Hiring the Very Best

How to increase your employees' morale and productivity

By Tracy Mullin

I remember a quote from former ABC executive Thomas Murphy, who said, "If you hire the best people and leave them alone, you don't need to hire very many." While I think retailers should be hiring the best people possible, and treating them well, it may not always be best to leave them alone. Especially during the holiday season.

With the holidays almost upon us, retailers are scrambling to hire the best seasonal workers—more than 520,000 of them—while retaining their top performers. And during the most crucial selling period of the year, there is no time for mistakes. Executives know that good employees can bolster the image of a store and unsatisfactory employees can be disastrous.

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More often than not, finding good workers is high on the list of challenges facing retail executives. And keeping those people is even more difficult.

Turnover in the retail industry is nothing new, and it is not a problem that will disappear anytime soon. After Sept. 11, many retailers experienced low turnover as employees waited for the job market to improve. Now that the economy is back on track, workers are keeping an eye out for new opportunities, and many are moving on.

Statistics reinforce that theory: According to the 2005 NRF/Mercer Retailer Compensation and Benefits survey, released last month, turnover for store managers rose 20% last year over 2003.

Leading HR experts seem to agree that traditional approaches to management haven't been working. Author Bruce Tulgan, a consultant who spoke in June at the National Retail Federation's Loss Prevention Conference, talked about the mind-set of the new American worker and said that the best way retailers could keep their employees was to find out what people want and use it to drive performance.

Best Buy is one of those retailers. Nearly half of the 3,500 employees at Best Buy headquarters have embarked on a radical strategy that enables employees to work where and when they want, as long as their job gets done. The approach seems to be working, as executives maintain that this new program has reduced turnover and increased productivity at the same time.

Other retailers, such as Costco, believe that the way to their workers' hearts is through their wallets. Costco's employees earn an average of $17.41 an hour and receive some of the most generous health benefits in the industry. Perhaps that's why they are able to maintain a low turnover rate of about 17% per year.

However, money isn't everything. In his presentation, Tulgan also featured several non-financial elements, such as people needing to be satisfied with their jobs. One of those basics, giving employees control over tasks, is an area where Trader Joe's has an upper hand. Instead of giving employees specific instructions on how to merchandise and what to feature, Trader Joe's trains the staff on their products and gives them the green light to handle the rest. By offering workers some creative authority, the environment tends to be more personal, more original and more fun.

But not all retailers are quick to paint their entire employee base as worthy of keeping around. Applebee's recently implemented a program that ignores overall turnover but instead rewards managers for keeping turnover low among top-performing employees. They call it "Mix Management": the idea is that not all employees perform equally, nor should they be mourned equally when they leave. By focusing on the top tier, Applebee's has been able to keep turnover low among their very best performers.

Retailers don't need to be reminded that employees are always an extension of their stores, or that keeping turnover low can reduce overhead costs in the long run. But as the retail landscape becomes more competitive, turnover will start to matter more, and the retailers with the best employees will win. Maybe we don't need to be leaving our employees alone, but we might want to think about giving them a little more leeway.