attitude and involvement. To make the changes in staff behaviour permanent and self-improving, a system of continuous reinforcement has to be installed, with clear thresholds for corrective intervention and a set of financial and non-financial controlling processes and tools.

When smiling is good for everyone



Sales floor staff are the vital link between the customer and the retailer. And what could be a better corporate advertisement than a cheerful, helpful member of staff? That's just one of the reasons why ensuring that they're motivated and happy is so important.

These are just a few illustrations of the many formal, mental and social levers you can use to promote a better understanding of your company and to foster a feeling of personal involvement among front line retail sales teams. They show the sort of impact that striking a deliberate balance between corporate systems and employee initiative can have on the success of your company – and your customer's shopping experience. However, it is not enough merely to hold a few workshops or install a new incentive system. Only by constantly managing the formal, mental and social environment in a context-relevant way can a retail organisation hope to achieve lasting improvement in staff – and company – performance. This should clearly be on the agenda and be the direct responsibility of top management.

This article springs from ongoing research from McKinsey & Company's Retail and Organisation Practices. Michael Kliger is a leader of McKinsey's European Retail Practice. Stefan Tweraser is an associate principal in McKinsey's Vienna office.