

Feedback that fuels **success**TM
Whitepaper



General Manager Scores on 360° Leadership Navigator® Linked to Store Sales at a Nationwide Retailer

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Today's retail managers begin and end their long workdays facing a multitude of job responsibilities. Delegating tasks, moving inventory, helping customers, and implementing sales promotions are just some of the duties facing these front-line leaders. The performance of the store or outlet often rests squarely on the retail manager's shoulders. With often-thin profit margins and stiff competition, a leader in this setting needs to do many things well.

Assessing managerial performance in retail settings appears simple at first — most retailers collect data such as turnover, absenteeism, measures of the success of specific sales initiatives, revenue comparisons based on the previous year's sales or sales-per-square-foot, customer service surveys, and comparisons to the competition. As such statistics are generally not available for most corporate or professional roles, the retail manager (AKA store manager, general manager, department head, assistant store manager, etc.) job is uniquely suited for in-depth analysis and reflection. To be sure, most retail organizations review these figures intensively and use them to plan strategies and activities for the upcoming year as well as to promote or remove specific leaders.

Nonetheless, it is quite difficult for today's leaders to know **HOW** to improve. For example, if a retail manager's revenue is down and staff turnover is up, how does she know that it's due to her lack of communication skills and poor training of customer service representatives? She is not likely to be aware of these deficiencies unless she has received specific feedback about these behaviors.

Many retail organizations have adopted 360-degree feedback to address this issue. In a 360-

degree feedback program, a leader's direct reports, peers, and boss complete a survey containing questions about the leader's behavior and performance at work. The manager also completes the same survey and rates his/her own work behavior. Ratings are averaged and compiled into a written feedback report. Ideally, the leader is then coached through this report to gain complete understanding of his/her strengths and development needs as perceived by colleagues. In collaboration with the coach – and often their boss – the leader makes specific plans to improve their skills and behaviors at work.

WHAT DOES THIS FEEDBACK TELL US?

To what extent does a retail manager's day-to-day behavior — as reflected in their 360-degree feedback ratings — affect valued outcomes used by retail organizations to judge performance? To address this question, 3D Group's Research Team sought to discover how 360-degree survey ratings relate to "hard" criteria such as sales and other established indicators of retail performance.

Through the statistical analysis of data from a 360-degree feedback process, one may determine if important skills and competencies are related to positive business outcomes. For example, Reiter-Palmon and Haley (2002) found differences in 360 ratings for managers who quit the organization and those who stayed. Specifically, managers with significantly lower ratings of their skills on four of the five dimensions rated on a 360-degree feedback survey were more likely to leave the organization than managers with high ratings. Moreover, the managers who quit had a greater difference between their ratings of themselves and those provided by their colleagues

compared to those who stayed. In this way, data collected in a 360-degree feedback process were indicative of a traditionally important outcome — turnover.

Our study involved 65 retail managers (holding the job title of “General Manager”) employed by a large chain of discount stores across North America. The administration of the program was typical of many 360-degree feedback programs. Leaders were initially notified to identify a list of colleagues who were most familiar with their work behavior. This list was then reviewed, edited, and approved by the Regional Manager. Each manager’s boss, peers, and direct reports such as assistant managers and shift supervisors completed surveys, as did the retail managers themselves. Surveys were distributed on paper, and completion on the Internet was an option as well. Once data from these sources were compiled, reports were shipped to each manager, and many participated in one-on-one coaching sessions to process results and plan for skill development.

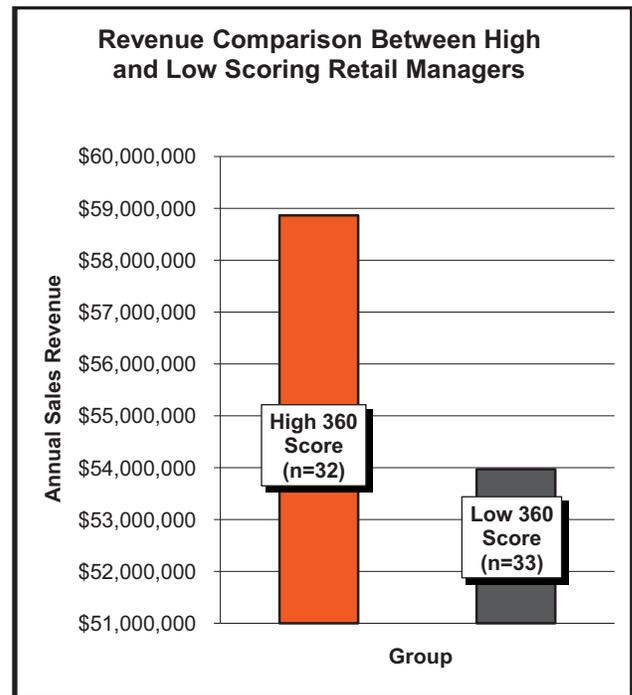
In this particular organization, the 360-degree feedback program was implemented strictly for leadership development and coaching, with no direct links to pay increases, promotion/demotion, or other administrative decisions.

Two measures of sales success were assessed in order to judge the relationship between 360 ratings and financial success: sales-to-target and overall sales. Sales-to-target is the percentage of sales, over or under the planned sales goal, made by a retail outlet. For example, if the goal for a store was to generate \$100,000 in sales in a given quarter and it actually sold \$110,000 in merchandise and services, its’ sales-to-target

figure was 10%. The other measure of sales success was simply overall sales/revenue for the store for that quarter. Data were available for both measures for all four quarters of one fiscal year. In order to further explore the data, sales-to-target figures were added across all four quarters for an overall figure; the same was done for quarterly sales in order to detail sales for the entire fiscal year.

ARE 360 SCORES LINKED TO SALES?

The first comparison was based on overall 360 ratings. All 65 managers were ranked from highest overall ratings to lowest. The group was then divided in half, and average store revenue was compared between the two groups. Results were striking. As displayed in the chart at the upper right, retail managers in the high scoring group realized average revenue of \$58,866,976 for the fiscal year. In contrast, those in the bottom half of average feedback ratings generated an average of \$53,968,716 — nearly a **\$5 million difference!**



The two groups were then compared on the sales-to-target figure. Again we found dramatic differences between high scorers and those in the lower half of average ratings. Overall, sales across the organization did not reach expectations, mostly due to the economic downturn at the end of 2000. However, highly rated leaders averaged just -4% on the fiscal year sales-to-target figure, meaning they came quite close to reaching their goal despite the poor economy. The lower-rated leaders averaged -20%, meaning that they missed their sales targets by an average of 20% below the goal, exacerbating the effect of economic trends on their company. Further analysis indicated that the difference between low- and high-scoring participants on this outcome was statistically significant ($t = 2.11, p < .05$).

Clearly, the skills and behaviors assessed in the 360-degree feedback process have top-line impact on store performance. Specifically, leaders who coach and delegate effectively, communicate properly, ensure the team is functioning well, and overall, truly “lead” their stores realize a payoff of more annual revenue.

WHY DID THESE METRICS RELATE TO ONE ANOTHER?

Leaders in field settings like retail managers, sales directors, and plant managers have one notable experience in common with office-based leaders: a “feedback poor” work environment. As discussed previously, it’s tough for retail managers to know how their leadership techniques, communication style, delegation, coaching, and other important behaviors affect business outcomes. In most cases, store employees are not proactively avoiding the communication of this feedback to their manager. Rather, it appears that people

are naturally inclined to NOT provide feedback — and being thoughtful, organized, and structured about it is not really programmed into our DNA! Nonetheless, it has been established by 100 years of extensive research — and recognized by anyone who’s ever worked in retail — that the effective leadership of the retail manager is critical to the sustained financial success of the store.

Retail managers need to do many things well, and store employees possess a rich multitude of information about how well their boss is doing. Unlike many corporate leadership roles, there are ample opportunities to observe the retail manager in action. Moreover, there are a variety of other reasons why retail settings are particularly well-suited to 360-degree feedback:

- A retail manager may be responsible for as many as 50 direct reports in larger outlets, representing a uniquely large span of control.
- In a typical retail environment, leaders engage in a great deal of delegation and coaching — two highly impactful leadership behaviors.
- Everyday customer service issues are the most critical problems in a store environment; how they are handled is easily observed and judged by others.
- Most retail outlets reflect a diverse employee pool and managers have ample opportunity to orient, train, and coach new employees.

Overall, most retail leaders are not getting an adequate amount of feedback in their jobs. Luckily, however, the primary ingredients for a successful performance feedback process are

present in nearly all real-time customer service environments.

THE LEADERSHIP NAVIGATOR FOR RETAIL MANAGERS

The 360-degree feedback process utilized in this case study was 3D Group's Leadership Navigator for Retail Managers, a tool specifically designed for managers in real-time customer service environments. Through in-depth construction of the survey content — together with a convenient administrative process — retail managers can now receive the in-depth feedback critical to store success.

To ensure that retail managers received the most relevant feedback possible, survey content was carefully developed based on an analysis of the critical duties and tasks facing a typical retail manager. This analysis included interviews and focus groups with current retail managers. In addition, previous analyses of the store leader role in a variety of retail organizations were reviewed. The resulting survey contains 50 items measuring eight core workplace competencies:

- **Retail Focus**—Displaying knowledge of the store's products, competition, customers, and strategy.
- **Coaching & Developing**—Teaching relevant product knowledge, providing feedback, and developing the skills of store employees.
- **Inclusiveness**—Valuing diversity, considering the opinions of others, and

fostering an inclusive work environment in the store.

- **Integrity**—Behaving in an ethical manner, not playing favorites, and being upfront about feelings.
- **Results Driven**—Scheduling employees, planning work, solving problems in the store, and ensuring completion of relevant daily tasks and activities.
- **Retail Customer Orientation**—Ensuring quality and attentive service to customers.
- **Store Teamwork**—Ensuring store employees have clear expectations, proper resources to do their jobs, and are working well together.
- **Communication Skills**—Speaking clearly, sharing information, listening attentively, and using appropriate language for situations that occur in the store.

Overall, the in-depth content of the survey and report provides a retail manager with comprehensive information about his or her performance, allowing for the leverage and enhancement of strengths and detailed action planning for improvement of weaker skills.

Retail organizations cannot make the most impactful enhancements to their front-line leadership strength without seeing the whole picture of a leader's performance. Together with standard financial metrics, timely feedback on critical leadership skills helps managers focus on the things they need to do to increase sales and retain staff.

10 Ways to Make 360° Feedback Successful in Retail Environments

Retail organizations face a variety of options for implementing 360-degree feedback in their stores. 3D Group has critically evaluated each step of the 360-degree feedback process and collected best practices from some of the largest retailers in the world. The program features and processes described below invariably lead to a more successful 360 process:

- 1. Discuss the program with stakeholders as soon as possible — and stick to your story.** Leaders participating in 360-degree feedback don't like it to be "sprung" on them. Discuss expectations and goals for your program, and maintain a consistent message.
- 2. Ensure your survey questions are relevant.** Carefully analyze the roles and responsibilities of your retail managers or use a standardized survey created especially for that role.
- 3. Make it easy to do.** The Internet is a convenient method of collecting survey ratings. However, many retail employees don't have access to a computer. Provide paper surveys as an option; don't assume access or familiarity with online tools.
- 4. Choose the right time.** Your annual retail sales cycle will indicate the most convenient time to implement 360-degree feedback. Choose a timeframe when floor traffic is comparatively low (i.e., not December!).
- 5. Choose the right raters.** Longtime direct reports (those who've worked for the leader for at least one year) provide the most accurate feedback. Internal partners often can as well, but colleagues who don't actually observe work behavior very often should not complete a survey.
- 6. Provide realistic deadlines.** Give store associates time to complete surveys, and provide timely reminders to complete them. Three weeks is a typical timeframe for filling out surveys.
- 7. Use it for development — and take development seriously.** Focus your store leaders on the development or performance improvement aspects of the process and communicate the connection between skill enhancement and the success of the store.
- 8. Follow-up with your retail managers.** The most important aspect of 360-degree feedback is how you use it. Ensure that store leaders process their feedback, provide a mechanism for discussion of results (e.g., coaching sessions at the leader's convenience), and emphasize planning for improvement.
- 9. Describe provisions for anonymity and confidentiality.** Employees should be assured — often — that they will not be identified in the manager's feedback report or linked to any specific ratings or comments. When colleagues provide honest responses to survey questions, the retail manager's feedback report is more accurate.
- 10. Show store employees what you did with the results.** Let your retail workforce know that their participation matters and that the surveys they completed are taken seriously. Use your regular communication channels to describe coaching sessions, training events, and performance planning — show how relevant 360-degree feedback is to the success of their leaders