

**INCREASING EMPLOYEE PERFORMANCE
OR
MOTIVATING FOR HIGHER PERFORMANCE**

by Linda Carter

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Employee motivation is probably the most important single manageable factor for success and profitability of all the facets of specialty store retailing. It is too vital to be handled on a hit or miss basis, depending on the whim or spirit that stirs the store owner or manager from time to time.

To be effective, employee motivation must be promoted on a day-to-day, month-to-month basis. It is a function that can and will pay enormous dividends.

There are almost as many effective ways of motivating employees as there are ways of enticing customers into your store. Of course, there are also innumerable ways to "turn off" your associates and it is equally important to recognize these poor practices so they can be avoided. A disgruntled salesperson is unlikely to present a shining countenance to a prospective customer.

Some store owners and/or managers prefer to drive rather than lead and this manifests itself in a tense and uneasy store atmosphere. Fear destroys confidence as well as pride in one's place of employment; its effect on productivity is negative and destructive in the long run.

It is desirable for management to be highly enthusiastic, articulate and effervescent although each person comes across in a different way. Sincerity, fairness and candor are essential. True personal interest in your associates problems is valuable.

One of the very best ways to motivate is to consciously try to help bring out the very best in your staff and to do everything in your power to develop leadership talent and knowledge. There is great satisfaction in being able to point to successful people and honestly claim that you contributed to that success. This kind of interest comes through to all your people and enhances the image of your store.

Motivation and teaching are closely related. They should start from the first day of employment. Discipline as well as rewards are part of the motivation program. Both should be thoroughly and constantly explained to be effective.

Loyalty and pride are instilled by making people feel they are important to the business; that their opinions are sought and listened to; that they are respected as persons and treated accordingly and that they will share in the success of the business in the degree of their productivity and contribution. This all comes under the umbrella of involvement. Involving people to bring out the very best.

Another general area of motivation relates to competitions within the store. These add spice and excitement to routine. Contests can be planned for individual winners; team against team; store against other stores; or managers versus managers. Efforts against quotas for individuals, departments or total store can be just as productive and exciting. Contests can run for one day, one week, or as long as a month. Variety is important. Total sales, multiple items per sales transaction, selling older or higher priced goods, new or reactivated charge accounts, etc.

Money is generally the greatest motivator, but should be used wisely. More isn't always better and how it is applied is very important. A \$20 bill being passed around all day to the salesperson who has written the sale with the highest number of different classifications may get more action than \$100 in p.m.'s.

In setting up any monetary reward plan it is necessary to establish criteria that relate to the area of responsibility of the individual. It is a mistake to tie a salesperson's incentive compensation to gross margin since salespeople do not determine markup or markdowns. Likewise, in a centrally controlled, multi-store environment a store manager should not have his bonus based on net profit because he cannot control many of the elements that determine that figure.

Plans must be tailored to each unique store and situation. For selling staff, some retailers prefer commission plans, while others insist on salary only. The repetitive presentation and constant application of principals on which each plan is based are of major significance.

Before trying to set up an incentive plan you must first decide by what standards you want to measure employees. Observe employees on the job and compare the behavior of those who perform well with those who don't. Define which areas would produce the highest profits if performance were improved. The details of the specific plan or plans used must rest with management and should be tailor-made to fit each situation and, in many cases, each individual. Since every person within your organization is unique, what motivates one person may not motivate another.

The simpler the plan, the better. However, simplicity itself cannot be given excessive consideration since it is necessary to cover every major measurable factor of a job. Ideally, incentive compensation plans should have no limit or cap on potential earnings. The more a person earns for him or herself, the more the company will profit, provided the plan is soundly developed. Thus, management should be proud and pleased to have a high earning team rather than ever feeling that its employees are overpaid.

For incentives to be effective it is imperative that the right kind of employees be hired. Not everyone responds positively to productivity incentives. For some people incentives translate to increased stress and poor performance.

Regular reviews during the year are important in stimulating effort. Everyone wants to know how they are doing.

Following are ideas for setting up compensation plans for different jobs within the retail store.

1. Salesperson

Methods of compensation in retail apparel stores can vary all the way from straight salary to straight commission with countless variations in between. The most commonly used are draw against commission or a base rate plus commission.

It is incumbent upon retailers to use the method or combination best suited to their particular business.

Many specialty apparel stores use salary plus commission of 1%, 2% or 3%. This is simple to explain, understand and operate. It is not as motivating as draw against commission or straight commission, but is popular, particularly for part-time or temporary help. A variation would be to set a quota beyond which the incentive would be greater.

A draw-against-commission arrangement is common. The draw should be sufficient for monthly living costs and can be increased as evidence of greater productivity is shown. When draw-against-commission is used it is desirable to stretch the settlement period as long as possible so high and low sales months offset each other. We normally recommend quarterly settlements with the quarters being December-February, March-May, June-August, and September-November. When using a draw-against-commission we endorse the use of higher commission rates as the salesperson's volume increases. For example:

7% on sales up to \$150,000
 7 1/2% on sales up to \$200,000
 8% on sales up to \$250,000, and so on.

If commissioned salespeople occasionally or regularly work overtime hours you must be aware of the overtime exemption provided in the Fair Labor Standards Act.

2. Store Managers

In a centrally controlled operation there are three primary areas which store managers can effectively control; volume, selling costs and shrinkage.

For volume increases, a percentage of the sales increase over last year or plan is simple and stimulating. The percentage to be used will depend on the store's situation. Where there is a flat lease and no override a higher percentage can be afforded. A relatively new store should produce high increases in early years so a smaller rate is in order. On the contrary, large increases will be more difficult to achieve in a long-established store so a higher rate may be needed.

Bonuses for achieving savings in selling costs and for reducing shrinkage can be based on either goals or last year's figures or a combination of the two.

Most retail apparel stores are not large enough to warrant the luxury of a non-selling manager. A manager who is sales-oriented can set the pace for others and is better equipped to teach others how to develop a personal following.

3. Buyers and/or Merchandise Managers

The responsibilities of buyers and merchandise managers rest primarily with gross margin, stock turn rate and volume so an incentive compensation plan should be based on these criteria.

4. Credit Manager

The credit manager responsibilities normally concern credit sales growth, control of bad debts and control of departmental expenses.

Some areas on which to develop incentives include: increases in total credit sales, reactivation of inactive accounts, opening new accounts, bad debts as a percent of charge sales, departmental expenses including payroll.

5. Alterations

Productivity, reduced returns-for-alterations.

6. Control and Operations Personnel

Production, limitation of errors, departmental operating cost control, meeting deadlines.

7. Top Level Executives

Net profit before taxes and bonuses.

The decision of whether or not to utilize incentive compensation is one that each retailer must make depending on the store's situation. Once the decision is made to institute incentive compensation plans, they must be adapted to the store's unique situation and designed so as to result in an increase in sales and profits. The installation of an effective incentive plan is the foundation of a successful motivational compensation program. To optimize results the program requires regular nourishing and promotion and a yearly review to make sure it is still working as you want it to do.

We've helped dozens of retailers implement an incentive compensation plan for about every position in retailing. Call us; we can help you too.

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