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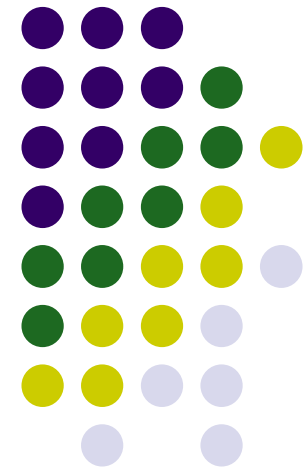
Understanding the Impact of Management Practices & other Factors on Productivity in the UK Retail Sector



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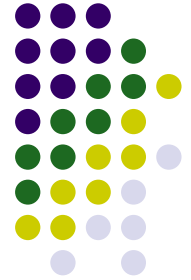
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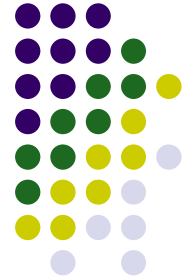


12th May 2007

Purpose

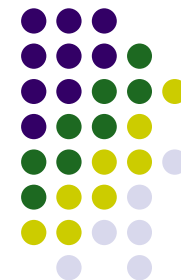


- To provide insights into how management practices and other factors impact upon company productivity in the UK retail sector
- To create a sound base of applied knowledge and understanding to inform other components of our project (simulation model, multi-level model, survey)



Objectives

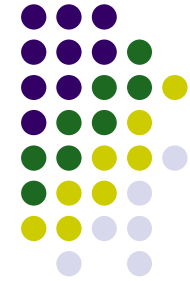
- To present comparative findings from 4 exploratory case studies in a UK retail organisation
- Apply findings to describe and understand similarities and differences in management practices and draw links to retail performance, in particular productivity
- To draw comparisons at both the department-level and at the branch-level



Case Study Approach

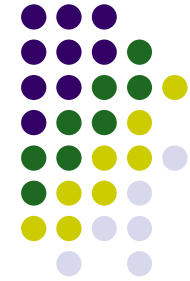
- Four case studies, varying according to two factors..
- Location
 - City 1
 - City 2
- Department
 - Audio & Television (A&TV)
 - Womenswear (WW)

Research Methodology

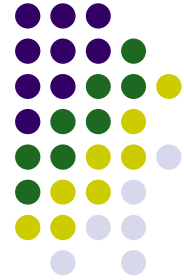


- Integrated approach
- Progressively identifying, collecting & analysing available company data
- 4 weeks' informal participant observations
- 40 semi-structured interviews with 18% of employees
 - Good mix of employees by department, role, age and length of service
- Checklist questionnaire to assess organisational capabilities..

Our Checklist #1



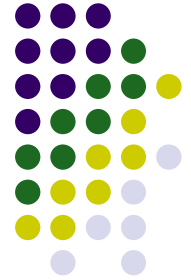
- Builds upon Bloom & Van Reenen (forthcoming)
- Tailored to retail companies
- ‘How effective is your branch at..?’ 63 organisational capabilities across 9 categories
- 5-point scale ranging from ‘not at all effective’ to ‘absolutely effective’



Our Checklist #2

- 1) Employee Selection & Retention
 - e.g. Providing job security
- 2) Training & Development
 - e.g. Promoting employees from within the company
- 3) Shop-floor Working Practices
 - e.g. Empowering employees to make decisions on the ground
- 4) Management Systems
 - e.g. Involving employees

Our Checklist #3



5) Attitudes & Culture

- e.g. Having employees with a passion for retail

6) Incentives & Rewards

- e.g. Providing a fair and equitable reward package

7) Targets

- e.g. Aligning targets with the needs of the business

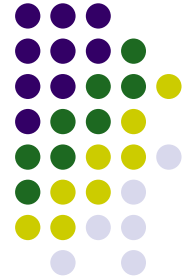
8) Monitoring

- e.g. Continuously tracking department performance

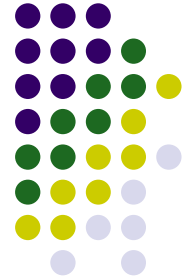
9) Company Brand (inc. Merchandising)

- e.g. Building relationships with customers

Case study findings - Caveats



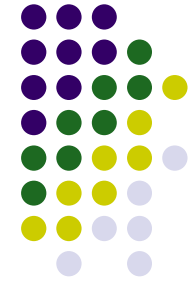
- Remember we are basing our conclusions on just one retail company
 - Not representative of whole sector
 - Restricted range
- Difficult to make complete comparisons without full insights into centralised practices
- Comparisons more controlled when product selection is held constant



Quantitative Findings

- Performance data
 - Productivity indices
 - House sales positions
 - Mystery shopping
- Organisational capabilities (Checklist)
 - Top ten
 - Bottom ten

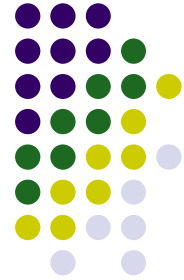
Findings - Productivity Indices



- Labour productivity (sales per FTE)
- Sales density (sales per foot²)
- City 2 is set at 100% (per row)
- Monthly average across 8 months (Feb-Sept 2006)

FTE	City 1	City 2
A&TV	147%	100%
WW	100%	100%

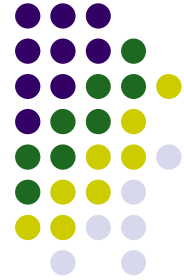
Foot²	City 1	City 2
A&TV	121%	100%
WW	59%	100%



Qualitative Findings

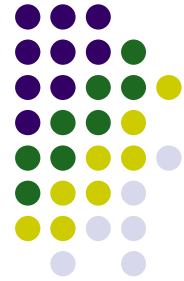
- To explore how this retail company works, and the meaning of management practices and other org. factors to employees e.g.
 - Team belonging, company-wide rewards
 - Job stability favoured over development, for the majority (promotion? rotation?)
 - Mixed patterns of empowerment (expectations?)
- Differences
 - Dept-level – e.g. inherent product characteristics require slightly different employee skills (different consumer population)
 - Branch-level – e.g. climate

Why is one dept more 'productive' than another?

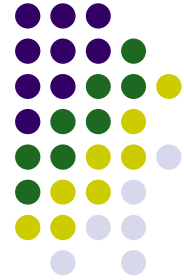


- Sales turnover - consistently & positively influenced by -
 - Footfall
 - Recency of refurbishment
 - Product synergies
- Productivity - consistent influences are less apparent
 - City 1 higher labour productivity – leaner staffing
 - Different patterns of selling densities
 - Difficulty of separating out departments from the whole retail branch?
- Impact of the branch development cycle
 - City 1, refurbishment due 2009, currently managing costs
 - City 2, recent refurbishment, massive investment

What have we learned from the case studies for the project overall?



- This is a leading retailer with many strong capabilities
 - e.g. Providing excellent customer service, pricing products competitively
- But we were able to make a number of recommendations which they accepted
 - e.g. Performance indicators must be considered in conjunction to one another, empowerment guidelines
- Key issues in the academic literature are surprisingly under-managed
 - e.g. Empowerment, teamwork, training and development
 - Largely centralised practices
- Case study organisation focuses on other areas
 - e.g. Maintaining customer focus, staffing rotas, communications, leadership



Conclusions

- Leaner staffing is linked to higher labour productivity
 - Generalisability? Loyal case study employees
- However, pattern of sales densities is more blurred
- What drives productivity? – complex, dynamic reality
 - Systems view of necessary but not sufficient capabilities
- What level of analysis?
 - Variability in emphasis & implementation of practices: Dept?
Branch? Company?



References

- Bloom, N. & Van Reenen, J. (forthcoming). Measuring and explaining management practices across firms and countries, *Quarterly Journal of Economics*.

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..any questions?

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