

A passion for people



Pic: Bijoy Ghosh

PICK up any book written by the CEO of a successful corporation and you will see him talk at length about the importance of people to his business, not just because it is fashionable, but also because it is true. Look closer and you will realise that most of these CEOs have run successful service businesses.

As a human resources (HR) professional working closely with several service businesses, I see CEOs spending increasing amounts of time addressing people issues. People no longer just receive that mandatory one-line mention on the last line of the Chairman's report. They are central to the story the annual report will tell. Organisation and people issues are no longer within the limits

of the traditional HR manager's competence or responsibility. It has now become a serious business priority for the CEO and an integral part of his job.

Given that retail is perhaps one of the most frontline of all service businesses, addressing its organisation and people issues is critical to business success. Therefore, the effort here is to address all key organisation and people issues in retail using the simple 5-C framework (illustrated in the accompanying graphic).

Capacity: Capacity refers to the process of 'building organisation capacity' to achieve business results. This includes tasks such as:

- Designing an organisation that is appropriate for the chosen retail for-

mat and organising work in a manner that enhances performance, productivity and addresses the specialist needs of the retail business.

- Putting together a staffing programme that comprehensively addresses the manning needs of a large or small retail business, especially the frontline needs.

Capability: Capability refers to the process of defining the capabilities the retail business would require in order to accomplish its business objectives and creating a system to systematically impart these capabilities through on-going training and coaching efforts.

Contribution: Contribution refers to all the processes by which the organisation is able to enhance employee contribution through sys-



Addressing people and organisation issues is one of the most critical elements of successful retailing, given that this is one of the most frontline of all service businesses.



tems and programmes for performance management and reward and recognition appropriate to the retail business.

Compliance: Compliance refers to the process by which the organisation is able to ensure fulfilment of all its promises and commitments made to employees through its policies, stated privileges and work conditions through effective workforce management processes.

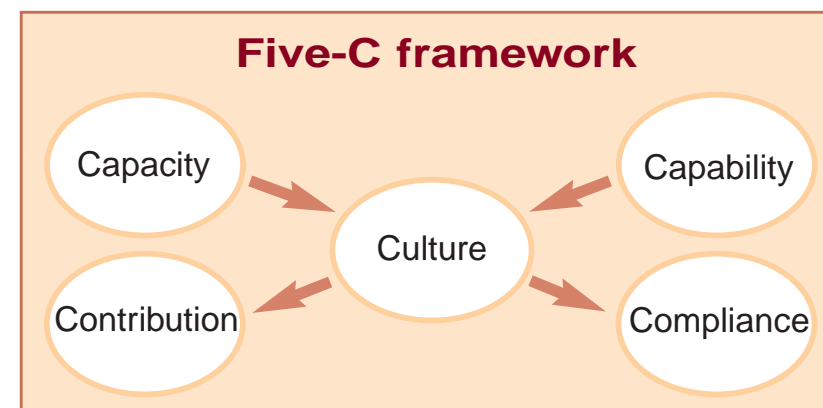
Compliance also includes conformance to all statutory, legal and ethical regulations and requirements meant to protect the interests of both employees and the organisation.

Culture: Culture refers to the way the organisation works and is the end result of the values it lives by. Culture really influences the way the organisation manages the above four processes i.e. Capacity, Capabilities, Contribution and Compliance.

We will now look at the approaches that a retail business needs to adopt in these five areas, along with issues and problems specific to retail in these areas.

Capacity

Organisation design: Making the right structural choice for the retail business is critical, for this can impact customer service, productivity, utilisation of organisational capabilities, managing costs and supporting growth. So let us first understand



the key results that the organisation design in a retail business helps achieve:

1. Ensuring geographical reach and expansion.
2. Ensuring easy flow of two-way communication and speedy decision-making, especially between stores and the head office, and ensuring that the CEO is not far removed from operating realities.
3. Ensuring that scarce and expensive specialist resources (such as merchandising, distribution, market-



Pic: A. Roy Chowdhury

One of the most important issues in retail is the design of the store manager's role.

ing services, properties & projects) are well utilised and not duplicated across regions \ geographies.

4. Ensuring that there is standardisation of systems, practices and policies across stores.

5. Ensuring that there is a right balance between the extent of centralisation and decentralisation, especially with reference to pivotal roles such as the store manager, the regional manager and so on.

6. Ensuring that the front drives the back (Operations drives the support functions based on what customers want) and the back does not drive the front (Support functions do not dictate what Operations should do and how they should handle customers).

Our research shows that most retailers start off with a simple functional organisation at head office. Depending on the nature of the format, at this stage, the store manager

either has operational or profit responsibility. A typical large format department store would have a senior person heading the store with a profit goal, whereas a small format store chain such as a supermarket would assign only operational responsibility to the store manager.

As the business reaches reasonable geographical dominance, the organisation is faced with the need to make competence available in the region to address issues of growth, fast store roll-out, competition, customisation and so on. At this stage they overlay a geographical structure in the front-end, typically with a regional head who has profit responsibility and is also provided with some key functional resources. These resources would typically work in a matrix structure.

Once the organisation's systems are well established, most retailers would like to pull back specialist

resources and achieve cost efficiency and standardisation. When retailers run multiple formats, the front-end is most of the time dedicated, whereas some of the key support functions tend to be shared across formats.

The most critical issue is the design of the store manager's role. Store managers who are buried under piles of bureaucracy and layers of management seldom act in an empowered manner. Despite having maximum insight into the customer the structure may not allow him to be heard. The extent of empowerment and the quality of systems support will determine whether he spends more time with customers and in growing the business or in filing reports that the head office keeps asking for.

Staffing: There is perhaps nothing more critical in a retail business than a good staffing strategy and programme. Retail is perhaps the only business where large-scale hiring keeps happening throughout the life of the organisation given that retailers keep opening stores. A lot has been written about the importance of good quality hiring, but the realities of managing a staffing programme for a retail business makes 'quality hiring' sound like a luxury. Let's understand the context first:

- Retail jobs in the frontline are near minimum wage jobs. Those in specialty formats tend to pay a wee bit better. Pay can seldom be used as the lead mechanism to hire.

- Retail jobs are physically demanding. Very few jobs requires you to stand 10 hours a day, six days a week, work on weekends, holidays and festive days.

- Retail jobs are also not career builders in the short-run. Not many frontliners can grow to become store managers.

- Value addition is not very common except with very professionally run retailers who invest in a lot of training. In most cases 'smile training' is

etc.
RAVIKANTH



"Just three more sons, dear, and we can start our own chain of stores."

all that people receive.

However, these are not the real issues. The real issue is that most retailers are lazy when it comes to planning a staffing strategy. While they spend a lot of energy fitting out their stores to international standards and sourcing the best merchandise, they somehow assume that 'people will happen'. Even worse, they just go out and hire from the streets or other retailers just in time to open the stores. Very few actually do supply side management in staffing.

The other serious issue is to do with numbers. Indian retailers tend to be too generous in manning the stores. We tend to believe that since the per head cost is seemingly low we

Most retailers in India are rather lazy when it comes to planning a staffing strategy.



“You’ll love it! Bedroom, drawing room, kitchen and toilet – all under one roof!”

Indian retailers tend to be too generous in manning stores, perhaps because labour does not cost much.

can actually fill the store with a lot of people. We also believe that quantity will compensate for quality. But it doesn't. With little training and large numbers, employees are quite often embarrassments to the store. Not entirely their fault of course. Good role descriptions, tightly defined operating processes and drills can do a lot to enhance productivity and reduce numbers drastically.

While it is partly the retailers' fault, it is partly to do with the fact that Indian customers are still 'first' generation shoppers in organised retail stores. What this means is that our consumers are not yet used to finding their way around a large store, not yet comfortable looking at floor plans or a signage to locate

what they want, not yet comfortable waiting at check-out queues or bagging their own products. They expect their lack of familiarity to be compensated by a lot of staff around to help.

I have seen so many supermarket shoppers asking store employees to accompany them with trolleys while they move around and picking up products. You can call this great service; you can also call it inefficiency. Organised retailing, which is still new to us in India, calls for a lot of self-help, which of course is contrary to the Indian belief in fussing over our 'guests'.

The issue is simple - if you have fewer people, you can offer better careers to the fewer employees, train them better and reward them better. The larger the numbers, the lesser the attention, lesser the training and value addition resulting in higher attrition.

A retailer with plans to grow large must have a concerted plan for addressing his staffing needs. The RPG Institute of Retail Management in Chennai is an outstanding example in this area. It is perhaps the country's largest producer of trained frontline employees every year. With four centres across the country producing over a thousand trained interns, the institute has helped address the staffing needs of RPG's retail businesses from the supply side. I am sure many others will follow this route.

Professional managers: The problem is that it's very different with hiring professionals in retail.

In the early years, retail was not a very attractive field for professionals such as MBAs and CAs for specialist positions. No longer so. Many see retailing as an extremely challenging career opportunity. The introduction of courses in retailing at business schools is evidence of this increasing interest. It is quite easy to attract good profession-

als to work in this field today.

The most crucial position for which the retailer must have a staffing strategy is the store manager. 'Where are my next 20 store managers going to come from?' is a question for which the retailer must have a clear and well-articulated answer. The most ineffective solution is to hire a store manager from outside and expect him to run the store. Given that his primary role is to be a coach, an outside hire seldom carries credibility among the frontline employees.

The organisation must also have a good development plan by which supervisors, floor managers or department managers grow to become store managers. While the compensation strategy for frontliners can be conservative, retailers must really have a very competitive plan for store managers. If you want him to provide stability and also act as the custodian of your business, he must be compensated well.

Capability

A lot has been said about training employees in retail, but very little is really understood about the unique issues relating to training in retail. First, we need to understand that training, as it is traditionally understood, seldom works in retail (for that matter it does not work in any business as much as it is expected to). To understand this better we need to understand the unique requirements and problems of managing training in retail:

- Employees are spread across multiple and scattered locations making delivery difficult.
- One of the key requirements of training is standardisation in work methods, processes and service tasks and not so much 'smile training'.
- Employee turnover in the frontline is around 20 per cent in most cases
- Knowledge of products and services can directly influence sale in

retail formats with assisted selling.

- Lack of competence can directly affect the store's reputation.
- Most retail employees come with very minimal educational qualifications and therefore cannot be subjected to intense conceptual inputs or classroom inputs for that matter.
- Employees in retail stores cannot be spared for long hours or days for training. Therefore, whatever needs to be done has to be quick and well timed like during lean days and lean shopping cycles.
- Most important, the frontliners who need training the most are also most informed about what the customers want, what they like and dislike. Those who train them therefore need to ensure that their training addresses problems of satisfying customer needs than just deliver motherhood stuff that is meaningless.

It is these factors that make the training task challenging.

Service businesses throughout the world, including retail, have worked on this unique problem and have come up with many interesting and innovative solutions. The single most important shift in the approach to build capabilities in retail is to adopt coaching and not training as the means. What is the difference?

Coaching focuses on performance improvement whereas training focuses on developing skills, which may or may not be applied. Coaching provides one-to-one attention, is delivered at the workplace and by the supervisor or job expert. The gap between the 'trainer' and the supervisor is reduced.

By adopting a coaching model, many international retailers have demystified training, made delivery easy and made it possible to take training to the workplace rather than expect people from the workplace to come out for training. The other important thing that retailers do is to focus training on multi-skilling and further link all pay and administra-



Retailers must provide growth opportunities, especially for frontline management staff.



Frontline retail employees face a lot of flak from customers as a part of their work and hence must be recognised in some fashion, whenever they are doing a good job.

tive decisions to the employee's ability to absorb and demonstrate these capabilities on the job. This is done through an assessment and certification process.

Contribution

Pay: The biggest challenge of ensuring employees contribution to business results is in figuring out what kind of reward and recognition programme to implement. Let us again go back and understand the contribution related realities in retail, which are:

- Low margins and the dangers of raising guaranteed compensation.
- Store employees' ability to directly influence sale.
- Store manager's key role in ensuring profitability of the store.
- Merchandisers' ability to enhance gross margins.
- Need to contain shrinkages that are primarily caused by employees and which can kill the business and wipe out bottomlines.
- The fairly quantifiable nature of work in most retail roles.
- The key role of customer satisfaction in building customer loyalty.

Going by these realities, it is clear that any programme must have a strong linkage to the profitability at the store level, the regional level and the business level. The programme should also ensure it establishes strong accountability, ownership and service orientation at all levels. Not an easy task given that we are talking of a large proportion of front-line employees.

The key to this is a compensation programme that is low on guaranteed pay but aggressive on store-profitability linked bonuses or incentives. Even those in support functions such as merchandising, distribution, accounts and so on need to be rewarded based on the performance of the stores that they are servicing. It is amazing to see the impact that a good programme can have:

- Employees become quite clued in to numbers, sales, expenses, shrinkages and so on.

- They also know what it takes to hit the incentive pay levels.

- It promotes a lot of teamwork, helps the store manager focus on performance improvements and keeps the operation agile.

- Similarly, this also puts a lot of pressure on the support functions and the head office to help the store achieve their goals. On the other hand, those in support functions no longer wait to be asked for help. They go out and ask to serve, given that their fortunes are now also linked to how well their stores are performing.

A word of caution, however; the organisation needs to be sensitive to environmental factors and extraneous considerations when rolling-out the programme. Unless employees see the colour of money, the programme will not be seen as credible.

The organisation must also get over its hang-up about confidentiality and openly share all necessary financial information about the health of the business or store. Knowing how the store is doing is so critical to the store manager's ability to drive ownership and also take corrective actions.

Recognition: Equally important is the role of non-monetary recognition programmes in influencing good contribution and also reinforcing the values of the organisation – especially service values.

Retail employees face a lot of flak from customers all the time. They constantly need to be told that they are doing a good job, that their efforts are being noticed. What is important is that this must be spontaneous, cover a good percentage of the population (about 25 per cent) and must focus on the right behaviour.

Good service businesses have a portfolio of recognition programmes to cover a variety of actions. The

point is that celebration is key, but there is no quota for recognition. I have seen many schemes fail because managers see a compulsive need to recognise employees by turns making it an entitlement and destroying the charm and value of the programme.

Compliance

I would like to focus on two issues here:

- Internal compliance
- External and statutory compliance

Internal compliance: It refers to ensuring that internal customers are kept satisfied by meeting all their basic needs and expectations as per the promises made. This could include things such as paying salaries on time, processing leave, loan and other requests on time, providing neat and clean changing rooms, good uniforms and most important, ensuring that their issues and grievances are redressed quickly.

The most important concern that frontline employees have is about 'treatment at the workplace'. Remember that they are not very educated, cannot find their way around the organisation and are the lowest in the hierarchy. They need to feel safe and secure. In the absence of this they will either leave or even worse, attempt unionisation.

In RPG's retail business there are regular HR compliance audits to check basic things such as whether employees took their weekly offs, whether any one was forced to work double shifts, whether the toilets had locks and so on. In other words HR needs to be their champion and also advocate their cause, or else they will find someone else who can.

Compliance will, of course, also include employees' compliance with basic standards of business conduct. Educating, communicating and counselling are key to make this happen.

Remember, happy employees provide good service. This is a problem especially with small retailers who do

not pay minimum wages, give weekly holidays or contribute to provident fund and so on. And you can see this from the service you receive.

Statutory compliance: Retail is perhaps the most over-legislated business. To open a supermarket, you will need something like a minimum of 20 licences. Each store comes under a different inspector, and you need resources to maintain records in each store. You can always be slapped with a notice if someone wants to.

You need a very robust machinery to manage this, and avoid getting into trouble despite being a good employer. Unfortunately, despite talk of retail becoming an industry, the Government still treats the retailer, big or small, like a petty shopkeeper. In fact, the small shopkeeper who does not comply gets away with a competitive advantage since proper compliance costs money.

Culture

There are many large organisations with plans to enter the retail business. While they may have and do all that has been said so far, there is one big requirement - culture. If the organisation does not have the right cultural orientation to run a retail business, the best expertise will still not help it succeed. So what are the cultural pillars that are so important for retail?

Retail is detail: When introducing retailing to aspiring professionals, I often tell them that retailing is a combination of a courier company, a fast-food restaurant, an FMCG business, a five-star hotel and a household.

Retail has the back-end logistics complexities of a courier company. It has the speed and standardisation needs of a fast-food restaurant. It has the supply chain, brand management and customer knowledge requirements of an FMCG business. It calls for the personal contact, attention and ambience of a five star hotel.



Retailing combines many of the features of service businesses such as a courier company, a fast-food restaurant, an FMCG business, a five-star hotel and a household.

The fact is that Indians do not have a natural aptitude and cultural orientation for the high level of detail that retailing requires.

Finally, a retailer's task is quite similar to a housewife's. Whatever she does in the beginning of the day get undone by night and needs to be redone from scratch and has to be 'perfect' each time. It is noticeable when it is not done, but not acknowledged when it is!

Not an easy combination. All of these call for a very high level of attention to detail. Most of these require systematic human intervention, focus and monitoring.

So, do Indians have the natural aptitude and cultural orientation for this level of attention to detail? The sad answer is NO.

It does not come naturally to us. Our streets, our average offices and our public places are testimony for this. Whenever I interact with international retail professionals, while they have a lot of good things to say about the intellectual prowess of Indian retail professionals, they have a lot to complain about our lack of attention to detail, our inability to do repetitive tasks excellently and with pride, and our ability to do it over a period of time with discipline and joy! This cultural problem presents a huge training challenge for retailers. A lot of training is needed to overcome this mindset and alter habits formed over generations.

Retailing calls for respecting the dignity of all work: As Indians we have perceptions of what is 'good' work and what is not. There are some things we consider below our dignity - such as cleaning the shelves,

or the floor, or lifting a crate, or just running to a shelf to fetch the customer a product he or she is looking for. We are used to working with a lot of helpers, peons and support staff - at home and at work. Most retailers end up with as much support staff as those who actually sell or serve customers directly. Maybe this is the hangover of our caste system.

What will ultimately make the difference is a change in this attitude to the dignity of work. Retail cannot afford a large number of menials and helpers. Everyone has to help. This poses yet another training challenge.

I must warn that these attitudes cannot be altered in one training session, as some kid themselves into believing. These call for habit modification and take a lot of time. What will hasten the process is demonstration by the senior management team. If the head of the business walks around, picks up garbage from the floor, wipes a shelf with his own hands and once in a while washes the toilets, the message will be loud and clear. If on the other hand, managers sit on egos and status and within the confines of their cabins (as many Indian managers do) nothing will change.

Retail calls for frugality: A retailer, however large and global he may be, must practice frugality at the workplace. No free lunches, no five star hotel bashes, no off-sites and granite-floored offices. Your business just cannot afford that culture, leave alone the cost.



Pic: Kamal Narang

Sam Walton's frugality is legendary and written about a lot. While these things are nice to read they are hard to practise, especially when your batch-mate from business school, working with an MNC is travelling by air, worse still by J Class, hires air-conditioned cars and has a plush office in an upmarket location. It calls for a lot of emotional maturity and self-worth to not fall prey to these trappings.

There is one more reason for this - over 90 per cent of the employees in retail are the frontliners. They are the face of the organisation and they manage the millions of moments of truth every day. However, they are the least paid employees, with the toughest working conditions. They stand on their feet 10 hours a day, do not have a big rest room and do a lot of physically demanding work. Against this backdrop, perpetuating a culture of excess and lavishness in the corporate headquarters can be the greatest blunder a retailer can commit. In that sense, it is tough to be a corporatised retailer. The traditional shopkeeper's culture is hard to imbibe for many.

Retail calls for passion, passion in making a difference to customers each day. Remember, retailers are among the few who have the oppor-

tunity to directly interact with and respond to customers needs. He receives instant, direct and face-to-face feedback from his customers about all his programmes, products and services - good or bad.

At a time when banks are using technology (IVR, CTI, CRM) to close branches and stop meeting customers face-to-face and other service businesses such as credit card companies, cellular service providers and others are outsourcing through direct selling agents, their most important moment of truth - 'selling the service', retailers continue to be the only ones who are spending more time and effort than ever before to make personal contact, with joy and willingness.

The social dimension: The retail industry, in its own silent way, is creating employment for a group of people for whom there are few opportunities. Most of the frontline employees in retail normally have only about 12 years of formal education. For these youngsters, retailing makes a world of difference. First, it makes them employable, it gives them enormous self-worth and confidence and teaches them some very essential skills of managing their careers and work lives. Unfortunately this social contribution of retailing is seldom

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noticed or written about by the media.

Here, I want to again talk about the contribution made by the RPG Institute of Retail Management (RIRM). Started in 1996 by the RPG group to address the manpower needs of its retail businesses, the institute visits Government schools and selects students to attend its three-month Certificate course in Retail Sales and Service. The institute has produced over 1,000 students from four centres in Chennai, Pune, Hyderabad and Bangalore. Most of these students find employment with RPG's retail businesses. These students are also sought after by other retailers.

What is heartening is that most of these youngsters' parents are carpenters, bus conductors, auto drivers and other daily wage earners. For them, retailing has made a real world of a difference.

In closing...

Throughout this article I have used the word 'he' when talking about employees. Do not think retail is a man's field. On the contrary, retail offers huge employment potential for women.

Over 50 per cent of retail employees tend to be women. For them these jobs have meant real empowerment and real choices. They are quite often the highest wage earners in their families!

Readers may also wonder why I seem to be so preoccupied with the

frontline employee? Why have I not spoken about the properties manager, the merchandising manager, the marketing service manager and so on? The truth is that it's the front-line which makes all the difference and much harder to manage. Take care of your frontline and the rest is much easier to handle.

Having said that, I am not underestimating the importance of training store supervisors to become managers, managers to become area managers, training merchandisers in category management and logistics and so on. I am also not underestimating the importance of developing commercial acumen among all retail managers. I am also not underestimating the importance of developing good career plans linked to capabilities to provide for talent to fund your expansion plans.

All these are critical HR tasks. But I guess, we have done many of these in other businesses too. What is still new, still a mystery, is what I have tried to address. ■

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