

Performance and reward challenges in the retail sector



**ASSIGN
BUSTER**

REPORT ON PERFORMANCE AND REWARD CHALLENGES RETAIL SECTOR FACE IN THE CONTEMPORARY WORLD.

OVERVIEW

This report aims to discuss, analyse the Reward and Performance challenges faced by the retail sector, there were two major retail organisations used in the names of Tesco Store and Waitrose Supermarket, Hence the report considers recommendations and solutions to these challenges with the help of performance and reward theories by the writer.

INTRODUCTION

Organisations generally need to monitor the performance of itself and its employees in order to achieve its goals either in a short or long term, however, in order to attain an acceptable performance level, there is a motivating factor attached to the employer/employee relationship which is called reward.

In relations to the Retail organisations there is a need for organisations to retain and motivate employees to work due to the demand for manpower to satisfy the retail sector needs, for employees to perform well, it is necessary for an existence of a reward package in place; this is basic in retail organisations just like any other business firm, on the other hand, organisations expects a good performance from the rewarded employees as well, thus, there are some arising issues and differences of opinions between both parties such as failure in psychological contracts, low employee morale, absence, e. t. c which results in major challenges for organisations to reach their desired goals, however, there is a need to explore what performance and reward really entails in order to have a easy understanding as this report

evolves, hence, examine how rewards scheme enhances employee performance as there are major challenges faced by organisations to fulfil psychological contracts between them and their employees which has a vast implication on performance.

PERFORMANCE MANAGEMENT

This has changed over the years, it has been a general believe that performance management is about rating employees using a trait-biased instrument such as neatness, punctuality and attendance as opposed to focusing directly on the work output, it tends to be secretive while employees were not really involved in the process nor told of what rating they got, however, this style of performance method is no longer considered to be of good practice.

It is the means of getting better results from the organisation, teams, and individuals where there is an agreement of objectives, skills and competence required so it is therefore, the way in which an organisation improve and develop its workforce, however it is also used to measure the distribution of rewards aligned to a performance related pay procedure.(Armstrong, 2002: 373), hence it is the believe that PM is a process of management by using it to analyse, measure, monitor performance and plan for organisation improvements.

Furthermore, as it has been highlighted earlier that performance management aids the measurement and distribution of rewards, the next paragraph would explain what reward is, and how it helps performance within an organisation.

REWARD MANAGEMENT

This has been related to the performance output of an individual, it has changed the tradition of status but contribution as employees are being awarded benefits which could be tangible or intangible rewards for their additional hard work, Armstrong and Murlis,(1998) argued that performance related pay is a motivator for reward management but stressed that it should not only be about money but those non-financial rewards which provides intrinsic and extrinsic motivation such as continuous development, more employee involvement, partnership, mutuality, trust and transparency hence, it is now evident that performance is related to rewards.

As they are both key factors in organisation success, there would now be an in-depth evaluation of the current challenges retail organisations face today. There are two retail organisations considered in this report, first is Tesco Plc which I have worked with for five years, second is Waitrose supermarket which is also a leading retail firm in the U. K, the use of these two organisations has given me advantage to compare and contrast while I was able to critically evaluate these challenges they face.

TESCO BACKGROUND/OVERVIEW

Tesco is the largest food retailer in UK with over 2, 200 stores worldwide and 450, 000 employees around the world, it also has around 1, 878 stores throughout the UK with many other stores outside the country which includes America, Asia and Europe.

The company also offers online shopping and home delivery, it's largest market is in the UK with four different types of stores namely Extra store

which runs 24hours, Superstore which also runs 24hours, Metro and Express, it has as a non-food and clothing department with three different own label named value, normal and finest which accounts for almost a half of the organisation sales.

REWARD AND PERFORMANCE MANAGEMENT IN TESCO

Tesco organisation structures runs in form of a bureaucratic structure as power and authority flows from the top to the low level in the organisation, this equally has similarity in the rewards structure as well because top level employees get much reward that the low level though the latter are more influential in the carrying out of the operational activities that makes the organisation succeed.

The present salary structure does not reward individual or team effort, the staff receives the expected automatic annual increments that are incorporated into their base pay in addition to that they get cost of living rise which is determined by the location, this structure reflects the increasing value which individuals are deemed to give to the organisation as they gain experience in the job, it has major disadvantages as increments reward the passage of time and ignore performance as the current reward structure is thus geared towards rewarding staff for their time and loyalty to the organisation and disregards individual performances within the organisation(Boyne, 2002)

The pay structure is standardised as directors, senior managers are set on individual basis, and new employees are normally placed on the lowest salary point within the grade for their post and service longevity, the

appropriate grade for a post is identified using HAY job evaluation scheme, progression in the grade is reached by acquisition of annual increments until the maximum of the grade is reached which however leaves employees “stuck” at the top of their grade with no real prospects to progress further or get a promotion into the next salary grade as this could be considered as a factor which derails the morale of individual and it certainly affects performance too.

Hence, there is a big issue that needs to be solved as Tesco needs to balance the advantages of having a long service, reliable, experienced, committed workforce against the inherent conservatism, inflexibility and resistance to change usually associated to them, the organisation faces pressures to become more efficient and performance-oriented. Automatic service increments are costly to Tesco and they are not fully appreciated by employees that feel they are entitled to annual increases and progression though star performers are encouraged and signed on to a programme called Options which is training on how to be a manager but there are still questions if everyone is motivated with such motive as some wouldn't be interested in this initiative.

As a result they may put in the “minimum” effort as they are fully aware that they will be guaranteed a pay increase at the end of the year which some writers referred to as a golden handcuff as poor performers continue to stay with the organisation because they continue to be rewarded well, as a matter of fact, a director mentioned “we have many long-serving staff”, as pay and conditions here are very good and there are not too many

performance expectations. (Dittenhofer, 2001). This might contribute to <https://assignbuster.com/performance-and-reward-challenges-in-the-retail-sector/>

organisational inertia if managers are reluctant to manage poor performances through the performance management system and employees may feel as the programme manager put it so they can get away mediocre and contribute to under- performance.

Additionally, there is a free company shares given annually to employees as a way to reward them for their hard work which is a good idea and gives them the advantage of 10% discount from any of their purchases from the company by issuing employees a discount/privileged card after six months of service but how are the exceptional performers rewarded? It is left be unknown which is a major challenge to be considered and looked into.

Therefore, the challenges faced by Tesco from the discussion above could be listed as follow

- Non-existence of Individual/Team Reward
- Lack of Motivation
- Organisation is Less Performance Oriented
- Low Performance Output from Employees
- Inability to Manage Poor Performances

Hence, the need for comparison with a relatively successful and large retail organisation is needed in order to justify the challenges the retail sector is facing in the reward and performance management world, this would enable one to evaluate the situation more and leads me to the discussion of reward and performance management in Waitrose supermarket in the subsequent paragraphs.

PERFORMANCE AND REWARD MANAGEMENT IN WAITROSE

Waitrose is a relatively big supermarket in the UK; it has 221 branches across the United Kingdom. Waitrose creates some act of uniqueness for itself from competitors by offering high quality food and emphasising good customer services which is fundamental for the success of any organisation.

However, for the organisation to attain the required level of customer services offered, they strategized by making cultivating the culture of making all its employees a co-partner which is very welcoming from the view of any employees as this gives them sense of belonging in the business running, partners get certain benefits called partnership bonus which is around 10-20% of a partner's annual income and it is paid in a monetary value sometimes in the year, discount cards are issued after 3 months of service which entitles them to 15% discount in Waitrose and 25% in John Lewis departmental store as to rewards for their efforts towards the success of the organisation, this sound like a good initiative to reward the employees for their good and hard work.

There is a focus to train new partners for customer services skills, health and safety, fresh food handling and fire safety, partners are trained to drop whatever they could be doing(within reasoning) upon the request of the customer and lead customers to the product , so this shows the extent at which customers are being taken to be their priority.

In 2005, there was an introduction of performance management scheme called “ Mystery Shopper” which scores its branches on the service they provide considering the presentation, service on the shop floor by the

employees ranging from the service counters, checkouts, wine, grocery departments and general assistants, this initiative is believed to help keep level of performance of each partner on top but it is left to be known if it is a motivator for good performance or trick for the organisation to succeed

In 2008 Waitrose introduced training for its partners with a new program called 'Fresh on the Move' which aims to lift core services and continue to make the business stand out from its competitors by training partners to be more confident on their job to deliver great service by inspiring among other things an attitude to believe things can be done.

(www.johnlewispartnership.co.uk)

At this point, it can be deduced that Waitrose tries its best to attain the best performance level with range of offers and trainings they give to the partners of the business, additionally they train people to be managers, and where school leavers are being trained to become section managers within a period of few years, then they also offer a graduate scheme that groom people achieving high managerial posts within some few years.

The last few paragraphs evidently shows how Waitrose rewards its co-partners in order to achieve its set goals but the argument is that, does these rewards and benefits given to the partners motivate and spur them all to put in a better performance on their jobs, is money a good key to motivate them or is everyone motivated with tangible things?

This leads me to highlight the challenges faced by Waitrose in Respect of Performance and Reward Management.

- Inability to manage performance
- Non-existence of Individual/Team Reward
- Too focused on customer satisfaction

INTRODUCTION

Organisations generally need to monitor the performance of itself and its employees in order to achieve its goals either in a short or long term, however, in order to attain an acceptable performance level, there is a motivating factor attached to the employer/employee relationship which is called reward.

In relations to the Retail Supermarket sector, there is a need for organisations to retain and motivate employees to work due to the demand for manpower to satisfy the retail sector needs, for employees to perform well, it is necessary for an existence of a reward package in place; this is basic in retail organisations just like any other business firm, on the other hand, organisations expects a good performance from the rewarded employees as well, thus, there are some arising issues and differences of opinions between both parties such as failure in psychological contracts, low employee morale, absence, e. t. c which results in major challenges for organisations to reach their desired goals, however, there is a need to explore what performance and reward really entails in order to have a easy understanding as this report evolves, hence, examine how rewards scheme enhances employee performance as there are major challenges faced by organisations to fulfil psychological contracts between them and their employees which has a vast implication on performance.

RETAIL SUPERMARKET SECTOR OVERVIEW

The retail sector is very active in the society in terms of day to day living as it involves food, clothing, furniture. e. t. c it is always an increasing market though the present economic situation in terms of recession making slow down of growth as companies who cannot compete suffer, however organisations face challenge of meeting both customer and employee needs, organisations try to secure the confidence of customers as there is a high risk of losing them because customer spending will decline, hence there is need to be at utmost best delivery best service at every given time, on the other hand, this would require a 100% performance from its employees in order to deliver a high and acceptable service but there are challenges being faced in this respect at the sector as employers face the challenges of meeting employees expectations such as psychological contracts which this report aims to evaluate and suggest recommended solutions with the help of academic theories. This report would discuss findings on the performance and reward challenges faced currently by two of the Britain most successful retail supermarkets namely Tesco and Waitrose.

It aims to discuss and analyse the Reward and Performance challenges faced by the retail sector, there was a SWOT and PEST analysis carried out in order to realise the situation of the supermarkets and the challenges they face.

PERFORMANCE MANAGEMENT

This has changed over the years, it has been a general believe that performance management is about rating employees using a trait-biased instrument such as neatness, punctuality and attendance as opposed to focusing directly on the work output, it tends to be secretive while

<https://assignbuster.com/performance-and-reward-challenges-in-the-retail-sector/>

employees were not really involved in the process nor told of what rating they got, however, this style of performance method is no longer considered to be of good practice.

It is the means of getting better results from the organisation, teams, and individuals where there is an agreement of objectives, skills and competence required so it is therefore, the way in which an organisation improve and develop its workforce, however it is also used to measure the distribution of rewards aligned to a performance related pay procedure.(Armstrong, 2002: 373), hence it is the believe that PM is a process of management by using it to analyse, measure, monitor performance and plan for organisation improvements.

Furthermore, as it has been highlighted earlier that performance management aids the measurement and distribution of rewards, the next paragraph would explain what reward is, and how it helps performance within an organisation.

REWARD MANAGEMENT

This has been related to the performance output of an individual, it has changed the tradition of status but contribution as employees are being awarded benefits which could be tangible or intangible rewards for their additional hard work, Armstrong and Murlis,(1998) argued that performance related pay is a motivator for reward management but stressed that it should not only be about money but those non-financial rewards which provides intrinsic and extrinsic motivation such as continuous development,

more employee involvement, partnership, mutuality, trust and transparency hence, it is now evident that performance is related to rewards.

As they are both key factors in organisation success, there would now be an in-depth evaluation of the current challenges retail organisations face today. There are two retail organisations considered in this report, first is Tesco Plc which I have worked with for five years, second is Waitrose supermarket which is also a leading retail firm in the U. K, the use of these two organisations has given me advantage to compare and contrast while I was able to critically evaluate these challenges they face.

TESCO BACKGROUND/OVERVIEW

Tesco is the largest food retailer in UK with over 2, 200 stores worldwide and 450, 000 employees around the world, it also has around 1, 878 stores throughout the UK with many other stores outside the country which includes America, Asia and Europe.

The company also offers online shopping and home delivery, it's largest market is in the UK with four different types of stores namely Extra store which runs 24hours, Superstore which also runs 24hours, Metro and Express, it has as a non-food and clothing department with three different own label named value, normal and finest which accounts for almost a half of the organisation sales. (www. tesco. com)

REWARD AND PERFORMANCE MANAGEMENT IN TESCO

Tesco organisation structures runs in form of a bureaucratic structure as power and authority flows from the top to the low level in the organisation, this equally has similarity in the rewards structure as well because top level

<https://assignbuster.com/performance-and-reward-challenges-in-the-retail-sector/>

employees get much reward that the low level though the latter are more influential in the carrying out of the operational activities that makes the organisation succeed.

The present salary structure does not reward individual or team effort, the staff receives the expected automatic annual increments that are incorporated into their base pay in addition to that they get cost of living rise which is determined by the location, this structure reflects the increasing value which individuals are deemed to give to the organisation as they gain experience in the job, it has major disadvantages as increments reward the passage of time and ignore performance as the current reward structure is thus geared towards rewarding staff for their time and loyalty to the organisation and disregards individual performances within the organisation(Boyne, 2002)

The pay structure is standardised as directors, senior managers are set on individual basis, and new employees are normally placed on the lowest salary point within the grade for their post and service longevity, the appropriate grade for a post is identified using HAY job evaluation scheme, progression in the grade is reached by acquisition of annual increments until the maximum of the grade is reached which however leaves employees “stuck” at the top of their grade with no real prospects to progress further or get a promotion into the next salary grade as this could be considered as a factor which derails the morale of individual and it certainly affects performance too.

Hence, there is a big issue that needs to be solved as Tesco needs to balance the advantages of having a long service, reliable, experienced, committed workforce against the inherent conservatism, inflexibility and resistance to change usually associated to them, the organisation faces pressures to become more efficient and performance-oriented. Automatic service increments are costly to Tesco and they are not fully appreciated by employees that feel they are entitled to annual increases and progression though star performers are encouraged and signed on to a programme called Options which is training on how to be a manager but there are still questions if everyone is motivated with such motive as some wouldn't be interested in this initiative.

As a result they may put in the “ minimum” effort as they are fully aware that they will be guaranteed a pay increase at the end of the year which some writers referred to as a golden handcuff as poor performers continue to stay with the organisation because they continue to be rewarded well, as a matter of fact, a director mentioned “we have many long-serving staff”, as pay and conditions here are very good and there are not too many performance expectations. (Dittenhofer, 2001). This might contribute to organisational inertia if managers are reluctant to manage poor performances through the performance management system and employees may feel as the programme manager put it so they can get away mediocre and contribute to under- performance though organisation sometimes tend to stay on the neck of employees trying to impose behaviours that meets the need of organisation.

Additionally, there is a free company shares given annually to employees as a way to reward them for their hard work which is a good idea and gives them the advantage of 10% discount from any of their purchases from the company by issuing employees a discount/privileged card after six months of service but how are the exceptional performers rewarded? It is left be unknown which is a major challenge to be considered and looked into.

The next paragraph shows the strong and weak sides of Tesco with aid of Swot analysis to figure out its challenges.

Therefore, the performance and reward challenges faced by Tesco from the discussions above could be listed as follow

- Non-existence of individual/team reward
- Lack of motivation
- Organisation is more performance oriented than rewards
- Low performance output from employees
- Inability to manage poor performances

STRENGTHS

Increasing Market Share

It has an increasing market share and a good percentage of the UK retail market of around 13% which continues to grow share in food and non-food, it has also grown to into various parts of the country and world making it the second biggest chain convenience store chain retailer so far and it plans to explore with new stores openings so it has a good market share which is a strength.

Tesco Online

The company's dot. com is the world online biggest online supermarket with huge millions of sales with an increase of 29% on last year and operates in over 250 stores in the UK so this is a strong base where they could still exploit for longer time.

Brand Value

The results from the last fiscal year suggests that the company profits on operations around the world increased by 78% which is affected by the strong image the company has and also the good quality that equals to good value, profits from the other forms of their market such as insurance and finance is a major factor to this.

WEAKNESSES

Reliance upon Success.

The company is too dependent on the believe they are the leading retailer in U. k which could cause them lapses making them exploit in some cases as they believe people will come for their products because of their customer base and also could exploits staff too as it is widely known that people will always come to work for them.

Reliance upon the UK Market.

The company is too dependent on the UK market bringing 73. 8% of revenues in 2003 though it might not affect them in short term but they are of risk of any changes in the UK supermarket industry in the near future like threats from organisations merging could alter the balance of power and affect them, however the international business is still growing and widely

known to contribute huge amounts to the company's profit till the near future.

Signs of Serial Acquisitions

The company is in risk of becoming a serial acquirer due to the firepower it has and the circulation of its product range mostly in the UK while the gap filling strategy would be useful just as it is to the convenience markets so this may reduce earnings visibility and quality.

OPPORTUNITIES

Health and Beauty

Tesco's UK health and beauty ranges grows drastically, and it is currently the fastest growing skincare retailer in the UK market leading in toiletries and healthcare, it also delivers a first class service in the baby goods products. It continues to invest in price to deliver the value customers have come to expect and this year invested £27 million on health and beauty pricing and it now has 19 ? tor?? with opticians and closely 200 ? tor?? with ph? rm? ci??.

Non-food retail

The company's plan to make its non-food be as big as the food sector is a sign of growth opportunity they are really planning to exploit which would see their retail share climb over the next few years as it boost sales and production, it has advantage of a good clothing brand as well which could bring profits too.

TREATHS

UK structural change could spark a price war

The price followers in the UK market are about to become aggressive investors in price, Safeway because of new ownership and Sainsbury because of new management. Morrison is reducing Safeway's prices by up to 6% and Sainsbury is bound to see lower prices as one of the basic changes necessary to drive its recovery. With both Asda and Tesco committed to price leadership, this could result in a step down in industry profitability.

Wal-Mart/ Asda Challenge

Since the US shopping giant Wal-Mart purchased Asda, Tesco's rank as the top UK supermarket has been threatened. Asda can now compete extremely well on price and range of goods. For the moment, Asda is the third largest supermarket in the UK, just behind Sainsbury's and then Tesco. However, Asda closed the gap on Sainsbury's in 2003, leaving the company to directly challenge Tesco's dominance. Tesco is well aware of this, and has so far been quick to keep up with price cuts or special offers at Asda. Wal-Mart may also decide to wield its buying power more heavily in the UK, and this could spell the end of Tesco's brand dominance in the future.

Hence, the need for comparison with a relatively successful and large retail organisation is needed in order to justify the challenges the retail sector is facing in the reward and performance management world, this would enable one to evaluate the situation more and leads me to the discussion of reward and performance management in Waitrose supermarket in the subsequent paragraphs.

PERFORMANCE AND REWARD MANAGEMENT IN WAITROSE

Waitrose is a relatively big supermarket in the UK; it has 221 branches across the United Kingdom. Waitrose creates some act of uniqueness for itself from competitors by offering high quality food and emphasising good customer services which is fundamental for the success of any organisation.

However, for the organisation to attain the required level of customer services offered, they strategized by making cultivating the culture of making all its employees a co-partner which is very welcoming from the view of any employees as this gives them sense of belonging in the business running, partners get certain benefits called partnership bonus which is around 10-20% of a partner's annual income and it is paid in a monetary value sometimes in the year, discount cards are issued after 3 months of service which entitles them to 15% discount in Waitrose and 25% in John Lewis departmental store as to rewards for their efforts towards the success of the organisation, this sound like a good initiative to reward the employees for their good and hard work.

There is a focus to train new partners for customer services skills, health and safety, fresh food handling and fire safety, partners are trained to drop whatever they could be doing(within reasoning) upon the request of the customer and lead customers to the product , so this shows the extent at which customers are being taken to be their priority.

In 2005, there was an introduction of performance management scheme called “ Mystery Shopper” which scores its branches on the service they provide considering the presentation, service on the shop floor by the

employees ranging from the service counters, checkouts, wine, grocery departments and general assistants, this initiative is believed to help keep level of performance of each partner on top but it is left to be known if it is a motivator for good performance or trick for the organisation to succeed

In 2008 Waitrose introduced training for its partners with a new program called 'fresh on service' which aims to lift core service standards and continue to make the business stand out from its competitors by training partners to be more confident on their job to deliver great service by inspiring among other things an attitude to believe things can be done.

(www.johnlewispartnership.co.uk)

At this point, it can be deduced that Waitrose tries its best to attain the best performance level with range of offers and trainings they give to the partners of the business, additionally they train people to be managers, and where school leavers are being trained to become section managers within a period of few years, then they also offer a graduate scheme that groom people achieving high managerial posts within some few years.

The last few paragraphs evidently shows how Waitrose rewards its co-partners in order to achieve its set goals but the argument is that, does these rewards and benefits given to the partners motivate and spur them all to put in a better performance on their jobs, is money a good key to motivate them or is everyone motivated with tangible things?

This leads me to highlight the challenges faced by Waitrose in Respect of Performance and Reward Management.

- Inability to manage performance
- Non-existence of Individual/Team Reward
- Too focused on customer satisfaction