The Benchmark Study of Best Practices in Human Resource Management for Developing Retail Talent
Best Practices in Human Resource Management Survey

The David F. Miller Center for Retailing Education and Research at the University of Florida surveyed 40 different retail organizations to learn more about Human Resource strategies that are effective for retaining talent. The study was sponsored by the National Retail Federation (NRF) and the National Association of Colleges and Employers (NACE).

- There was a wide range of firms, ranging in size from 4 FTEs to well over 200,000 FTEs.
- Represented retail sectors included Department stores (16%), Specialty stores (14%), Big box retailers (10%), Food stores including supermarkets and convenience stores (20%), Drug stores (10%), Auto stores (8%), and others (20%)
Key Findings

- **High demands for talent pool**
  - The retirement of baby boomers has increased demand for talented store managers in the frontline of retail stores.
  - The most common sources for management trainees currently is from promotion within the company (45%), followed by newly hired employees not from college recruiting (32%), and new college graduates (25%).

- **Talent attraction**
  - Companies hiring many new college graduates tend to administer regional recruiting using formal college recruiting programs at selected colleges, whereas companies hiring many non-college employees as trainees tend to administer recruiting nationally.

- **Training**
  - Investment in and commitment to initial training programs is related to gross margin percent. Ongoing training is significantly related to employee productivity and retention. Continuous education focusing on general knowledge and skill development, not on company specifics, contributed to performance improvement.

- **Talent retention**
  - Turnover of management trainees after initial training is significantly reduced by
    - Increasing investment in initial store management training programs
    - Increasing responsibility of management trainees
    - Implementing team evaluation measures
Best Practices in store management training programs

• Hiring efficiency
  • Recruiting efficiency, viewed as job acceptance ratio, was the highest for promotions of current employees (90% - median) & lowest for new college graduates (50% - median)

• Important job characteristics for college graduates
  • College students consider starting salary much less important compared to salary in five years
  • College students don’t mind working long hours if they can work in their own time.

• Training
  • Ongoing training is significantly related with employee productivity and retention
  • Job rotation within training is implemented by 56% of participating firms

Turnover of management trainees is significantly reduced by increasing investment in initial store training, increasing responsibility in sales and employee supervising, and implementing team evaluation measures.
Recruitment of New Management Trainees

• **Source of New Management Trainees**
  – The most common source of new management trainees was the promotion of current employees, followed by newly hired employees not from college recruitment programs. The smallest source of new management trainees was from college recruitment program.

• **Administration of Recruitment Programs**
  – Companies that tend to hire more college graduates tend to administer programs regionally, while companies that hire many non-college employees tend to administer national recruiting programs.

<table>
<thead>
<tr>
<th>Sources of Trainees Hired (%)</th>
<th>Mean</th>
<th>25\text{th}</th>
<th>Median</th>
<th>75\text{th}</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMT Entrants per Year</td>
<td>169</td>
<td>20</td>
<td>50</td>
<td>200</td>
<td>1800</td>
</tr>
<tr>
<td>SMT Entrants per Year/FTE (%)</td>
<td>2.12</td>
<td>0.19</td>
<td>0.89</td>
<td>2.26</td>
<td>15.4</td>
</tr>
<tr>
<td>New college graduates (%)</td>
<td>25</td>
<td>0</td>
<td>14</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>Promotion of current employees (%)</td>
<td>45</td>
<td>20</td>
<td>48</td>
<td>71</td>
<td>100</td>
</tr>
<tr>
<td>Newly hired employees (not from college recruiting) (%)</td>
<td>32</td>
<td>10</td>
<td>25</td>
<td>60</td>
<td>75</td>
</tr>
</tbody>
</table>
Competency Expected For New Management Trainees

- **Traits Analyzed for Expected Competency**
  - Thirty-one different traits and attributes were analyzed for this study. This provided information on the traits that are most important for retailing companies.

- **Importance of Competencies**
  - The most important seven attributes for retail management trainees were found to be energy level, motivation, being a team player, having a people orientation, initiative, ethics, and accountability.
    - These traits were important to over 70% of retailing firms.
  - The six least important traits for retailing companies were aggressiveness, stress management, risk taking, negotiation skill, innovativeness, and GPA.
    - All of these traits were considered important by less than 20% of retailing firms.
Importance of Job Characteristics:
Differences in Perceptions of Importance

• Students and employers differ in the perceived importance of many of the specific job characteristics
• Students rank salary in five years as far more important than companies perceive new management trainees to think
• Students also think work-family balance is more important than companies perceive
• Training for development, starting salary, and work hours are perceived by employers as being more important to students than students actually think

These findings demonstrate that retailers need to consider redesigning new management trainee programs to more closely reflect the actual desires of new management trainees.

<table>
<thead>
<tr>
<th>Importance of job characteristics</th>
<th>Mean (100 scale)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary in five years</td>
<td>90 to 71</td>
<td>1 to 9</td>
</tr>
<tr>
<td>Clear goals</td>
<td>88 to 74</td>
<td>2 to 3</td>
</tr>
<tr>
<td>Work-family balance</td>
<td>87 to 69</td>
<td>3 to 11</td>
</tr>
<tr>
<td>Performance feedback</td>
<td>86 to 71</td>
<td>4 to 7</td>
</tr>
<tr>
<td>Benefits</td>
<td>86 to 73</td>
<td>5 to 4</td>
</tr>
<tr>
<td>Immediate responsibility</td>
<td>85 to 71</td>
<td>6 to 8</td>
</tr>
<tr>
<td>Training for development</td>
<td>83 to 86</td>
<td>7 to 1</td>
</tr>
<tr>
<td>Job challenge</td>
<td>82 to 72</td>
<td>8 to 6</td>
</tr>
<tr>
<td>Starting salary</td>
<td>81 to 79</td>
<td>9 to 2</td>
</tr>
<tr>
<td>Job security</td>
<td>80 to 64</td>
<td>10 to 13</td>
</tr>
<tr>
<td>Mentoring</td>
<td>73 to 68</td>
<td>11 to 12</td>
</tr>
<tr>
<td>Work hours</td>
<td>72 to 73</td>
<td>12 to 5</td>
</tr>
<tr>
<td>Instant rewards</td>
<td>69 to 70</td>
<td>13 to 10</td>
</tr>
<tr>
<td>Relocation frequency</td>
<td>66 to 64</td>
<td>14 to 14</td>
</tr>
</tbody>
</table>
Hiring Efficiency and Selection

• **Sources of Applications**
  – The most common source of applications is from newly hired employees from outside the company and not from college recruiting
  – New college recruits was the second most common source, followed by promotion of current employees

• **Hiring Efficiency**
  – The most likely applicants to go both from interview to job offer as well as to accept the job offer are current employees
  – New college graduates generally endure a more selective interviewing process and are the least likely to accept a job

• **Selection**
  – The most common selection techniques are traditional structured interviews, criminal background checks, behavioral interviews, and reference checks
  – The least common selection techniques are intelligence test and honesty test

<table>
<thead>
<tr>
<th>Hiring Efficiency (%)</th>
<th>Applications received</th>
<th>Interview to Job offer</th>
<th>Job acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>new college graduates</td>
<td>321</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>promotion of current employees</td>
<td>285</td>
<td>50%</td>
<td>90%</td>
</tr>
<tr>
<td>newly hired employees (not from college recruiting)</td>
<td>1300</td>
<td>28%</td>
<td>70%</td>
</tr>
</tbody>
</table>
Training

• **Initial Training**
  – Firms use a combination of internet and classroom-based instruction, with more hours typically from classroom-based instruction
  – Demonstrating the importance of training, firms with longer initial trainings programs have higher gross margin percentages

• **On-Going Training**
  – Average of only 1.2 weeks of training per year after the initial training
  – Most firms offer at most short on-going training programs
  – On-going training focuses more on general knowledge than company specific issues
  – The majority of on-going training occurs in classroom environments
  – A small majority of companies have a policy of job rotation within training
  – Only about 20% of companies encourage training either very often or always
Evaluation

• **Characteristics of Firm Evaluation**
  – The majority of firms used annual performance evaluations
  – Very few firms used quarterly evaluations or never do evaluations
  – Firms in general rely more on more objective output measures, such as sales, for evaluations rather than either subjective or input based measures
  – Most companies link performance appraisals with bonuses and pay

• **Impact of Firm Evaluation**
  – Formal performance evaluations reduce turnover, likely due to the importance student’s place in receiving performance feedback
  – The use of objective performance measures tends to decrease gross margin per FTE while subjective performance measures increases gross margin per FTE
Compensation and Job Design

- **Base Pay**
  - The average base pay for a new trainee is around $35,000 a year
  - The range is exceptionally large, with pay ranging from in the $20,000s to $65,000
- **Adjustments**
  - The most common adjustment for base pay is for prior work experience
  - Adjustments for both MBA education and for previous internship experience are used by only about 1/5 of all companies
  - Only about 1/5 of companies use signing bonuses to attract talented applicants
- **Salary Increases**
  - About 46% of all companies provide cost of living increases
  - Companies generally have between 3-5% salary increases per year
  - The reward for top performers is not particularly high, with only about a 1-2% increase over average for most companies based on high performance
- **Job Design**
  - On average, managers are responsible for $5,000,000 in sales and 15 employees after five years
  - Increased responsibility leads to less turnover of managers
Social Interactions

• **Social Interactions**
  – Companies do not focus on encouraging social interactions either with other managers or with superiors

• **Decision-Making**
  – Companies encourage managers to make their own decisions in many situations and allow employees to have a lot of personal “say” in how and when work is done
  – However, companies also want managers to consult with their superiors for important decisions
Changes in Management Training Programs

• **Perceptions of Importance**
  – Companies are acting logically by improving certain areas that they feel are more important to new management trainees
  – For example, most companies have improved starting salary
  – Companies are also focusing more on development and training

• **Conflicts with Perceptions of Managers**
  – In some cases, there appears to be a conflict between how retailers are acting and the importance of several key attribute for management trainees
  – Companies have not focused on work-family balance issues, while that is an important matter for managers

![Bar chart showing various aspects of management training programs and their importance.]
HR Expenses and Changes

• **Allocation of HR Expenses**
  – Retailers allocate the largest amount of resources to recruitment and selection
  – Companies allocate a slightly smaller amount to both initial and ongoing training

• **Changes Made in HR Programs**
  – Companies have focused on selection and recruitment when changing HR programs
  – Considerably less focus has been dedicated to job design and compensation, despite the discrepancy between how compensation programs are currently designed and the importance placed on salary in five years by new managers
Culture

- **Descriptions of Company Culture**
  - Companies most often describe themselves as being results oriented, having a good reputation, having high performance expectations, competitive, having an emphasis on quality, and being people oriented.
  - Companies usually do not describe themselves as risk-taking, autonomous, calm, not constrained by many rules, or reflective.
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