






Getting to Great:

Mapping Management Practices that Drive Great Store Performance


A Study Conducted for the Coca-Cola Retailing Research Council of North America by FranklinCovey

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Study Overview

Why do seemingly similar stores — same size and format, same type of market, same competitive environment — produce such different results? The Coca-Cola Retailing Research Council's inquiry into great store-level performance began with this question.

"Great managers" is often the first answer suggested, followed by the suggestion that hiring is the key. It is true that some people are born leaders, and it is true that careful selection is important. But it is also true this is not a perfect world, and natural-born leaders are rare; most individuals in store management possess a mixture of leadership skills, with some strengths and some weaknesses. So instead of focusing on who they are, this report focuses on what they do.

Are there practices common to Great Performers that can be used by any management team to improve a store's performance? We enlisted FranklinCovey Company to help us find out and they did.

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To study Great Performers, we had to identify who they were. Phase I of the study began with 18-month financial data on 115 stores. Comparing their high, medium, or low rankings based on financial results with accepted measures of high store-level execution produced mixed results. This echoed the original question: seemingly similar stores produced some very different execution results. What else was at work?

Comparing stores' actual financial results with their market potential turned out to be so useful that we recommend companies and chains incorporate this measure. It distinguishes the effect of store-level management from the "strategic hand" a store is dealt and confirms that financial results alone are an inadequate description of store-level performance. Some "high financial results" stores actually underachieve relative to market potential, while some ranked medium and low by the numbers overachieve relative to market potential.

In-depth data on customer loyalty, and employee loyalty and engagement, was developed for a subset of 30 stores during Phase II of the study. By mapping this data with financial results relative to market potential, along with actual financial results, we were able to identify a set of truly outstanding stores.

Great Performers stood out on every measure. Not only did they produce high financial results, they overachieved relative to market potential. They generated intense customer loyalty. And they inspired strong employee commitment and engagement. True customer loyalty and employee loyalty were so strongly associated with great performance that we also recommend that a focus on all three outcomes — financials, customer loyalty, and employee loyalty — is most likely to maximize a store's financial performance.

Great Performers shared four truly differentiating management practices, which are described in Part Three. They are based on behaviors, not on personal leadership qualities (although this is always an advantage). Taken together they constitute a management process that can be used to get everyone in the store pulling in the same direction toward the same goals. Used consistently, they are capable of improving performance across all parts of a store's operation. Finally, implementing them can improve the performance of any store, no matter where it presently ranks in relation to "greatness."

To our knowledge, this is the most comprehensive study ever undertaken on the topic of great store-level performance. The quest turned into a year-long search during which FranklinCovey surveyed and/or interviewed more than 11,000 individuals, including store managers, department managers, front-line associates, and customers — in person, online, and over the phone. The findings should help any store — regardless of its current performance level — improve its performance.

Study Procedures

Phase I: Gathered and analyzed data from a broad cross-section of stores within the grocery industry to establish criteria for selecting the best candidates for more detailed, in-depth analysis.

- Established a panel of 141 stores representing 12 banners and 9 chains, along with a representative cross-section of stores achieving "high," "medium," or "low" actual financial performance for each given store model.
- Verified the completeness of financial data received and each chain's high, medium, or low financial performance classification.
- Acquired econometric model data to consider the actual financial performance of stores relative to their predicted market potential.
- Evaluated survey data from more than 10,000 store employees in 141 stores regarding execution factors and practices, as well as employee engagement.
- Screened sample to arrive at 115 stores whose data was complete.
- Established criteria for a subset of stores for field visits and in-depth personal interviews.

Phase II: Selected a representative cross-section of stores, conducting a large number of detailed in-store interviews and gathering additional data from both customers and employees.

- Visited a representative cross-section of 37 stores, interviewing more than 150 store and department managers about management practices.
- Deepened the analysis of these stores' financial performance relative to their predicted potential, and calculated the percentage of total variability in actual financial performance that could be explained by the "strategic" (nonoperating) factors of site quality, store model, and competition.
- Surveyed 4,432 customers of 30 stores to assess their loyalty to the target store compared to their loyalty to competitive stores.
- Surveyed more than 1,700 employees in 30 stores to assess the extent of their loyalty.

Phase III: Classified stores based on the differing "outcomes" achieved by the stores in the above analyses.

- Classified Phase II stores into performance categories according to their financial performance relative to potential; the loyalty of their customers; and the loyalty and engagement of their employees. We grouped stores into four performance categories: Great Performers, Surface Performers, Average Performers, and Underperformers.
- Identified the truly differentiating management practices present in Great Performers that were either absent, or present to a much lower degree, in stores achieving lower levels of performance.

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Part 1
What is great performance?

What is great performance?

To arrive at a definition of great store-level performance, the study explored, in depth, the variations in store performance related to three traits: financial results, customer loyalty, and employee loyalty.

Great Performers overachieve relative to market potential

The study began with participating companies and chains supplying 18-month financial data on 115 stores. In addition to the data, the companies supplied their internal rankings of the stores as high, medium, or low based on those numbers. We knew that store-level execution had a lot to do with financial performance, so we developed execution data on these stores. As expected, the relationship was not a perfect match. Fully 15% of the stores exhibited high financial results but low execution scores; most of these were serving very large markets with relatively low competitive intensity. Another 15% exhibited high execution scores but medium or low financial results; most of these served small, intensely competitive markets.

Market potential clearly deserved investigation as a criterion for defining great performance, because the "strategic hand" dealt to a store has a lot to do with how well that store delivers results. Strategic factors can't be controlled at the store level, but they have a significant impact on a store's potential sales. How many people live within 3 miles, whether the store is located on a main road, the competitive landscape—these and similar factors place general boundaries around stores' market potential.

To distinguish the impact of store-level execution—what people *do* with the strategic hand they are dealt—we compared actual financial results with each store's market potential. The model utilized to predict market potential[1] was based on the following strategic factors:

- site strength: visibility, road access, location
- store-specific factors: size, model, format, chain banner pull, store age, renovation investment
- customer potential: the number, size, density, and demographics of households in its trade area
- competitive intensity: the number, type, proximity, and banner strength of competitors

Strategy improves the odds of success, but performance determines the outcome. Southwest Airlines' initial strategic choice to pursue domestic, regional, point-to-point travel vs. a hub-and-spoke strategy, and to do so with a low-cost business model, contributed significantly to the company's success. But more than 20 other startup airlines attempted a similar strategy and failed; so did the major airlines that tried it. Southwest succeeded because of its on-the-ground, day-to-day, hour-to-hour performance. Management consistently measured and managed everything. Performance determined the outcome.

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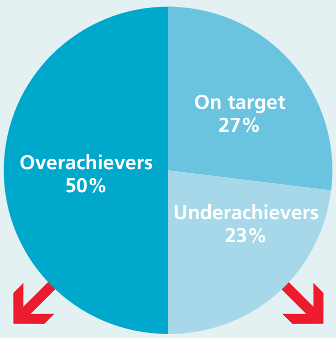
[1] *Market potential data and predicted weekly store sales volumes were sourced from Spectra Marketing, Inc., based on its Trade Area Model. This model is widely used in the retail grocery industry for site selection and competitor intensity.*

We found that approximately half the stores in the sample overachieved relative to their defined market potential, and approximately 23% underachieved relative to their market potential, as shown below.

ACTUAL FINANCIAL PERFORMANCE COMPARED TO MARKET POTENTIAL



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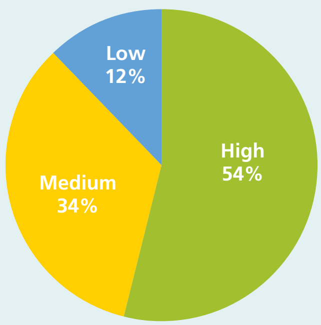
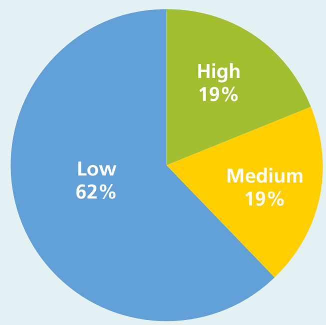
OVERACHIEVERS BY FINANCIAL CLASS



UNDERACHIEVERS BY FINANCIAL CLASS



When we mapped stores that overachieved and underachieved relative to market potential against the financial rankings assigned by senior management, two distinct groups of "high" ranking stores emerged:

- those who produced high numbers *plus* overachieved in sales relative to market potential (54% of overachievers)
- those who produced high numbers but underachieved relative to market potential (19% of underperformers)

Going "strictly by the numbers," the two groups appear to be identical, but the analysis identified significance differences in performance.

Other mismatches emerged as well.

- High store-level execution was exhibited by many stores with lower financial rankings—46% of those who overachieved relative to market potential were classified as "medium" or "low" profit producers by their companies.
- Of those who underachieved relative to market potential, nearly 40% were ranked "high" and "medium" financial performers by their companies.

The analysis indicates that the biggest profits don't always describe the best performance. Also, stores whose numbers may be constrained by strategic factors can actually be executing very well against their strategic hand.

It appears that a strong set of strategic variables can mask lesser store-level performance, particularly with some high-profit stores. Store X, for example — in a top location in a great trade area with a superior store model and relatively weaker competition — might achieve high sales and profitability yet be underachieving relative to its market potential. Store X isn't executing well on the strategic hand it's been dealt, even though the numbers look good on the surface. On the other hand, Store Y — located in a more difficult market or competitive situation — may generate lower numbers but actually be overachieving relative to its market potential. Store Y's performance against its strategic hand is better.

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Great Performers generate intense customer loyalty and strong employee commitment

What's love got to do with numbers? A lot, it seems. Again and again, customers of great-performing stores talked about helpful and friendly employees when interviewed. They also talked about things that were the result of employees who care—cleanliness, no waiting, items on the shelf. And our research shows that intensely loyal customers are rarely found in stores without strongly committed employees.

Intensely loyal customers are extremely valuable. Bain & Company has identified their the four key behaviors as

- high repurchase rates: they continue to buy from you
- high referral rates: they refer others to you
- a propensity to expand the basket of things they purchase from you
- a willingness to invest some of their time to help you succeed (in surveys, etc.)

Our interviews with store management indicated that they are acutely aware of the importance of customer loyalty—nearly all of them declared customer service a primary area of focus—but few had reliable data with which to measure the success of their efforts. Only a very limited number of managers seemed to fully grasp the significance of employee loyalty and engagement to the equation. And even those who mentioned how important employees were to performance rarely had data that provided meaningful help.

To measure customer and employee loyalty, a representative sample of 30 stores was selected from the original set of 115 for detailed study through interviews and surveys. Bain & Company's well-established methodology for measuring the intensity of loyalty[2] was employed. It divides respondents into three categories:

Promoters. These customers love doing business with the store and they will openly recommend it to others they care about—80% to 90% of positive comments come from promoters. Employees of the store who are promoters love working in the store and would recommend jobs there to friends.

Passives. These customers are "satisfied," but passively so. They like the store, but not enough to openly refer it to others. Likewise for employees.

Detractors. These are the ones that hurt you. They are responsible for 80% of the negative word of mouth. Detractors suck the life out of a business, they de-motivate employees, and they openly criticize and diminish a store's reputation.

Net Promoter Scores for each store are calculated by subtracting the percentage of detractors from the percentage of promoters. Passives are excluded from the calculation. The scores show the net percentage of people who love you more than dislike you.

[2] *Bain & Company is a global consulting organization whose "Net Promoter Score" loyalty methodology was developed under the guidance and leadership of Fred Reichheld, Bain Fellow and director emeritus, and founder of Bain's Loyalty Practice.*

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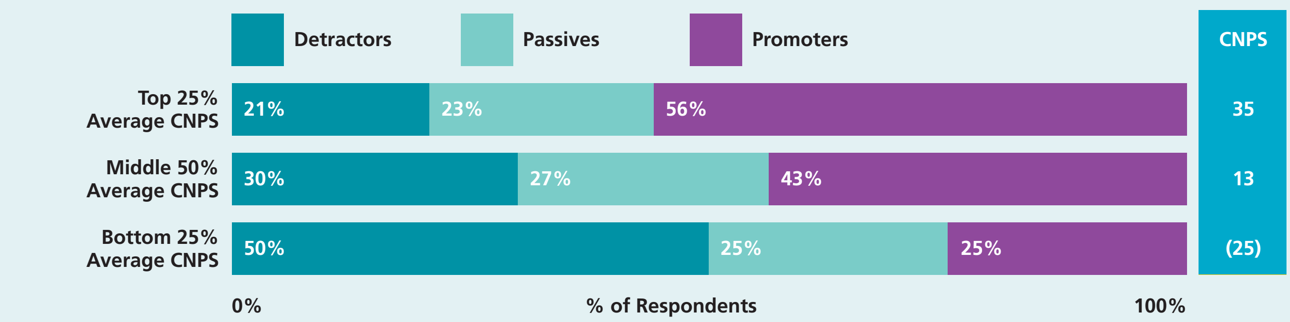
Customer loyalty

We found that while most stores emphasized the importance of customer satisfaction, there was tremendous variability in the extent to which they achieved true loyalty. Customer loyalty scores are based on the responses of 4,432 randomly selected shoppers, 150 in each of the ZIP Codes of our 30 target stores.

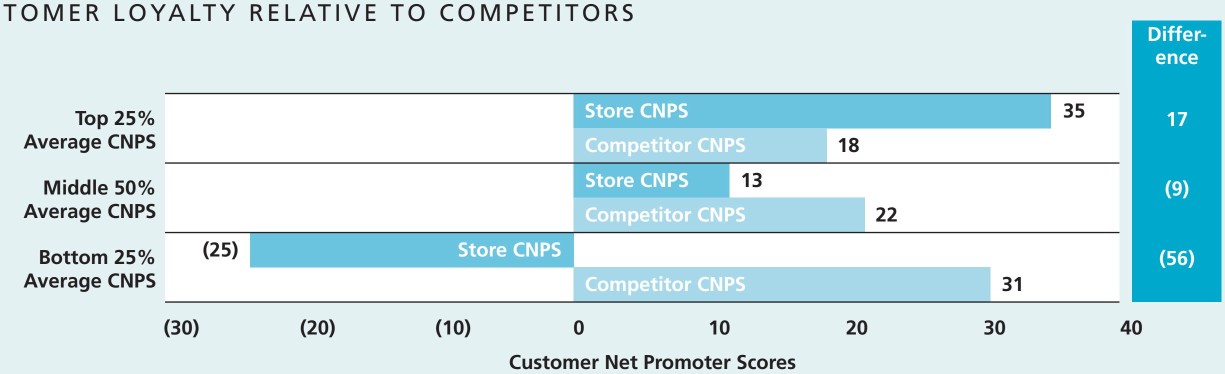
The stores scoring in the top 25% had more than twice as many customer promoters as detractors, with average Customer Net Promoter Scores (CNPS) of 35. Stores scoring in the middle 50% averaged CNPS of only 13. The bottom 25% had twice as many detractors as promoters, with average CNPS of -25.

VARIATIONS IN CUSTOMER NET PROMOTER SCORES (CNPS)



Comparing stores' own customer loyalty scores to their best competitor shows how the top performers clearly win in their marketplace. On average, the top 25% of stores outscored their best competitor by 17 points; the middle 50% trailed the competition by 9 points; and the bottom 25% lagged behind their competition by 56 points.

CUSTOMER LOYALTY RELATIVE TO COMPETITORS

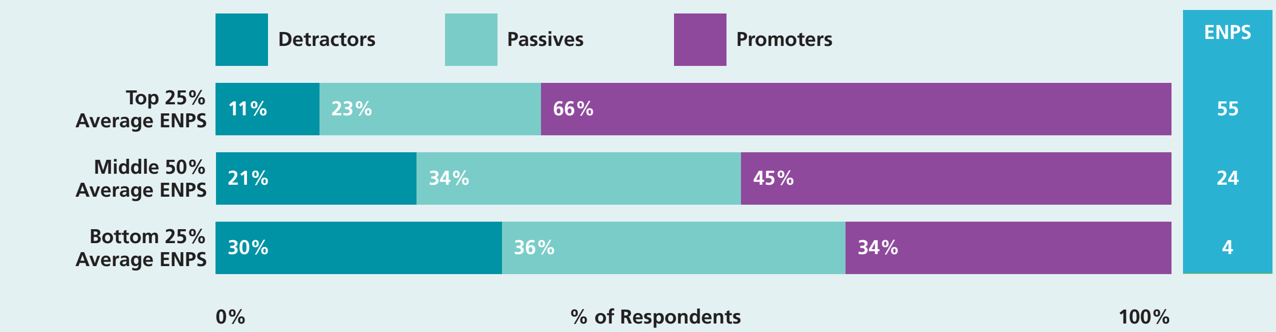


Employee loyalty and engagement

Our research also showed tremendous variability in the extent to which stores achieved employee loyalty and engagement. Employee loyalty data was collected from more than 1,700 employees in 30 targeted stores, and execution practices and employee engagement data from more than 2,700 employees.

As shown below, on employee loyalty measures the top-scoring 25% of stores averaged 6 times as many employee promoters as detractors. The middle 50% averaged slightly more than twice as many promoters as detractors. The bottom 25% averaged nearly as many detractors as promoters.

VARIATIONS IN EMPLOYEE NET PROMOTER SCORES (ENPS)



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While collecting the data on employee loyalty indicated above, the researchers also observed palpable differences in the enthusiasm, commitment, and engagement levels of employees and department managers. To map the relationship between loyalty scores and "employment engagement," we collected additional data[3] from more than 55% of the employees in the 30 stores. High or low scores on the following employment engagement behaviors strongly correlated with high or low employee loyalty scores.

ENGAGEMENT BEHAVIORS: DIFFERENCES BETWEEN HIGHEST AND LOWEST EMPLOYEE LOYALTY SCORES

[3] *FranklinCovey's Execution Quotient xQ Survey was utilized to gather execution and engagement data for this study.*

Employees in "high" loyalty stores experience a culture much different than that experienced by their counterparts in "low" loyalty stores. The "high" loyalty stores are almost twice as likely to have supportive cultures that foster open communication, creative dialogue, and win-win interactions. In these engaging cultures, employees know that their efforts contribute to the success of their team and store, and that their contributions are recognized and rewarded.

The different experiences showed up clearly during employee interviews.

From high-loyalty stores

- "The single most important reason this is a great place to work is how management handles themselves."
- "Treat people well, the way you want to be treated. I depend on the 67 people on my staff so why would I want to make them miserable?"
- "The friendly and respectful attitude management and associates show toward each other as they work together. The enjoyment and pride you feel in making a difference to customers. And they tell you so."

From low-loyalty stores

- "Managers spend too much time telling us what to do instead of helping us out and achieving the goals. They are on a power trip a lot of the time!"
- "People are not treated the same. It is no longer what you do for the company, but who you know."
- "Management ignores the wellbeing of their associates. Numbers are far more important to them than the fact that those numbers are being generated by human beings."

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Defining great performance

Below, the 30 stores studied in depth are mapped against four factors: actual financial performance, financial performance relative to market potential, customer loyalty, and employee loyalty. The results support a way of defining great store performance that extends well beyond the traditional bottom line.

Great Performers—the best of the best—stand out against every measure. They produced

- high actual financial performance
- extremely high sales relative to market potential
- high customer loyalty scores, and higher than their competitors
- high employee loyalty scores

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"GREATNESS" CLASSIFICATION MATRIX

	Chain Actual Financial Rating And EBITDA %	Performance Classification Factors			
		% Over (Under) Market Potential	Customer Net Promoter Scores (CNPS)	CNPS Over (Under) Best Competitor	Employee Net Promoter Scores (ENPS)
Great Performers	H—14%	38%	23	8	30
Surface Performers	H—15%	15%	(5)	(17)	15
Average Performers	M—11%	17%	13	(30)	30
Underperformers	L—10%	(22)%	(39)	(67)	(6)

The rest—the lesser performers—exhibited distinctly mixed performance.

Surface Performers looked good on paper. Based strictly on financial results, they ranked high. But performance against market potential was no better than Average Performers, and they scored poorly on customer and employee loyalty measures. On average, Surface Performers produced

- high actual financial performance
- above market potential sales, but by less than half as much as Great Performers
- low customer loyalty scores, and much lower than competitors
- medium employee loyalty scores

Average Performers produced mixed outcomes on several factors. On average, they produced

- medium actual financial performance
- overachieved market potential by half as much as Great Performers, on average
- high employee loyalty scores, but beaten soundly by their competitors on customer loyalty scores

Underperformers did poorly on all measures.

The existence of Surface Performers supports the conclusion that financial results alone provide an inadequate measure of performance.

Significant differences by factor

Our purpose was to identify the truly outstanding performers so that we could find out what they did that was different from lesser performers; nevertheless, some of the differences lesser performers exhibited were intriguing when looked at factor by factor. The charts below show the differences between Great Performers, Surface Performers, Average Performers, and Underperformers with regard to each of the factors in the table.

Great Performers exceed their market potential

Great Performers' sales exceeded market potential by an average of 38%. Surface Performers (at 15%) and Average Performers (at 17%) exceeded market potential, but by significantly less than Great Performers. Underperformers operated at 22% below their market potential.

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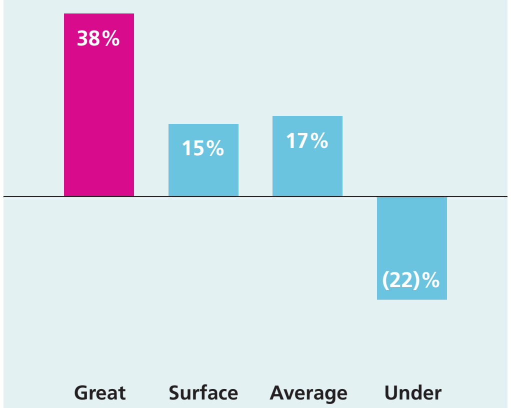
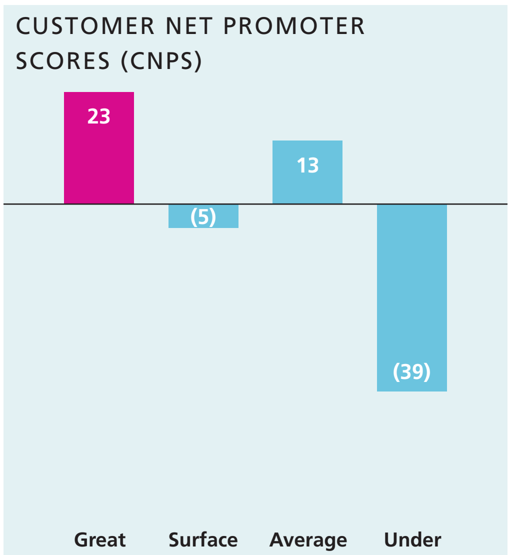
FINANCIAL RESULTS OVER (UNDER) MARKET POTENTIAL

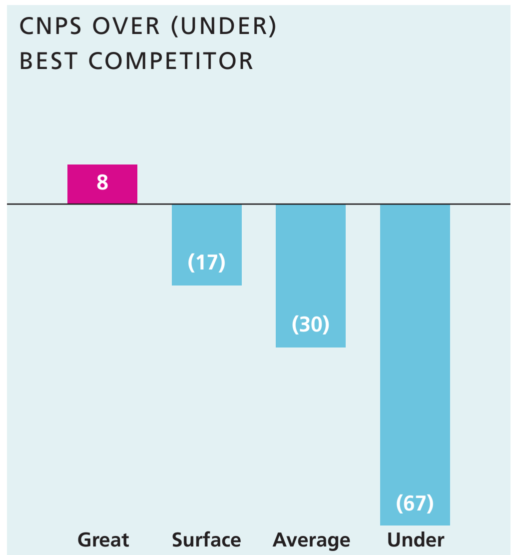


Great Performers generate intense customer loyalty

On customer loyalty measures, Great Performers led with CNPS of 23. Surface Performers (at negative 5) did more poorly than Average Performers, who scored 13. Underperformers trailed by a large margin.

A comparison of customer loyalty to the nearest competitor is an extremely significant measure. Great Performers beat their competitors by 8 points, Surface Performers trailed theirs by 17 points. Average Performers lagged behind by 30 points, and Underperformers by 67 points.





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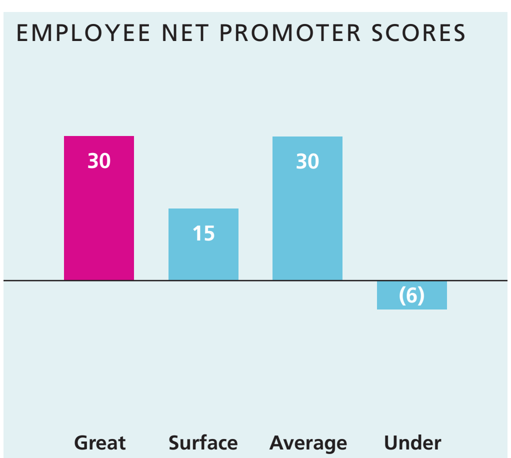
Great Performers produce strong employee loyalty and commitment

Employee loyalty scores show an interesting mix. Great and Average Performers showed the same relatively high score of 30. Surface Performers scored only half that, while Underperformers scored a negative 6. It may be that employees of Average Performers like their jobs just fine, but their job satisfaction doesn't translate into increased customer loyalty. Our research has found that happy employees don't necessarily produce high customer loyalty—but passionately loyal customers like those generated by Great Performers are rarely found in stores with low employee commitment and engagement.



Conclusions and implications

Getting to great performance requires a shift in perspective that expands the scope of typically used benchmarks.

From	To
Actual financial performance	Performance relative to market potential
Customer satisfaction	True customer loyalty
Employee satisfaction	True employee loyalty and engagement

Market potential proves to be a valuable measuring tool. It clearly distinguishes the superior execution achieved by Great Performers compared to Surface Performers. It also clearly reveals superior performance achieved by stores classified as medium and low strictly by the numbers.

→ **Companies and chains should consider incorporating market potential comparisons into their evaluations of store performance.**

A specific constellation of three characteristics can be expected to show up wherever great store-level performance is found. They work together synergistically in great-performing stores:

- High sales relative to market potential
- Intense customer loyalty
- Strong employee commitment and loyalty

→ **Company leadership that includes a focus on all three outcomes is most likely to maximize a store's financial performance. Companies, stores, and chains should consider putting more emphasis on building strong customer and employee loyalty.**

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Part 2
Manager mindsets: a store-level view

Manager mindsets: a store-level view

As we gathered in-depth data on loyalty, management, and execution practices inside 30 supermarkets, it was impossible not to observe the impact of store managers on performance. The approach and tone demonstrated by store managers were nearly always adopted by store employees—from department managers to baggers—and the noticeable differences in interactions between managers, employees, and customers could nearly always be traced back to that one source. The mindset of managers in great-performing stores differed distinctly from the approach taken by managers of lesser performers. To illustrate the point, we report a story about a manager who made a substantial difference in his store's performance by changing his mindset.

Getting to great: Luke Dawson's experience

When Luke Dawson was transferred to store number 449, he was eager to make a difference as a new manager. The store was one of the lowest-performing stores in his large grocery chain.

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Welcomed by a parking lot full of shopping carts and trash, he soon dreaded going into work each day. He spent his time telling his people how to do their jobs and stocking shelves and culling vegetables when they didn't follow through on his instructions. Consequently, he had little time to walk the store and focus on more strategic issues.

Every day seemed discouraging, even overwhelming for him—and for his people. Luke felt like he had never worked so hard. He decided that to get anything done right, he'd have to do it himself. He started stocking freezers, loading boxes in the back room, sorting through shelves, and stocking displays. He felt trapped in a desperate situation—one he thought he couldn't change. Despite his best efforts, Luke began to feel he was climbing up a down escalator, hardly making headway. A year later, nothing had changed. The store was still underperforming. Financial performance had tanked and repeat customers decreased. Not surprisingly, employee turnover had increased. He felt he was biding his time until his next transfer.

Then Luke realized it was time to try something different. To change his results, he'd have to change his behavior. He decided it was not about getting his people to do more, *but about helping them focus on what was* important.

In Luke's next management meeting, his employees saw a poster on the wall, "Increase sales by 10%." Luke said, "The company needs us to increase sales by 10%. If that doesn't happen, a whole lot of other things might not happen—like our jobs and our raises. How are we going to do it? What are the vital few things we can do? In fact, what's the one most important thing we can do this year that will help us meet that goal?"

Everyone stared at Luke. Surely he *knew the answer. Then, slowly, employees started to give ideas. The team created scoreboards and posted them for motivation.*

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It was hard at first. Even though employees had created their own measures, it sometimes didn't seem to make a difference. One day Yolanda commented that her scoreboard read 0. "Yolanda, it's been at 0 for two weeks," said Luke. "What's one thing you can do this week to move that score up?" "Well, I could…get the back room cleaned out." "And how would that help?" asked Luke. "If I could clear out some stuff, it would be a lot easier for us to find back-stock so we could fill the holes in the shelf and reduce out-of-stocks."

Employees began heeding the scoreboards and talking about them. The staff started meeting around the scoreboards, committing to each other to do just a few vital things—in many cases one vital thing—to move the scores. It took many weeks, and many meetings, but gradually those scoreboards started to move.

As the team created a rhythm, a cadence of accountability to each other developed. Their attitudes changed. The store's climate was transformed, and the revenue numbers began to climb.

Months later at the company's quarterly review meeting, Luke reported on the progress of store 449. Senior executives, along with Luke's peer store managers, were astounded to learn of his progress. Anna said, "This is great news, Luke, how do you feel?" Luke replied, "I feel good. I feel great. My team is good; the store looks great. It feels better. We're successful. I was going to ask for a transfer this year. I never thought I'd say this, but if you'd like, you can keep me there at store 449. I'm fine." Anna nodded. The other executives started to applaud.

Leading the way

The best managers we observed were both leaders and coaches for their teams. They shared a common vision with employees. They were part of the team. They provided personal leadership. They harnessed employees' desires to do a good job and make valued contributions in ways that unleashed employees' potential to improve store performance. They paid attention—interacting constantly with employees and customers—and acknowledged each employee's contributions toward achieving store goals.

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Survey observations found several specific ways in which the focus and mindset of leaders at great-performing stores differed from lesser performers. The table below summarizes these differences.

GREAT PERFORMERS DO IT DIFFERENTLY

Great-performing managers focus on:	Lesser-performing managers focus on:
Unleashing potential to generate maximum level of performance.	Enforcing compliance to the minimum acceptable standards.
Encouraging each person's contribution to achieving the goal.	Making job and "to do" lists.
Helping everyone in the store make the corporate goals their own by sharing their vision and goals with their team. Working together with employees to set clear short-term goals and measures for their team.	Cascading down chain-mandated procedures and goals. Defining the goals themselves and dictating them to employees.
Working together to arrive at new and better solutions.	Imparting their own knowledge as the only idea.
Emphasizing the contribution people make to moving the numbers.	Emphasizing numbers, not people—employees notice and become disloyal.
Allowing a lot of autonomy, yet the employees know the manager has authority.	Either micromanaging to the point of showing a lack of trust or not managing enough, leaving department managers on their own.
Allowing department managers to calculate their own numbers—like forecasted sales, labor hours, and shrink—with help from peers in weekly management meetings. This ensures they all know the "how" and "why" of all their numbers.	Calculating numbers and handing them out as mandates.

Luke Dawson's story shows how big a difference a change in mindset can make to a store's performance—no matter what its starting point. The following chapter identifies four specific management practices that influence the leadership mind-set of great-performing stores.

Part 3
Four key management practices

Four key management practices

All store managers have many operational systems and processes at their disposal (some better than others), but useful management processes are few and far between. A central goal of this inquiry was to identify whether great-performing stores used practices that could be applied by others.

While collecting the data to classify store performance, we also asked more than 2,700 store employees (25% of whom were store or department managers) about 36 management behaviors generally associated with above-average performance.[4] Once the Great Performers were identified, we revisited the data. The goal was to find out if the best performers employed truly differentiating management practices—practices that were always found in great-performing stores, and typically not found at all, or to a much lesser degree, in lesser-performing stores.

Until knowledge is translated into a "this is how we do it" process, there is no institutional learning.

— Clayton Christensen
Professor, Harvard Business School

In Great Performers, managers consistently followed these four practices. They:

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1
Ensure Clarity and Commitment to Goals

2
Get Everyone to Focus on the Key Drivers

3
Implement Simple Mechanisms that Propel Goal Achievement

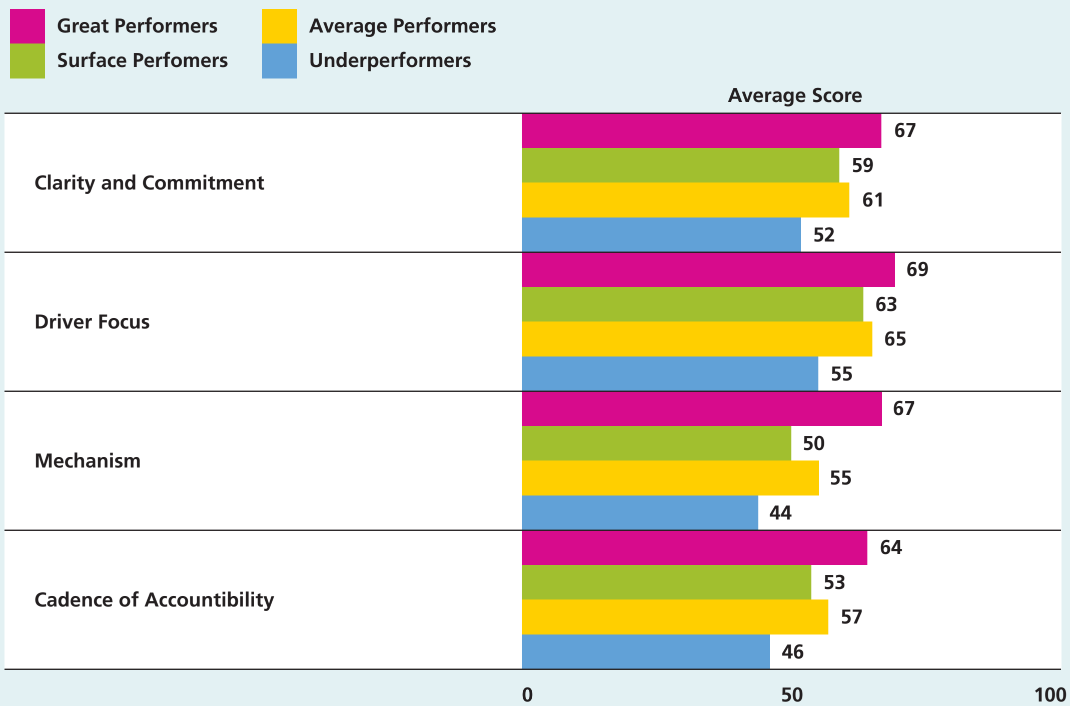
4
Establish a Constant Cadence of Accountability

Taken together, they constitute a management process that can be used to get everyone in the store pulling in the same direction toward the same goals. Used consistently, they are capable of improving performance across all parts of a store's operations. Finally, implementing them can improve the performance of any store, no matter where it presently ranks in relation to "greatness."

[4] *The 36 behaviors surveyed can be found in the appendix on page 32.*

The graph below illustrates the difference between effective implementation of these practices by Great Performers and lesser performers.

COMPARING EFFECTIVE IMPLEMENTATION OF KEY MANAGEMENT PRACTICES



In related graphs that appear for each of the four practices on the following pages, the comparison is simplified to Great Performers and Underperformers because the contrast is more significant than the degree. Great Performers outscore lesser performers across the board, regardless of their position on the continuum.

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Practice 1: Ensure clarity and commitment to goals

Great Performers make sure everybody knows the plan. *Kenny, the store director, walks the line and makes execution on the corporate 5-year plan his main task. He has real passion for the plan. It is posted in his office, in the break room, and on a board in the hall so every employee knows it is important. On the board in the hall, the current goals and measures are listed in big print under the corresponding page of the 5-year plan. Everything done in the store relates back to the framework of the key goals of the plan. All operational factors tie back to the plan. Department managers feel this is* their *store plan!*

You don't want to leave the employees to figure out the "whys."

— Supermarket Chain Executive

Lesser performers leave employees in the dark. *One store employee summed it up this way: "If there are specific goals the company has set for the associates, who do all the work, it would be nice to know! We do know we want to make sales and have happy customers, but beyond that, I have no idea what type of goals and objectives this company has."*

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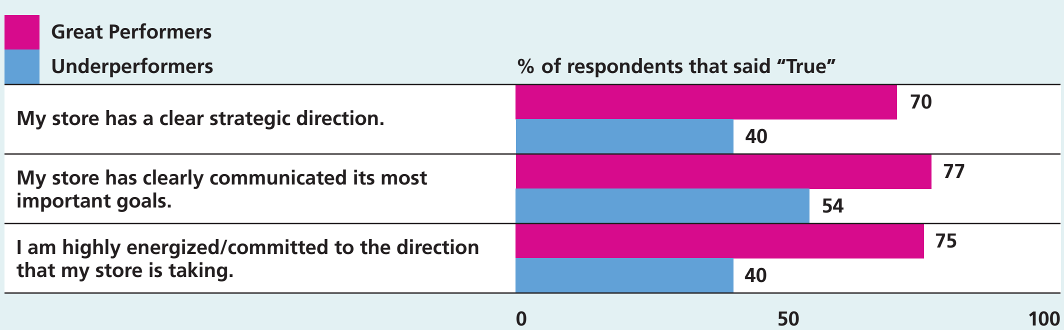
By and large, employees want to understand. In surveys and interviews, the employees of lesser performers frequently expressed frustration about lack of clarity. One commented, "I feel the goals need to be outlined and presented to the staff. I also see the need for upper management to truly embrace the goals and to live by them. More often than not the goals become the words on the wall, not the actions lived by. There is also a need to have a system that allows employees to feel the accomplishment of a completed goal." Another explained, "My supervisor…does not convey daily goals to me/us adequately, or at all. I feel my department is rudderless. It seems as if we are constantly putting out fires instead of preventing them."

The employees of Great Performers were far more likely to report that they understood and were committed to store goals. The bars on the graph below identify the percent of respondents that said "true" when asked the question at left.

CLARITY AND COMMITMENT



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How do managers of Great Performers ensure clarity and commitment to key store goals? The survey found behaviors that clearly supported implementation of this practice, and behaviors that undercut or sabotaged its execution.

GETTING TO CLARITY AND COMMITMENT

Behaviors that work:	**Behaviors that get in the way:**
Focusing on the few critically important goals of your organization. Don't change them frequently.	Setting too many goals. Changing goals too often. Setting the wrong goals.
Establishing clear measures so everyone knows whether they are winning.	Failing to define clear outcome measures (from *x* to *y* by when).
Involving the whole team in selecting store goals.	Imposing goals on the team without their input.
Consistently communicating the importance of the goals (send a regular newsletter, post goals in every department, remind employees in each team meeting).	Failing to communicate the goals regularly, clearly, and consistently. Failing to follow up and follow through.

Focus on only a few key goals

The store management teams of the best performers clearly identified a limited number of critical key goals—the ones that if you didn't achieve, nothing else would matter. The more goals there were, the fewer were achieved with excellence. One of the challenges for store management teams is the sheer number of initiatives and goals sent down from corporate, and the frequency with which they change. Consistent with corporate direction, the most successful store management teams sift through the list of priorities, identify the one or two most vital goals for improving their store's performance, and put their full focus behind them. The most successful departments focused on one significant way to improve performance. Goals also must be realistic and attainable.

Increase employee commitment by matching talents or skills to tasks

When managers match employee tasks to talents or skills, workers are more dedicated to the tasks and have a greater desire to contribute. One deli manager was thrilled when her store director saw her potential as a trainer and enlisted her in creating and training in policies and best practices. She knows she makes a difference, and her attitude is clearly that she owns the task. In fact, attitude is her motto: She leaves little "A" pins with her trainees to remind them that nobody else controls their attitudes—they do.

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Practice 2: Get everyone to focus on the key drivers

Great Performers enlist everyone in actions that drive toward the main goal. *One store adopted the stretch goal of hitting a 20% increase in weekly sales during Christmas. Store management solicited suggestions from all departments for ideas on getting to the goal. Among their contributions: Produce proposed placing clementines, a promo product, at front-end registers instead of just on display. Cashiers held a contest to see who could sell the most; they began announcing each sale, which drew customers into the effort. The deli manager got into the act by proposing to market trays to area businesses. More than 400 boxes of clementines were sold, and twice as many deli trays as the previous year. The store hit its goal.*

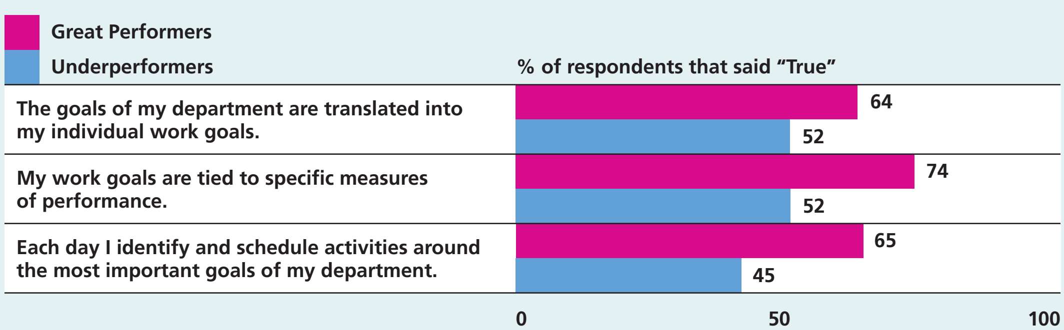
Lesser performers often focus on drivers that don't have a meaningful impact. *Wilson has been running store 231 for four years now. He's never really produced good financial numbers, so he wouldn't know them if they bit him on the nose. He concentrates hard on the figures though—tracking, adding, and subtracting the inventory and shrink numbers. Still, he wonders why he can never improve the performance of his store. Mary walks in from the deli. They've ordered too much Italian bread again and are going to dump 30 loaves. As she leaves his office, Wilson pulls out his spreadsheet again to update the deli numbers.*

People sometimes think that execution means "don't think, just do," but great execution involves pulling it together across the entire store, and then the chain.
— Supermarket Chain Executive

As Wilson's frustration illustrates, not every action has the same impact on outcomes. The drivers of a goal are the few vital behaviors and activities that have the biggest impact on achieving that goal. The more clearly employees understand what drives progress toward the main store or department goal, the easier it is to identify individual work goals that make meaningful contributions. The management teams of Great Performers help their employees focus on individual work activities that move the store toward its main goals.

Employees of great-performing stores are far clearer about the relationship between store goals and individual work goals than employees of lesser-performing stores, as the graph below illustrates.

DRIVER FOCUS



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How do managers of Great Performers get everyone to focus on key drivers? The table below summarizes effective and ineffective behaviors.

GETTING TO A FOCUS ON KEY DRIVERS

Behaviors that work:	Behaviors that get in the way:
Identifying the drivers—the few vital behaviors and activities that have the biggest impact on achieving the goal.	Having a large "to do" list that creates a "work harder" not "work smarter" environment. Failing to ask, "What is the one thing I can do today or this week to move toward the goal?"
Establishing lead measures and monitoring them. Lead measures predict results.	Focusing solely on lag measures—the ones that tell history but can't influence the future.
Creating incentives for behaviors that focus on key drivers. For example, if teamwork is a driver for a main goal, create opportunities for department managers to interact and solve problems together, then reward them when they do.	Incentivizing the wrong behaviors. Failing to follow through with expected incentives.
Monitoring competitive situations—this study uncovered both good and bad results from competition between departments.	Setting up situations where competition is unhealthy. Teams can get so competitive that they don't work together.

Lead measures

One means of focusing attention on key drivers is to identify a limited number of specific lead measures that influence the results being sought. Lead measures can be managed early in the work process, whereas lag measures report results only after the fact. Training-completion rates and in-stocks are examples of lead measures that affect customer service results.

Adopting new behaviors

Managers at great-performing stores look carefully at what behaviors drive progress toward their goals, and they encourage adoption of those behaviors. For example, one store that had increasing year-over-year revenue by 10% as a main goal identified improving store conditions as a key driver. Each department chose a few new and better behaviors to improve store conditions. Bakery decided to get fresh bread out by 6 a.m. Produce decided to refresh the shelves more than once a day. The assistant manager vowed to keep shopping carts out of the parking area and in excellent working order. That store manager achieved his goal.

Practice 3: Implement simple mechanisms that propel goal achievement

Great Performers adopt meaningful measuring devices. *As Luis, the store director, takes his morning stroll through the back room, he beams with pride as he watches the night manager doing his daily update for the out-of-stocks board. Don suggested the idea a month ago, and what a difference it has made. Now Don has a quick and effective way to communicate ordering information to Judy, the day manager. The board is a real help, considering that the grocery department gets only three trucks per week. Both day and night teams meet around the board each week to talk about how to keep the store fully stocked at all times. Customers have mentioned how nice it is to see the product they need on the shelves. As he walks to the floral department, Luis ponders how he can reward Don for his idea.*

Don't try to motivate employees, let the results motivate them.

— Senior Manager

Lesser performers just hang posters. *Corporate mandates that Boyd hang those "goal" posters, but he thinks they aren't worth the glossy paper they are printed on. "That's just busy work," he says. "The real meat of our business doesn't hinge on posters." Department managers no longer pay attention to them. For employees, they're just familiar décor.*

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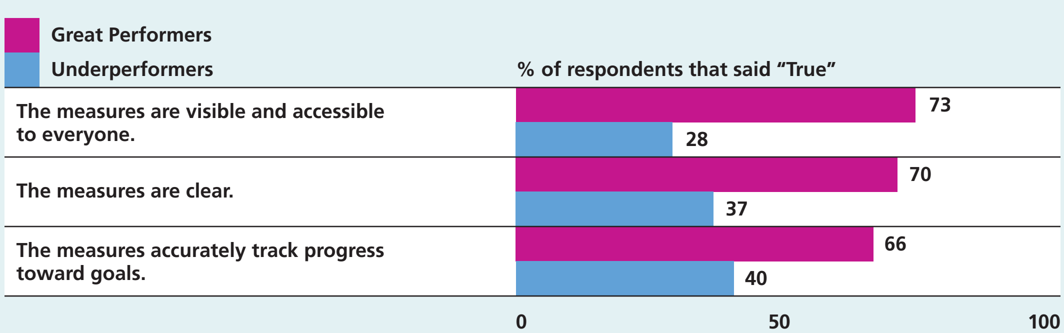
Postings take the guesswork out of goals and make commitments public. It is important to show the appropriate depth of information so that employees can see where they stand. Displaying key measures on a visible, dynamic scoreboard—and updating it daily, weekly, monthly—ensures that the team can move quickly to improve the numbers. The best scoreboards motivate the entire team to win. As one employee noted, "They are a lot of work, but they really do help us communicate on what is most important—and it really helps when we're training new staff, which helps with turnover!"

Interestingly, of all the questions in our in-depth research, those regarding the quality of actions used to measure performance received the lowest scores, indicating the greatest need for improvement.

Employees at great-performing stores are far more likely to "know the score" on key store measures than employees of lesser-performing stores, as the graph below illustrates.

MECHANISMS



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How do managers of Great Performers implement simple mechanisms that motivate goal achievement? The table below summarizes effective and ineffective behaviors.

GETTING TO SIMPLE MECHANISMS THAT MOTIVATE GOAL ACHIEVEMENT

Behaviors that work:	Behaviors that get in the way:
Making tracking mechanisms visible and compelling: ■ Scoreboards: visible, updated boards reporting progress. ■ Standard Operating Procedure checklists. ■ Green-Yellow-Red (Stop Light). When used to track shrink, for example, this method communicates progress quickly. ■ Posted customer-comment cards. ■ Communication/activity center: board posted in break room, for example. ■ Market/competition-based peer-group scorecards. ■ Period comparisons to peer stores and departments. ■ Periodic audits and mystery shoppers. ■ Periodic customer online surveys.	Posting scoreboards that don't link to relevant goals. Creating scoreboards that are accessible only to management. Failing to link consequences or rewards to the measures posted on scoreboards. Believing that scorekeeping is just meaningless busy work and inferring such to the staff.
Keeping information consistent. Driving home commitment to the goal.	Changing the nature of the scoreboard often. Failing to continue to draw attention to the scoreboard.
Updating mechanisms appropriately (daily, weekly, monthly).	Allowing other tasks to take priority over updating the scoreboard/mechanism. Focusing on urgent "fires" rather than taking the time to reflect on scoreboard information.

People play differently when someone is keeping score

Employees in some of the stores visited during the in-depth survey wondered, "Are we playing for real?" Keeping score on key goals shows them that, indeed, the store is playing for real—real performance, real numbers, real results.

Employees play the game differently with a scoreboard that tracks achievement. This basic information helps teams and individuals adjust their performance. If a measure begins to flag, the team can get together and decide how to move ahead faster. For example, if the scoreboard in the back room shows a decline of in-stocks, the team can "huddle" to plan how and where to make adjustments.

Practice 4: Establish a constant cadence of accountability

Great Performers make accountability a part of daily routine. *Fred walks the store every day with his grocery and general merchandising managers. He asks questions concerning each out-of-stock item. The ownership is on each department manager to solve the problem and change behavior. If over time the number of issues is minimal, he does not walk every day but moves to spot-checking*

Lesser performers don't build accountability to the team. *Lee has been his store's manager for more than 15 years. He believes he knows his people so well that his one-on-one weekly discussions with department managers are all he needs to keep his eye on the store's progress. One-third of Lee's management team is new over the last year. Weekly planning and accountability meetings are strongly encouraged by his chain, but Lee doesn't hold them because he doesn't think they have any value. Many of the new hires wish he would; they want the opportunity to work together.*

The mission is the easiest part. It's in the briefing of the mission and the debriefing of the mission that everything occurs. Knowing what went right and what went wrong makes all the difference.

— F-16 fighter pilot

In the absence of clear accountability, we become strangely loyal to performing daily acts of trivia.

— Anonymous

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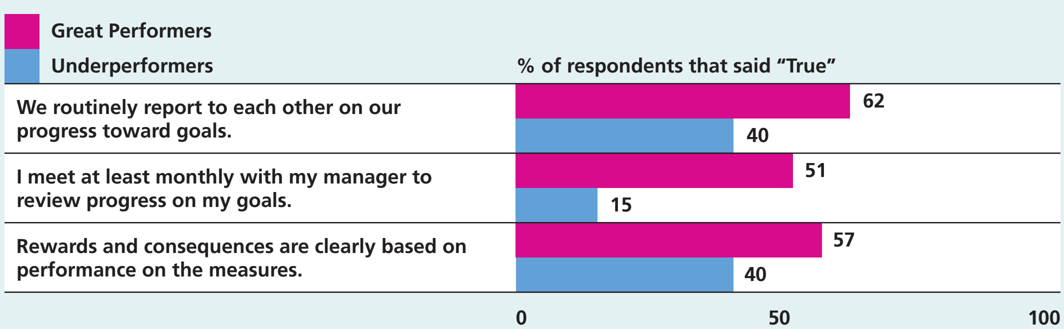
Great Performers establish a "cadence of accountability," a reliable routine for accounting for progress on key measures for lead drivers. Many of them establish daily objectives, provide consistent coaching, and follow through to see that objectives are met. They also consistently follow through with rewards for success and consequences for failure—but only on clearly understood measures that the team can control.

The in-depth survey revealed that managers at great-performing stores follow clear actions to establish accountability.

CADENCE OF ACCOUNTABILITY



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How do managers of Great Performers establish a cadence of accountability? The table below compares effective and ineffective behaviors.

GETTING TO A CADENCE OF ACCOUNTABILITY

Behaviors that work:	Behaviors that get in the way:
Establishing a reliable routine for holding people accountable for the commitments they make: ■ Intensive daily department reviews and corrective actions. ■ Weekly synergistic department manager review/planning meetings. ■ Daily department or store "huddles." ■ Daily activity sheets signed and logged. ■ Weekly manager review and planning meeting. ■ Weekly department manager action reports. ■ Quarterly action planning for major focus areas by department.	Allowing the commitment to "fizzle" by not revisiting the goals and asking what was done to achieve them.
Celebrating successes and learning from them so that new and better practices can be institutionalized.	Overlooking successes, failing to acknowledge the contributions of employees toward moving the scoreboard.
Understanding failures, challenges, or barriers to success on the measures.	Creating an environment of fear where employees are afraid to acknowledge and discuss problems.
Examining the scoreboard measures as a team carefully in daily or weekly sessions in order to plan how to move the key numbers ahead.	Neglecting to focus on the scoreboard measures in daily or weekly sessions in order to gauge and improve performance in real time.
Soliciting feedback: ■ Focus groups. ■ One-on-one listening (daily). ■ Engaging team around scoreboards.	Operating in isolation, thinking you can monitor progress without engaging the team. Failing to take the time to debrief stakeholders in the store's success.

The best teams engage around measures daily

At great-performing stores, managers check progress daily on the drivers and goals. They hold frequent and routine meetings around the measures. At Great Performers, managers don't engage employees around a goal with just weekly or monthly reports. They measure progress daily.

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Summary conclusion

In the intensely competitive supermarket environment, the findings and conclusions of this study provide practical, actionable guidelines for chain executives, store managers, and department managers. In addition to this report, two retailer tools will become available online by June 30, 2006 (see page 34 for details).

Taken together, the four practices shared by Great Performers constitute a management process that will help any store—regardless of its current performance level—to improve performance.

Implementing these practices will lead managers at all levels to:

- **Focus on achieving one or two critically important goals.** These are goals that if you don't achieve, not much else will really matter. The manager mindset: "I want everyone to know what is most important and be committed to their role in achieving it."
- **Enlist each team member daily to take the actions that have the biggest impact on achieving the main goals.** The manager mindset: "I want everyone to focus on the activities that will make the most difference in getting us to our goals."
- **Post visible, compelling scoreboards in accessible workplace locations.** The manager mindset: "I want my team to always know whether we are winning or not, and either celebrate or take corrective action."
- **Establish a consistent cadence of engagement and accountability around the key measures and goals.** The manager mindset: "I need to get everyone to contribute their heads, hearts, and hands to achieving great results."

Following these recommendations consistently improves a store's ability to win every day for its key stakeholders:

- **For owners:** by maximizing store financial results
- **For customers:** by delivering a shopping experience that goes beyond "satisfaction" to true customer loyalty
- **For employees:** by creating a work culture in which their contributions are clearly understood and openly valued

Getting to great performance is worth the effort.

Appendix

36 management behaviors related to above-average performance

Strategic factor knowledge

1. Know the strategic strengths and limitations of their market potential versus their competitors.
2. Really know if they are above average or below average within their chain, for comparable banner/store size.
3. Study the market information provided from corporate.
4. Conduct frequent visits to competitor stores.
5. Identify true "peer" stores against which they track their comparative performance, even when not directly supplied by corporate.
6. Use corporate-defined consistent key measures for "peer" market potential stores so stores and departments can easily track their relative performance on key measures.
7. Compare themselves to the best-in-class standards that are defined and used within the chain; do not settle for being average.

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Goal clarity

8. Set the vital few store goals in the context of corporate goals and priorities.
9. Take ownership of corporate plans and goals; make them really a win for their specific store/department.
10. Define the one or two areas of improvement for this year/period over last.
11. Set goals that will encourage the taking of corrective actions that will drive better results.
12. Clearly communicate the vital key goals to managers and employees in a manner the ensures their understanding—the what and the why.

Driver focus

13. Understand the economics of their store/department—know what really drives success.
14. Identify the most critical tasks/actions—the things the employees need to do—that will get better results on each of the top department drivers of goal success.
15. Make sure each department has their own set of most important goals, drivers, and measures that really lead them to better meet customer and employee needs, generating higher sales and profit.
16. Define the one or two areas of improvement for this year/period over last—the corrective actions to really drive better results.
17. Employ a goal-setting and refinement process that engages all the staff.

Keeping score by measuring progress on key goal and measures performance

18. Create simple yet powerful mechanisms and scoreboards that let people easily know if they are winning on the key measures.
19. Post these visible boards in employee-accessible areas.
20. Customize what is needed on the board to the real drivers for each type of department.
21. The scoreboard activity centers are the focal point for all management review and update discussions.

Create a cadence of accountability

22. Managers frequently meet with employees as teams and one-on-one around the scoreboard center, to review progress and update needed actions.
23. Employees share responsibility to update the boards.
24. Store managers hold department managers accountable for the use of the boards, not as busy work, but as an integral lever for improving results.
25. Share data on comparative performance trends with employees.
26. Identify the barriers—what is getting in the way of results not improving?
27. Use resourcefulness and initiative to break the barriers to results.
28. Take corrective action on the root cause, not just the symptoms.
29. Work together with employees to identify clear consequences for positive and negative performance.
30. Recognize and reward stores, departments, teams, and employees for good results linked to their performance on the goals, measures, and tasks, frequently celebrating success.
31. Conduct communication sessions on a daily, weekly, and as-needed basis to ensure the right actions are being taken.
32. Plan weekly and act daily.
33. Review performance actions daily, weekly, monthly, quarterly, and then the annual big win!

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Manager mindsets

34. Balance courage to take corrective action with consideration for developing employees, and always take timely action.
35. Unleash the strength, passion, capability, and spirit of people engaging their heads, hearts, and hands to contribute their best.
36. Empower but do not abandon managers and employees. Work shoulder to shoulder, be a benevolent leader.

Retailer tools available

Bring the practices detailed in "Getting to Great" into your store.

The mindsets and practices detailed in this report are essential to becoming a great-performing store. For interested retailers, two downloadable self-use tools are being developed to help you apply this approach to your own setting.

1. Survey: Behaviors of Great Store Execution

A brief, easy-to-administer, and easy-to-score employee survey questionnaire allows you to calculate a baseline score for each of the 4 Practices detailed in this report. The results will help you measure your current areas of strength and identify areas that offer the greatest room for improvement on your store or department's journey towards greatness.

2. Workbook: 4 Practices for Great Store Performance

This workbook is designed to help store and department managers apply the 4 Practices approach within their area of responsibility.

Both tools will be available by June 30, 2006 through the Coca-Cola Retailing Research Council website at www.ccrrc.org.

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Acknowledgments

The Council wishes to thank CEO Bob Whitman and Director of Research and xQ Vandy Evans of FranklinCovey Company, who carried out the research for the study. The Council also wishes to thank Bill Bishop, founder and president of Willard Bishop, for providing essential guidance and counsel as the facilitator and coordinator of the project for the Council.

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Coca-Cola Retailing Research Council of North America VI

The Coca-Cola Retailing Research Council of North America was created by The Coca-Cola Company to address issues of strategic importance to the U.S. supermarket industry. The Council is responsible for identifying and framing the strategic issues to be addressed.

The process allows for retaining consulting resource(s) to conduct the research and analysis associated with the identified issue, directing and guiding the conduct of the research and analysis, and ensuring the results are reported/presented to the supermarket industry in a way that is useful to and actionable by the industry.

The Council consists of 12 supermarket industry executives who carry out the responsibilities and tasks associated with the previously mentioned mandate. They are:

Rick Anicetti, President and CEO, Food Lion Stores, Inc.
Jonathan Berger, General Manager for North America, CIES
Kevin Davis, Chairman, President, and CEO, Bristol Farms
Leonard Harris, President and Owner, Chatham Food Center, Inc.
Russell T. Lund, III, Chairman, President and CEO, Lund Food Holdings, Inc.
David Marsh, President, Marsh Supermarkets, Inc.
Bill McEwan, CEO and President, Sobeys, Inc.
Don McGeorge, President and COO, The Kroger Company
Patrick Raybould, President, B&R Stores
Michael Sansolo, Senior Vice President, Food Marketing Institute
Ray Stewart, Executive Vice President, Hy-Vee, Inc.
Suzanne Wade, President, SAFD Retail Division, H-E-B

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Coca-Cola Retailing Research Council of North America Commissioned Research Projects

The World According to Shoppers TNS NFO	2004
Grow with America: *Best Practices in Ethnic Marketing and Merchandising* Cultural Access Group and About Marketing Solutions, Inc.	2002
New Ideas for Retaining Store-Level Employees Blake Frank, PhD, Graduate School of Management, University of Dallas	2000
Building a Meal Solution Delivery System: *Understanding Supply-Side Costs and Strategies for Supermarket Foodservice* The Hale Group, Ltd.	1998
Where to Look for Incremental Sales Gains: *The Retail Problem of Out-of-Stock Merchandise* Andersen Consulting	1996
Measured Marketing: A Tool to Shape Food Store Strategy Brian P. Woolf, Retail Strategy Center, Inc.	1993
New Ways to Take Costs Out of the Retail Food Pipeline Mercer Management Consulting	1992
Strengthening Your Relationships with Store Employees Robert M. Tomasko, Washington, DC–based consultant to Arthur D. Little, Inc.	1991
Supermarket Merchandising for the 1990s Booz, Allen & Hamilton	1989
Assessing and Capturing the Soft Benefits of Scanning Professor Robert Blattburg, Graduate School of Business, University of Chicago	1988
Improving Store Manager Effectiveness Human Synergistics, Inc.	1986
Managing the Large Food Store of the Future Arthur D. Little Co.	1984
Lessons from Japan Michael O'Connor	1983
Planning Your Financial Growth in the 1980s: *A Financial Planning Model for Food Retailers* Robert D. Buzzell, William E. Fruhan, Walter Salmon	1982

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Product Improvement Techniques & Strategy for the Supermarket Industry 1981
Professor Bobby Calder, Graduate School of Management, Northwestern University

The Impact of Energy on Food Distribution in the 1980s 1980
John Morrissey, Senior Vice President, Super Valu Stores, Inc.

An Economic Analysis of the Distribution Industry in the United States 1980
Arthur Andersen & Company

Social Trends and Food Retailing 1980
SRI-International

 Designed and produced by Thinkhouse Creative.

For further information on this study, and all of the studies conducted by the Coca-Cola Retailing Research Councils of North America, Europe, Latin America, and Asia, as well as studies concerning the convenience store industry, please visit www.ccrrc.org.

The Coca-Cola Retailing Research Council of North America is a body of food retailers and wholesalers whose independent research activities are sponsored by Coca-Cola North America.
www.ccrrc.org