Performance management at Bolts' convenience stores

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Mr Snoop was getting late for the meeting. First, his alarm clock, which was set for 05:00 hours, went off at 05:30 hours then he cut himself while shaving. Now he was stuck in the traffic jam. If these were pointers to the day ahead, he was going to be thoroughly unhappy.

Mr Snoop, the newly appointed Human Resource (HR) Manager of Bolts' Convenience Stores, had a scheduled meeting today with the MD. The meeting was very crucial for him as the changes he had proposed were going to be discussed. Would the MD approve of it? Would he find fault with it? Whatever the outcome would be, he knew that going late for the meeting would not help.

The Bolts' stores

Mr Bolt was a graduate of Commerce from a leading college in Coimbatore. It was in his second year, when the idea of students' store first came to him. ''Why can't we have stores that stock basic items and are open throughout the night?'' he thought. He graduated in first class in 1998 and took up employment in a textile company as an accountant. Thoughts of the 24-hour convenience shop kept haunting him.

The first convenience store

Bolt's Convenience Stores came up in 1999 in Peelamedu, a place in Coimbatore that had ten colleges in a radius of 3 kilometers. The store was an instant success especially among the student community who used to frequent it out for tea, coffee, cold drinks and low-cost Indian snacks. Tea and snacks at Bolts would have cost a student somewhere between 20 and 30 Indian Rupees which is approximately half a US dollar. There was a constant bubble of activity up to midnight, after which things would slow down. Business would then pick up again from 6.00 a.m.

Bolt's Convenience Store stocked a host of daily necessities required by the students' community like music CDs, cassettes, toiletries and stationery. Mr Bolt soon started a coffee/tea cafeteria which served fast food along with tea and coffee. Apart from this they also *offered* services like recharge of mobile phone, booking of train and air tickets. Within a year Bolt's (as his store came to be known) was a frequent of haunt of college students, high-school students and even employed bachelors.

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Expansion stage

In 2001, Mr Bolt opened another store in Kovaipudur, another place that had ten schools and colleges within a radius of 2 kilometers. '' Bolt's-K'', as this store came to be popularly known, was as successful as ''Bolt's''. By 2005, Mr Bolt had two more stores, one in Perundarai and the other in Madurai. Both these places again had several colleges and schools in the vicinity.

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The Bolt's Chain now had four stores, one distribution center and one corporate office. It had grown a long way – from being a convenience store, when it started, it grew to be a regular retail store that attracted not only school- and college-going persons, but also families and working bachelors. Each store had an average of 1,200 stock-keeping units spread over 40 categories. The margins were on an average 25 percent and the stores enjoyed a healthy net profit margin of 12 percent, something that was envied by several business enterprises.

Bolt's Chain of stores employed around 180 personnel (including cafeteria) – four executives, eight retail and merchandising specialists, eight managers, 120 sales and support staff in the stores, 15 distribution workers and 25 persons in the corporate office. The structure for single store is shown in Figure 1. With the increase in workforce, a need was felt to have a HR system in organization.

Human resource function

The HR function of the Chain was headed by Mr Mark Andrew, a B.Com graduate with several years of experience in personnel and administration in Coimbatore. He was sincere, hardworking and loyal to his boss, Mr Bolt. He had recruited most of the workmen. Needless to say, he liked and selected people who were very much like how he was in his younger days – sincere, hard-working and loyal.

Mr Andrew introduced two major HR initiatives immediately on joining. He organized a six-month training program for all stores personnel, covering areas like customer management, display of merchandise, dealing with pilferage and spoilage and accounting of inventory. The program was conducted for 2 hours every day after or before their office hours (depending on their shifts). The training cost was borne by the Company. In return, the employees were required to serve the organization for a minimum period of one year after the completion of training.

The second initiative was the introduction of a performance management system – something that was lacking at Bolt's. Mr Andrew followed a simple method to design and implement performance management at Bolts' (Agarwala, 2007, p. 445). The system was a maiden attempt at introducing professional HR practices in the company.

The appraisal system

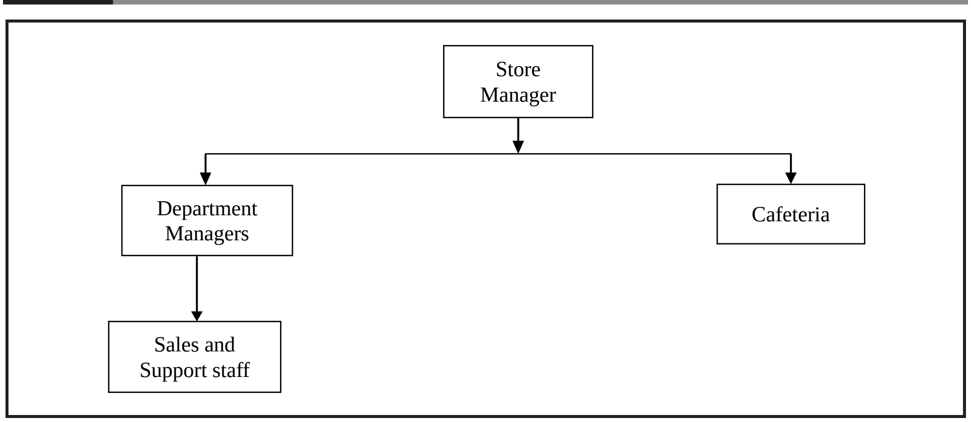
The appraisal system required the immediate superior of an employee to rate him/her on a scale of 5 based on the performance:

Rank 1. An excellent performer – top 10 percent of the employees reporting to him.

Rank 2. Good performer – next 20 percent of the employees reporting to him.

Rank 3. Average performer – the next 40 percent of the employees reporting to him.

Figure 1 Structure at Bolts' stores



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Rank 4. Fair performer – the lower 20 percent of the employees reporting to him.

Rank 5. Poor performer – the last 10 percent of the employees reporting to him.

Based on the appraisal the following decisions would be taken:

- Whether to retain an employee.
- Amount of increment.
- Consideration for promotion/transfer.

In order to motivate employees to perform better and to bring in more transparency into the system, it was planned to display the appraisal rating of the employees every month. The employees would know where they stood and would not be surprised with any decisions taken. Interested employees could meet Mr Andrew and sort out issues on appraisals.

The appraisal system was implemented in April 1998 without a problem. Employees accepted the increment/promotion decisions without any problems. But, a different problem emerged.

Mr Bolt started receiving several complaints from customers pertaining to the behaviour of stores personnel. ''While some of them were extremely courteous and of a helping nature'', the customers stated in their complaints:

> [...] the majority was indifferent to them. When they complained to the stores supervisors/managers, they did not get any response. In fact, on many occasions, the managers supported the employees instead of the customers!

The customers also stated that this had never happened in any Bolt's stores earlier. If this continued they would have no choice but to shift to some other stores.

Mr Bolt called for an emergency meeting with Mr Andrew and all the managers. The complaints were discussed and Mr Bolt wanted the facts of the case reported within a week. Mr Andrew was asked to coordinate this exercise.

The report listed *25* employees in the four stores who were found guilty of improper behaviour with the customers. The Store Managers also confirmed that these employees were the persons against whom customers had complained. Mr Andrew also informed Mr Bolt that these *25* employees were ranked the lowest in the appraisal system and he was not surprised with their behaviour. His recommendation was that the employees be terminated.

After a lot of deliberation, and in the interests of the customers, Mr Bolt agreed to the termination order. In 1999, for the first time since ten years of its inception, employees had left the services of Bolt's – not on their own volition, but at the Company's request. Mr Bolt was not happy. He called Mr Andrew and informed him in no unclear terms that he was to ensure that such problems did not recur.

It did not, but another complication surfaced. Majority of the new recruits, those who were hired in place of the dismissed staff were unhappy. After being ranked in the fair and poor category for three consecutive months, they complained that the appraisal system was unfair.

The old employees had undergone a six-month training on store matters and hence their appraisals were always better. They demanded that they get a fair chance to improve skills and their comparative appraisals and wanted to also be trained. Mr Andrew understood their plight. In fact, immediately after recruiting them, he had recommended the same training for them. However, Mr Bolt had not approved the budget allocation as the retail industry was going through a difficult phase and this expenditure was not considered essential. He had asked Mr Snoop to take care of the problem and to recommend a solution with only one third of the original training budget.

While this issue of training was being sorted out, reports of pilferage in stores started pouring in. Initially it was only a few items, but in the last month, sizeable quantities of items were found missing. The Stores Managers suspected it could be the work of the disgruntled

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employees. Mr Andrew, who was also responsible for administration, immediately initiated discussions with a professional security organization to install a security system in the stores. In this entire melee, for the first time since the appraisal system was implemented, the monthly ratings were not displayed in the stores.

The good and excellent performers were now disgruntled! They liked to see their names being displayed every month. In fact, they had already entered into friendly competitions and wagers with each other regarding the ensuing monthly ratings. Their dissatisfaction also began showing in their work.

The slip

The Bolt's Chain started slipping. Sales began to take a downward trend. Costs began increasing on account of security and other measures to prevent pilferages – something that had never happened in ten years. Customers slowly began visiting different stores. They were embarrassed to see the total lack of coordination among the store employees and preferred not being a witness to this.

The Chain of stores, that once enjoyed a net profit margin of around 12 percent on a turnover of Rs. 10 crores (equivalent to USD 2.2 million), was facing severe pressure on maintaining its Gross Margins, which fell from a healthy 25 percent to 20 percent in a short span. If things did not change, the Gross Margins would continue the downward trend!

It was then that Mr Bolt hired Mr Snoop as the Group HR Manager. Mr Snoop was an MBA from Symbiosis, Pune. Before joining Bolt's, Snoop had worked in Dubai and Saudi Arabia in ''Maud Convenience Stores'', a chain of stores owned by one of the affluent families of Saudi Arabia.

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While the issue troubling the stores was falling margins, Mr Bolt was sure that, as the problem cropped up in the form of an HR problem, Mr Snoop, with his rich experience of both HR and the retail business would be of tremendous help.

Today's meeting with Mr Bolt is very crucial for Mr Snoop. Mr Snoop had gone through the history of the organization, the HR systems, had interacted with employees and customers and felt confident that his recommendation will be accepted. In your opinion what should be Mr Snoop's recommendations?

About the authors

Dr Seema Bhatt is an MBA with a doctorate in management and six years of teaching and training experience at B-schools. She has worked as a lecturer at Chennai Business School, NIILM-CMS, New Delhi and ITM, Gurgaon. She has also designed, developed and administered a soft skill training program for B-schools and the corporate sector in group dynamics and team building, communication, leadership, decision making, personality development and creativity.

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