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Doing the Right Jobs Right: Managers' Attributes and Activities at Borders

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Abstract

[Excerpt] This article starts with a simple value proposition: that companies can save large sums and gain competitive advantage by utilizing more fully their own data on the determinants of profit. In this article, we describe how we used a variety of statistical methods (correlations, simple regressions, multiple regressions, and decompositions) to help one company, Borders, gain competitive advantage by learning from itself.

Keywords

Borders, profit, manager attributes, competitive advantage

Comments

Doing the Right Jobs Right:
Managers' Attributes and Activities at Borders

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Missing the Boat?

In a recent book Playing to Your Strengths, Haig Nalbantian, Rick Guzzo, Dave Kieffer, and Jay Doherty of Mercer Human Resources Consulting wrote:

> The reason executives know so little about their human assets isn't a lack of interest or concern. Indeed, CEOs and senior managers spend most of their time dealing with people problems. The problem has been their inability to measure, assess, and predict the outcomes of workforce tactics in the same way they do with other parts of the business. *The tools simply have not been available. They didn't miss the boat. There wasn't any boat.* (Emphasis added)

In fact, there was a boat that had been developed at Mercer and at Cornell. In this article, we'll explain it to you and show you how we deployed it to help a Fortune 100 company learn about its human assets.

The Approach We Took

This article starts with a simple value proposition: that companies can save large sums and gain competitive advantage by utilizing more fully their own data on the determinants of profit. By analyzing what has worked to increase profits within their own organizations, managers can seek out and develop those competencies in current employees and new hires. Equally importantly, by knowing which factors make little or no difference in their particular context, managers can avoid wasting time on the factors that are unimportant for them.

Does your company regularly analyze this kind of information and act on it? Or do you leave this potential source of competitive advantage lying untapped within your organization's electronic and paper data archives?

Tapping data in this way is very different from benchmarking. Organizations that benchmark learn from *others*. Here you learn from *yourself.* There are, undoubtedly, many contexts in which it is helpful to learn from your competitors and peers, imitating their successes and avoiding their failures. However, in other situations, you can do better by learning from your own experiences. What works for *you* is not necessarily what works for *them*.

Tapping data in this way is also different from dashboarding. Organizations that dashboard gauge *aggregate* measures such as turnover cost, compensation as a percentage of operating expense, HR employment as a percentage of the total, and time to fill. But did you know that you can also use data to learn what *differentiates* your top performers from your middling ones from your poor ones? Imagine the time and money you can save in hiring and training by concentrating on the attributes that matter for *you* and ignoring those that make no demonstrable difference!

[*] We are grateful to Borders Group for access to the data and to Dan Smith and Jaime Tache for very helpful discussions about the data set and results.

In this article, we describe how we used a variety of statistical methods (correlations, simple regressions, multiple regressions, and decompositions) to help one company, Borders, gain competitive advantage by learning from itself.

Our Value Added

Before our work began, a team of Cornell students had analyzed store outcomes, manager competencies, and activity ratings for each of Borders' forty districts in the U.S. The student team had been given a database compiled by Borders from several sources: competency ratings (ten components), a psychological assessment tool known as psibase (twelve components), a 360-degree feedback index (six components), and a number of district activity measures (eight components). They began by interviewing general managers and district managers to find out which activities and competencies they believed were the important drivers of organizational outcomes. The managers identified communication skills, consistency skills, and the ability to develop others as the essential competencies needed for district managers to positively influence the success of their districts. The students then restricted their attention to the following indicators of the skills that had been identified by the managers:

- Communication: informing score from the competency score, informing score from psibase, feedback from the competency score, feedback from psibase, respectful/supportive from 360, leadership from competency score, leadership from psibase, vision/strategic leadership from 360, persuasive from competency score, persuasive from psibase.
- Consistency: results-oriented from competency score, results-driven from psibase, results-oriented from 360, persistent from competency score, persistent from psibase, persuasive from competency score, and persuasive from psibase.
- Developing others: growth/development from 360, respectful/supportive from 360, general manager class training, general manager field training.

Their research on these variables showed that a number of these variables made a statistically significant difference for a variety of organizational outcomes.

Following the students' work, we were engaged by Borders to analyze the data further. Our analysis, summarized here, advanced Borders' understanding of itself in a number of respects.

First and foremost, although the data set included measures of many district-level outcomes, we focused on only one of these, *profit*. Profit is literally the bottom line on Borders' profit and loss statement. Borders, like most other companies, tries to achieve the maximum possible profits, now and in the future. Other outcome variables such as sales, attainment of goals, and the like are intermediate variables that help drive profits. Because the focus of managerial efforts is presumably to raise profits ever higher, district profitability was the focal point of our statistical analysis.

Second, we worked with *all of the performance variables* contained in the data set. When we looked at all of the available variables rather than some of them, we found *many* variables that were significantly associated with profits. (By contrast, only one of the variables identified by the managers and analyzed by the students fell into this category.) This shows the value of doing comprehensive quantitative analysis.

Third, having identified the significant drivers of profits, we then examined all of these variables *at the same time*, allowing us to determine whether one variable is an important determinant of profits *after taking account of the effects of other variables.* To illustrate, one of our findings is that profits are significantly associated with the district's shrinkage (theft and damage) rating, but the effect of shrinkage disappears once we account for "managerial talent," which is comprised mostly of the district manager's ability to manage conflict. Had we considered only the simple correlations of each performance measure with profit, we would not have been able to tell which variables are important in the presence of others.

Our principal findings and interpretations of them follow.

Principal Findings

We find many individual variables that were significantly associated with profits and make millions of dollars of difference. Note carefully that some of these variables are associated with **higher** profits and some with **lower** profits. In particular:

For those variables that are scaled from 0 to 100:

- A 50-point increase in informing on the psibase assessment is associated with an $8.1 million increase in profits.
- A 50-point increase in feedback from the psibase assessment is associated with a $2.5 million increase in profits.
- A 50-point increase in optimist on the psibase assessment is associated with a $2.5 million increase in profits.
- A 50-point increase in results-driven on the psibase assessment is associated with a $1.8 million increase in profits.
- A 50-point increase in conflict management from the psibase assessment is associated with a $1.6 million increase in profits.

And for those variables that are scaled from 1 to 5:

- A one-point increase in optimism on the performance appraisal is associated with a $1.3 million increase in profits.
- A one-point increase in informing on the performance appraisal is associated with a $1.2 million increase in profits.
- A one-point increase in shrink on the balanced scorecared is associated with a $0.6 million increase in profits.
- A one-point increase in position-specific goal from the balanced scorecard is associated with a $0.8 million *decrease* in profits.
- A one-point increase in customer service from the balanced scorecard is associated with a $1.5 million *decrease* in profits.
- A one-point increase in consistency from the balanced scorecard is associated with a $1.5 million *decrease* in profits.

Most of the variables that were found to affect profit when we considered them one at a time continued to affect profit when we analyzed them simultaneously, and they remained million dollar variables. For example, in both analyses a 50-point increase in feedback was associated with a $2.5 million increase in profits. Similarly, a one-point increase in informing was associated with a $1.2 million increase in profit when we considered this variable individually. When we analyzed it in the presence of other variables the effect increased to $1.6 million. On the other hand, in the presence of other variables, neither optimism nor customer service has a statistically significant effect on profit. Given the millions of dollars of profits involved, we would expect that the benefits of assessing and developing managers' competencies at conflict management, drive for results, and the other statistically significant factors far exceed the costs.

Otherwise, the remaining variables were not significantly correlated with profit. This is important for telling Borders what *not* to pay serious attention to.

Interpreting the Findings

As outsiders to Borders, when we entered this research project we had little idea of which district manager characteristics would affect profits. Though the managers had identified nineteen managerial attributes and characteristics that they believed were important drivers of store success, the data set contained metrics on a total of thirty-six characteristics, all of which we used.

Two features of the comparison between managers' hypotheses and our findings stand out. One is that a number of factors believed by general managers and district managers to be important *made no* *demonstrable difference* to district profits. The other is that some factors not mentioned by managers *did* affect district profits, and these are the characteristics that Borders should manage, both in terms of its hiring and in terms of its training. In this way, our research has taught Borders some things it apparently did not know about itself.

It is also worth highlighting again that we found three variables that were associated with *lower* profits: one-point increases in customer service and in consistency each *reduced* profits by about $1.5 million and a one-point increase in position-specific goal *reduced* profit by about $0.8 million. Why might this be? Customer service is assessed by means of mystery shoppers and the like. Consistency is an amalgamation of performance on e-mail name collection, café exception reports, customer service evaluations, customer service phone shop, preferred programs, special orders, corporate sales, and cost control. Position-specific goals are set by the regional director for each district manager. Although it seems plausible that excellence in these areas might not produce discernible benefits in terms of profit, it is surprising that such excellences could actually lower profits, which is what we have found in the data. Our best interpretation of these findings is that districts that focus on achieving excellence in areas such as e-mail name collection may be doing so at the expense of other more profitable activities. Districts that spend less time worrying about these specific goals and more time focusing on sales on the floor and on minimizing losses due to theft and damage may be more profitable in the long run.

This discussion illustrates that it is not necessarily wise to do the job right, so that the district gets higher marks on customer service, consistency, and position-specific goals. What matters is to do the *right* jobs right.

How Borders Acted on the Findings

Upon being presented with these findings, Borders took three steps. First, they became aware that the current definition of “consistency” has limitations, which they have since addressed. Second, they found that many of the manager attributes that made a positive difference to profits had been obtained from an assessment tool administered by a psychological testing service. Accordingly, they decided that the costs of using this tool to help select managers were well worth it, and so they are continuing with this practice. And third, they reconfirmed the potential benefits of training programs for district managers and store managers around the six items (shrinkage, informing, conflict management, results-driven, feedback, and optimism) that made a significant positive difference to profits. The first of these programs has already been launched.

In Conclusion

Our study has demonstrated the great value of workplace metrics in helping organizations learn what improves outcomes for them and what does not. Borders learned *from itself* what matters *for it.* No amount of benchmarking could have produced such insights.

In the future, more could be done at Borders. One task would be to explore why the factors identified here as important influences on profits have the effects they do – not only those that were found to be *positively* associated with profits but also those that have been found to be *negatively* associated with profits. Another task would be to perform additional statistical analysis at the store rather than the district level. The best policy recommendations are those that are decided by combining detailed company knowledge with rigorous statistical analysis.

These methods could also be fruitfully applied to analyze other outcome variables in other organizations. For example, one of us has studied the drivers of retention, performance, and potential of talent in an engineering firm. That analysis showed the client which characteristics of the engineers made a major difference, which made a minor difference, and which made no difference at all.

Organizations can learn tremendous amounts from their own databases. We hope that this article has suggested useful ways that you can tap data in your organization to gain competitive advantage.