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closing of some of the square footage in the industry with its outmoded capital facilities, and a need to focus on return on invested capital rather than percentage sales relationships in determining the profitability of a given enterprise. The percentage sales relationship tends to emphasize overly large stores to get a spread on fixed cost but is achieved from the standpoint of much higher capital investments. The return on investment concept emphasizes what you put into it, what you got out of it, and was it worth it. In emphasizing ROIC, the indus-

try has to focus on product line profitability. In combination with the scanning data and the marketing data, an operator should be able to put some general space allocation information into his computer and come up with some product line profitability which allocates costs based on space allocation. Only through attacking the problem of product line profitability on a product-by-product basis can the overall mix in the store be significantly changed to result in improved returns on the capital employed.

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HEALING EMPLOYEE PRODUCTIVITY-- BANDAIDS OR MAJOR SURGERY

by:

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A modern day Rip Van Winkle who went to sleep decades ago and awakened in the summer of 1980 would have asked himself, "Hey man, what's happening. What's missing here?" We could tell him productivity. It's the crunch of the times involving a triple assault by big government, inflation, recession, and problems of energy. You see, Rip, these things got to growing and productivity matters just seem to get lost. So much for Rip and his long sleep. But why are we now awakening to this need for productivity growth?

All of us here will agree we are awakening because major problems we want to solve as a nation depend upon it. Without increases in output per hour our standards of living cannot increase. Poverty cannot be reduced and environmen-

tal quality cannot be improved. Without improved productivity performance in industries, specifically our own industry, we may continue to see the value of the dollar erode with the current inflationary pressures.

If we want to heal employee productivity, do we need bandaids or major surgery? If we look at our organization or business as a whole and compare it to the human body, we know that a bandaid will suffice on occasion. We also know that bandaids will only cover so much outside territory and when bandaids won't work, when the disease or wound is inside the body we must consider major surgery.

Mr. Horgan did an excellent job this morning defining productivity and its im-

pact on the food industry. And Jim Doyle shared with us an explanation of how the sources and uses of capital can impact the productivity problem. Now let's take a look at the human resources side of productivity. As we have learned, productivity is the relationship between the output of goods or services and the input of basic resources, including capital and natural resources and labor. Higher productivity is achieving more output through more effective use of resources. As simple as that definition sounds, the concept is one of the hardest to define and the most complex to measure.

Let's look at human resources productivity at three levels in terms of the United States as it stands in the world economy, productivity within the United States itself, and finally productivity within the grocery industry. First, let's see how we compare with other countries over the past thirty years.

It seems important to put into historical perspective the fact that our free enterprise system upon which the modern industrial organization is based was created and developed more than two hundred years ago. The "Father Knows Best" authoritarian values as of two hundred years ago still exists in many industrial and service organizations and unions they bargain with. Even though the society outside the plant has radically changed its values, and more importantly, its expectations, we have seen significant technological and innovative changes in the food industry which have direct impact upon overall productivity in the 80's. We are also witnessing as employers and managers of human resources a new way in which many Americans are looking at work itself.

Today's food industry employee cannot serve us, the employer, if their work does not permit them to fill their need for personal responsibility, personal productivity, and personal development. What many of these people are say-

ing is that they want to be used better. They want the work portion of their lives to be meaningful and significant as they define it, not just as the employer or the organization defines it. So many contemporary job turnovers result from those people searching for another job or another employer whose definition of meaningful coincides with their own.

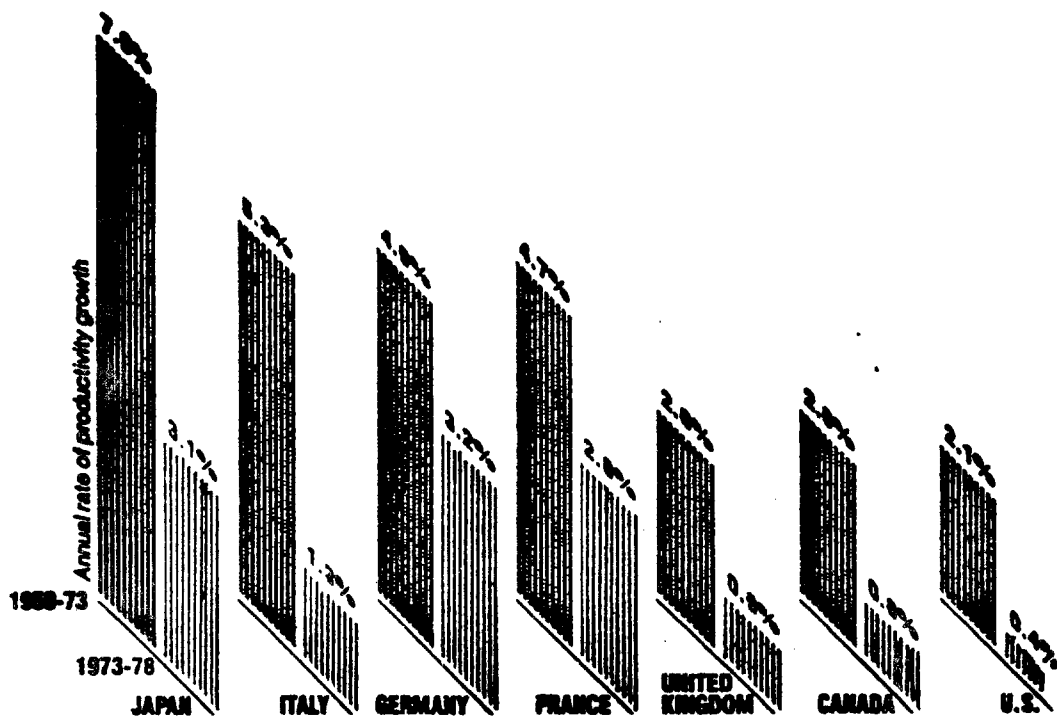
We are finding, for example, in our IGA supermarkets that a most important element in productivity is the manner in which work is directed. Effective management in the literal sense is no longer sufficient, an additional element is required, that of leadership because leadership encompasses the ability to inspire others with a desire to cooperate. The idea that employees should be given more say in their work is the basis for what is being called labor management cooperation or even more broadly the quality of work life movement. This concept of quality of working life is a relatively new one in organizational language, since many employers and managers continue to claim to the traditionally firm productivity ideas.

These two concepts, quality of work life and traditional productivity, given the level of understanding by management on the one hand and employees on the other can be married into quite an effective, positive work experience. We'll see evidence of this in just a few moments.

Improving productivity becomes the responsibility of each and every employee of the work unit. In a convenience store, a supermarket, a warehouse office, or in a corporate environment efforts to advance the quality of the work life mean greater self-esteem for individual employees and groups, increasing involvement on the job, reinforcing stronger ties to the work group in the organization and stressing personal dignity. These serve to build productivity on an individual basis which accentuate positive perform-

International Productivity Growth

1950- 1978



ance on the job. That's the bottom line of the quality of work life. That's the bottom line for increased worker productivity.

Let's review points of studies which highlight the changing values and attitudes of the contemporary American worker. Both of these studies were conducted for grocery industry employees. The first is a summary of employee attitude survey notes from a February 1980 Chain Store Age employee survey. Some of the major conclusions of the study are as follows: first, pay is only the fourth next important factor effecting worker's satisfaction. Next, 43% of the store employees surveyed intend to carve a career in food retailing. Next, store level employees in the 36 to 40 age group and the over 40 segment expressed the greatest pleasure with the work that they do. At the opposite end of the spectrum are the 21 year olds, with a level of satisfaction of work of just 26.48%. And, the most dissatisfied group of workers ranked by age, those under 25 in non-managerial positions.

The results of this survey indicate that the work itself--not the pay--was the most important factor contributing to worker's job satisfaction. Establishing a formal suggestion procedure is one of the easiest ways for a retailer to improve employee satisfaction. Good pay does contribute to worker satisfaction yet the obvious conclusion is that other factors including the work itself, the quality of supervision, have more to do with the job happiness than does good wages. Workers overall are more satisfied when good job performance is recognized by supervisors and rewarded by management. Accordingly, those companies in the study with provisions for merit pay increases showed more satisfied workers than those firms which didn't have them.

Not only are better satisfied workers more productive, but improving people

programs seem to offer the best hope for combating two of retailing's most serious problems, employee turnover and absenteeism. Let me share with you some results from the recent Ralph Young attitude survey, summarized in Progressive Grocer's Retailing in the 80's. Concerning quality of work life, employees want the opportunity to grow, to get more responsibility, to participate in the management of the company. The younger generation is asking for more information on career pathing opportunities. They want to know how long it will take to grow, what the financial rewards will be. It's a crystal ball question with a crystal ball answer we all would like to see. Another quote, they want to be heard and included and given a voice. Still another, I've seen more and more people in lower level jobs who want to take part in things rather than having things mandated.

As people become better educated, the higher their job expectations become. We have to recognize that grocery industry employees have contributions to make, some large, some small. Back to the Ralph Young study. Another quote, a definite trend towards more awareness of self-contentment and more "me first" attitude of the 70's carrying over to the next decade. Those employees considering relocation options in the years ahead will place their most importance on number one--recreation and cultural facilities in the new location; two--climate; three--job position; and four--environment. That is quite a contrast from relocation preferences of five to ten years ago. In the late 60's and early 70's the emphasis in personal development was on opportunity. You would move your family on moments notice if the job was right and future bright.

The results of these and similar studies conducted over the past two years indicate that nowhere in recorded history have work values changed so dramatically in such a short period of

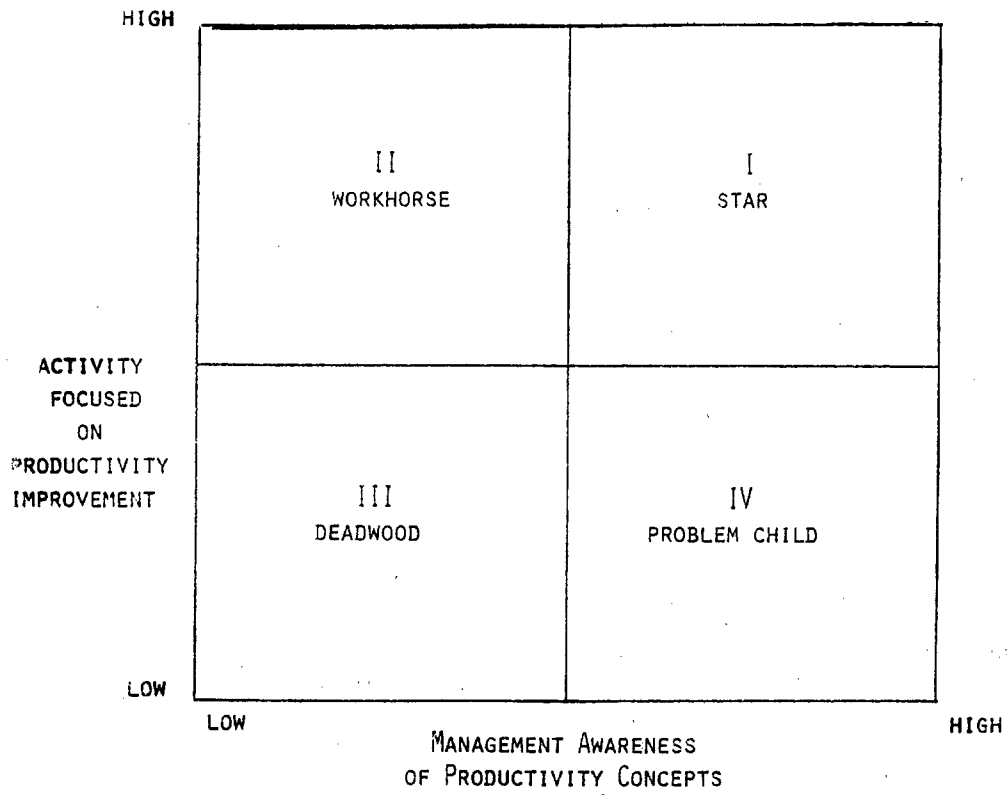
time as they did during the early 60's and now in the 80's. Through the eyes of Skelly and Yankolovich on the results of their study in changing work values, the Horatio Alger work ethic of work, work, and work for the firm is basically dead. In fact, only 15% of the population surveyed by Skelly even attributed their characteristics to that kind of ethic. What is taking its place with 85% of those surveyed is the focus on self-fulfillment, not on self-denial, but rather on self-fulfillment and self-experience. We are experiencing as we enter the decade of the 80's another era of change in education and roles of males and females in our responses to government and to changes in our leisure time and work time. Values have changed. The implications to those of us here are very obvious. We must modify assumptions about our employees. Reaccess the way that we manage and lead our people and therein lies some self-surgery, minor for some of us, major for others, which can result in improving the productivity of our human resources.

I listened to a speech not long ago by Rich DeVoss, President of the Amway Corporation of Ada, Michigan. He was talking about young people and let me paraphrase one of his key ideas in his speech entitled Selling America. "Young people today can be classified one of three ways. They can be cop outs, drop outs, or all outs." Let's spend a few moments talking about the all outs. Let's talk about the high school senior who plays defensive tack on the football team, who is an officer in the senior class, who maintains a B+ average, and who works at your supermarket two nights a week outside of football season and all day Saturdays. Then there is the 33 year old grocery buyer who has been in your distribution center for 8 years. He is married, has three children, his first home and just last month was awarded a bachelor degree in Business Administration after six years of night school. These are samples of the all outs. There are mil-

lions of all outs in our country today. They are different colors and have different backgrounds. Their goals and aspirations for themselves and for their families are as varied as the individuals. But their basic work values are in line with the quality of working life movement. These people most often work for pretty good companies, with good employers. It is funny how it seems to work that way. When you travel a great deal you meet a lot of people at airports, in airplanes, in hotels, and in training sessions. And it is interesting how the attitudes of people you meet reflect the types or organizations they're in. Negative people generally find themselves working in negative organizations, while positive people most often work in positive environments. My best guess would be that positive people working in positive companies probably most often use bandaids to heal employee productivity problems, whereas negative people from negative companies probably require major surgery.

I would like to show you a simple technique for determining your company's or your organization's posture on improving productivity, employee productivity. The diagram is called the productivity position diagram and on this diagram there are four basic types of companies, one of each of the four cells, Table 1. This is something to think about on your own time. Try to figure out where your company fits in the productivity position chart. Now let's look at the chart for just a moment. The amount of activity focused on productivity and improvement is on the vertical axis from low to high. Examples of activity might include establishing productivity measures, setting productivity goals, progress reviews, and the recognition of successful productivity programs. On the horizontal axis, again from low to high, left to right, is management's level of awareness of productivity concepts. The best example here is the degree to which top management commits to

TABLE I.
Productivity Position Chart.



improving employee productivity. Position number one is what we call the star cell. This is a company high in activity and in management awareness. Management decisions are based on data, they are logical and problems are solved in a rational manner. In position two we have what we call the workhorse. This is a company where there is a lot of activity, but no management awareness. A company in this situation most often follows that Horatio Alger work value system of work, work, work. In position three, we have what we might call the deadwood position. This type of company has low productivity and low management awareness. A deadwood company has no strategy and no tactics, perhaps does not perceive employee productivity as a problem. Position four we'll call a problem child. Indicative of a company whose management is either satisfied by the present level of productivity or a productivity improvement program is on hold because of low need, high risk, low pay off, lack of agreement on the problem, etc. In this type of company there is high management awareness, but low activity. Everybody talks about the problem, but there is nothing concrete. I would say in our industry the majority of companies are in either position two or position four. We are workhorses with high activity, low awareness or we are problem children with high awareness, low activity. We'll take a look in a few moments at some contemporary examples of the position one companies or star companies.

Let's take this approach one step further and look at sources of problems and solutions. In a retail store, a distribution center, a chain, independent, any classification there is constant interaction between systems and procedures, technology, productivity measures, and employee characteristics. I have given you a separate handout, shown here on the T.P. a diagram for this, Table 2.

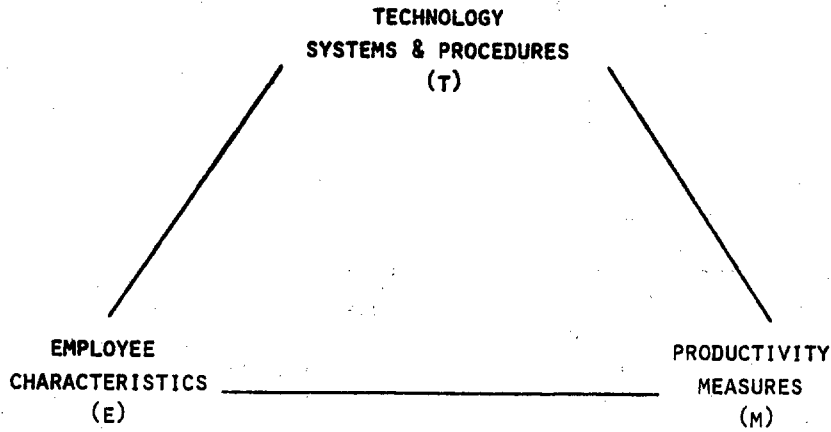
The first is a probable cause sheet and then a problem solving form very sim-

ple in format. It may isolate the probable cause or problems in your company and through defining the problem, then isolating the causes you might find it easier to come up with specific actions, action plans if you will. The productivity chart and the simple forms that go along with it are one road to action as we consider ways to heal productivity. Whether your firm relies on bandaids or major surgery, any solution to employee productivity entails action. A-C-T-I-O-N. In looking at that word--action--letter by letter, I would suggest to you that for our purposes today, it means all committed to improving operations now.

Let's look again at those all outs, at some of the good news, some instances where improved employee productivity has been accomplished in recent years in our industry. Here we can share some quotes from retailers expressing successful productivity results. And I will share these with you one after another.

"We have turned to ordering by electronic tape by phone to the warehouse. We have created a new quarterly incentive bonus plan. We used more scientific labor scheduling, utilizing the computer for programming. We have intensified our training in all areas. We have a non-contributory profit sharing and retirement plan for all employees. It gives them a sense of security. New price marketing methods and new ordering systems to speed orders electronically. Bonus arrangements with our managers for holding down manhours while getting all necessary jobs done. We communicate differently, keeping all employees aware of what our problems are and asking for their help in solving them. We have gone to pallet loads so we are unloading faster and trying to cut down on deliveries. The manager sits down with the new employee and tells him store policy, motivates him to be honest and to have integrity and loyalty to the company, shows him his job and starts him out right."

TABLE 2.
Problem/Solution Sources



		PROBABLE CAUSE				
POSSIBLE PROBLEM/CAUSE ELEMENTS		THEORY	DATA	PRIOR RESEARCH	BORROWED TECHNOLOGY	ASSUMPTION
(T)	<u>PROBLEM</u>	<u>CAUSES</u>			<u>ACTION PLANS</u>	
(E)						
(M)						

These retailers and thousands more like them across the country are taking action to improve employee productivity. Of a more general nature, major productivity advances in recent years of retail stem from a variety of developments. They include more improved receiving and handling techniques, equipment, increased centralized meat processing away from store or produce preparation, the economies of scale provided by larger stores, more advances machinery, preassembled mass display and tray packaging for groceries plus electronic ordering and the expanded use of the computer. Each of these systems following acceptance and implementation by employees has and continues to result in increased employee productivity. Hirotaka Takeuchi, assistant professor at the Harvard Business School, in his continuing research into formulating the standard productivity measure for the food industry suggests seven key factors of success in any productivity improvement program.

1. Improving productivity must be a company-wide goal.
2. Productivity must be translated into a personal mission for every employee. Everyone can contribute to its success.
3. Productivity is best fostered through a team effort.
4. Productivity improvement efforts must have the full support of the company. This support includes time allowed for team meetings, financial backing, and the sponsorship of incentives to reward the best suggestions.
5. Top management must be directly involved with the workers.
6. The rewards should be relatively small. Personal pride and recognition are much more important to motivators.

7. The flow of information and communication from management to workers and visa versa is crucial for a productivity improvement program to be successful.

I would wager that companies in the star portion of the productivity diagram we look at a few moments ago are probably utilizing at least five of these seven prerequisites.

One final success story involves Ralph's Grocery Company in California. It was related by Byron Allumbaugh, Ralph's company chairman at the recent FMI Distribution Conference. His company is testing the Japanese concept of quality control circles. Quality circles for short. Quality circles are perhaps the fastest growing productivity improvement strategy in the United States at this time. The hour and place and functioning in 65 companies, including General Motors, Ford Motor Company, Rockwell Internations, International Harvester, American Airlines, and Ralph's Grocery Company, and many others. Quality circle is a small team of employees, five to fifteen persons, doing similar work that meet regularly to identify, analyze and solve work related problems. Meeting topics run the gambit from exchanging ideas on cost cutting, quality control, morale and even engineering techniques. There are in the country of Japan currently more than six million Japanese workers participating in registered, quality circles. According to a spokesperson from the Japan productivity center, the circles are credited with a 25 billion dollar contribution to Japan's national productivity in 1979. The concept is not just another meeting. But it is a form of participating management in which employees can creatively contribute to solving operational problems. Participating companies are discovering that quality circles are resulting in a new way of managing people at the bottom of the organization, thereby showing improved productivity, better labor management re-

lations, more direct communications, and positive changes in worker's attitude.

We must remember that quality circles are not an elaborate game or program, but a way of managing and must be installed slowly and evaluated carefully. As Mr. Allumbaugh suggested at the distribution conference, participative management can't be forced, it takes time, commitment, trust, and patience to change an organization's work style. But at companies like Ralph's Grocery Company, top management now is committed to the fact that using quality circles pays off significantly in productivity through human resources. This management technique seems to go a long way toward bridging the gap between the classical management approach to productivity and the contemporary trend of employees toward quality of work life. This may be a technique you wish to investigate. Remembering a thought from Ralph Waldo Emerson, "Nothing astonishes men so much as common sense and plain dealing."

We have taken a broad brush look at labor productivity in the grocery industry, at productivity approaches in and out of the country. We have taken a look at some current trends in the labor force,

various industry productivity standards, and we have looked at some possible solutions, some winners, companies, and in many cases individual retailers who are taking healing actions to improve labor productivity. Some of the problems require only bandaids while others require major surgery, particularly for long range cures. I'd like to sum up with a poem by Ella Wilcox, as follows:

One ship sails east, another drives west along the self same winds that blow, tis the set of the sail and not the gail which tells us the way to go. Like the winds of the sea or the winds of fate as we voyage along through life, tis the set of the soul that decides its goal and not the calm or the strife.

We find our ships in the fall of 1980 in turbulent seas and in high winds caused by inflation, ever growing government regulations, and energy worries, all of which affects our ship. Remember it's how we set our sails in order to achieve our goals that determines our ships direction. Supporting our ships captains and understanding the values and attitudes of our crew will provide us with the human resources necessary to properly steer our ship in the months and years ahead. Smooth sailing and Godspeed.

APPENDIX TABLE 1

LEADERSHIP

The boss drives his men;
the leader coaches them.

The boss depends upon authority;
the leader on good will.

The boss inspires fear;
the leader inspires enthusiasm.

The boss says, "I";
the leader says, "we."

The boss assigns the tasks;
the leader sets the pace.

The boss says, "Get here on time";
the leader gets there ahead of time.

The boss knows how it is done;
the leader shows how.

The boss makes work a drudgery;
the leader makes it a game.

The boss says, "Go";
the leader says, "Let's go."

The world needs leaders,
but nobody wants a boss.

--Dora E. Dodge

APPENDIX TABLE 2

WHERE TO LOOK FOR THE EIGHT HIDDEN ENEMIES OF PRODUCTIVITY

The eight hidden enemies are only hidden if you don't know where to look for them or if you don't realize their potential harm to your firm. The eight enemies are:

- HIDDEN ENEMY = 1: Very sharp people start to "sour" or brilliant people start to "tarnish."
- HIDDEN ENEMY = 2: Employees' growth slows and employees begin to resist training.
- HIDDEN ENEMY = 3: Employees begin to "short circuit" your best decisions.
- HIDDEN ENEMY = 4: Employees come up with fewer and fewer new ideas.
- HIDDEN ENEMY = 5: Employees who were once highly productive lose their enthusiasm, but are unaware of it.
- HIDDEN ENEMY = 6: "Rotten apple" employees begin to infect others and shatter company morale.
- HIDDEN ENEMY = 7: Employees resent and resist others' personal success.
- HIDDEN ENEMY = 8: Employees who are presently productive begin to lose their desire to improve their work.

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