

View Point

March 2010

Leadership drives retail success for Arcadia Group's Dorothy Perkins

Setting store by your leaders

There are enough variables on the high street – make sure your leadership isn't one of them.

Retail success isn't just about outstanding trading. And surviving the downturn isn't just about low prices. Right now customers expect retailers to earn every penny by delivering excellent customer service. Store managers are the people who make it happen.



It's a tough job at the best of times. Good store managers provide high quality service with minimal resources by getting fewer people to do more – willingly. Outstanding store managers do this by making their store a great place to work. They minimise their staff turnover to get most value from employees' training and experience.

They think of their store as their own little business and use their leadership strengths to create the conditions for success. They set high standards and encourage their employees to focus on the customer.

Sounds straightforward – what any organisation would expect from those in leadership roles. But worryingly, Hay Group's research reveals that today's leadership talent has a long way to go to create the conditions for success.

In our most recent talent reviews of over 3,000 leaders from high profile international organisations – across all sectors – we found that 56 per cent of leaders weren't engaging those they led. Only 26 per cent were creating an engaging environment that encouraged high performance.

The research was based on a gap analysis of employees' ideal working climate and the climate they were actually experiencing day-to-day. Decades of Hay Group research shows that the right climate can increase bottom line performance by up to 30 per cent as well as reduce absence and staff turnover.

So simply improving an organisation's climate can have a huge impact.

Since then we've looked for organisations that stand out from the crowd. We've sought out the chance to measure their climates. And we've assessed leadership styles and gathered performance data. We want to be able to share, sector by sector, deeper insights into the things that outstanding leaders do and, specifically, the impact they have.

research shows that the right climate can increase performance

Dorothy Perkins recently ran our leadership styles and climate assessments with 52 Area and Store Managers across its midlands region. Their results were impressive, with 67 per cent of these managers creating energising and high performance climates, more than twice the proportion in our sector-wide review.

And they went further, sharing key performance data which allowed us to put a real value on the difference between a high performance and a de-motivating climate.

Closing the performance gap

When we looked at stores with high performance climates, compared to those with the most de-motivating climates, we found that the very best delivered:

- 17 per cent lower staff turnover rates
- 40 per cent lower absence rates
- 12 per cent more positive sales variances
- 10 per cent higher operating savings
- 35 per cent lower stock loss

Creating a high performance climate

We know that the impact a great store manager can make is striking, both on the climate his or her team members experience and in the results they produce. In fact the strong link to performance allows us to measure the most important dimensions of climate.

One might think that high performance managers are themselves blessed with a positive climate from their boss. But this is often not the case. What sets great managers apart is their ability to act like an umbrella, shielding their team from any negative factors that they experience themselves.

Dorothy Perkins' experience bore this out. High performance and de-motivating store managers were exposed to similar climates, with similar gaps between what they were experiencing (the green line) and the ideal climate they hoped for (the blue dashed line).

However, high performing store managers created climates for their stores that were significantly more positive than their own – and close to their teams' ideals. De-motivating store managers, on the other hand, often made things worse; creating climates more negative than their own experience and far from the ideal their teams hoped for.

So what makes the difference between a leader who creates a de-motivating climate and a leader who creates a high performance one? Our research shows it's mainly down to style.

The six dimensions of climate

Flexibility: there are no unnecessary rules and procedures

Responsibility: people are empowered to get on with their job and held accountable for it

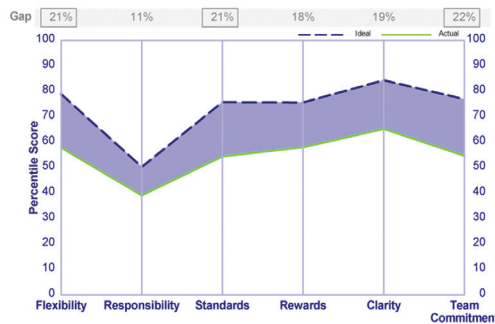
Standards: there is a continual emphasis on improvement and excellence

Rewards: people receive appropriate recognition for their level of contribution

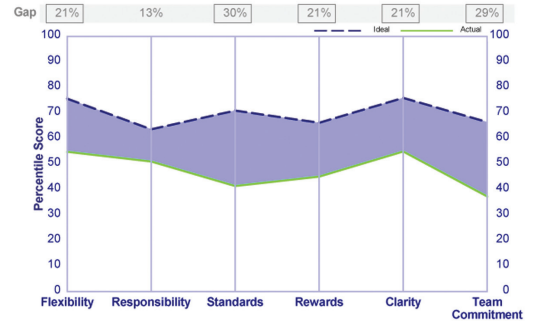
Clarity: people are clear about where the organisation is going and what their contribution is

Team commitment: there is pride and trust in the organisation

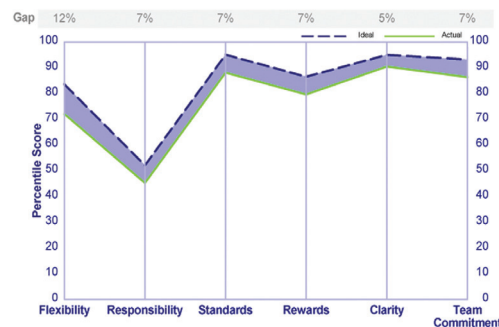
The climate experienced by high performance store managers...



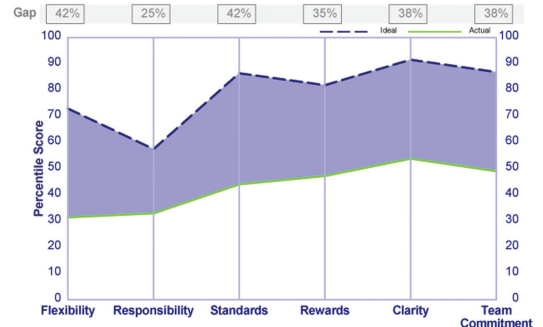
...and the climate experienced by de-motivating store managers



The climate created by high performance store managers...



...and the climate created by de-motivating store managers



“ We've got great systems that show how each of our stores perform. But the leadership styles and climate data revealed how our store managers are leading, and the impact they have. Now I know who our great leaders are – I was only guessing before. ”

Angela Bardell, Regional Controller, Dorothy Perkins

The six leadership styles

Coercive

Demands compliance and can contaminate everyone's mood and drive talent away. To be used sparingly – in a crisis or to kick-start an urgent turnaround.

Authoritative

Inspires and is able to explain how and why people's efforts contribute to the 'vision'. Moves people towards shared outcomes through empathy and clarity.

Affiliative

Creates harmony that boosts morale and solves conflict – a useful style for healing rifts in a team or for motivating during stressful times.

Democratic

Superb listener, team worker, collaborator and influencer. Values people's input and gets commitment through participation.

Pacesetting

Strong drive to achieve through their own efforts, has high personal standards and initiative. Can be impatient and prone to micromanaging and leading only through example.

Coaching

Listens and helps people identify their own strengths and weaknesses. Encourages, delegates and improves performance by building their people's long term capabilities.

Displaying the right styles

Backed up by over 40 years of research we have identified the six leadership styles that have the biggest impact on team climate: authoritative, affiliative, democratic, coaching, pacesetting and coercive.

We also know that the more of these leadership styles a leader has under their belt, the better climate they create within their team.

The findings at Dorothy Perkins showed this clearly: of those retail managers using only one or two styles of leadership, 64 per cent were creating de-motivating climates.

By contrast, of those managers using four or more leadership styles, 81

per cent were creating high performance climates.

Looking closer at which styles were used by each group of leaders, there were telling differences. The leaders making the most positive impact on the performance of their teams drew principally on the authoritative, affiliative and coaching styles. This indicates that these leaders were taking a longer term approach. They engaged their teams' discretionary performance by explaining the 'why' behind the 'what', showing an interest in their team as people and understanding what motivates them.

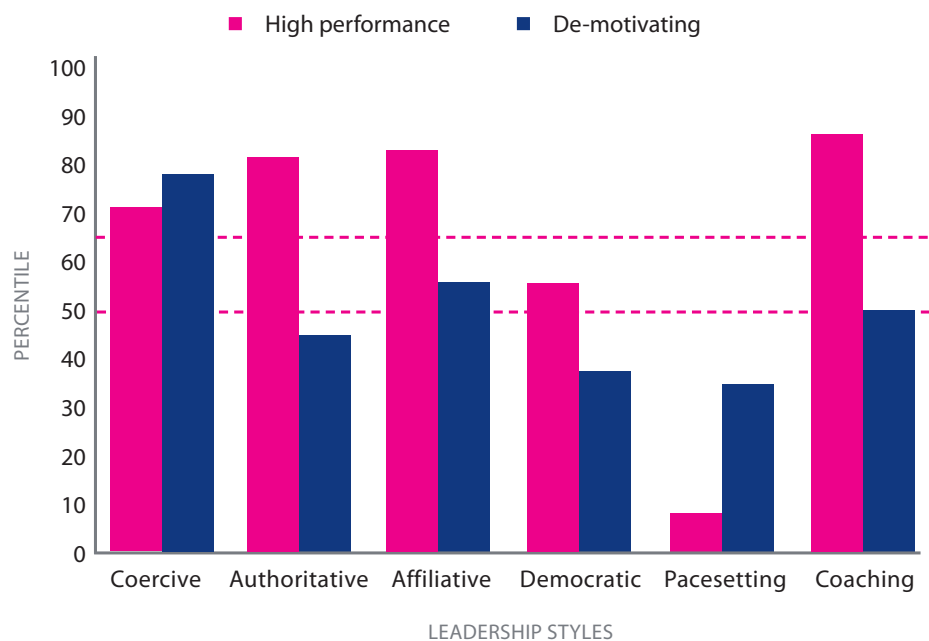
They could be coercive, but seemed to be adept at using

this style in the right measure, in the right place and at the right time.

In contrast, leaders who had a negative impact on performance relied too heavily on one style or approach. Their style of leadership was predominantly coercive, with little evidence of the other styles being used. This shows a focus on the task in the short term at the expense of the bigger picture.

Unsurprisingly the longer term leadership styles clearly correlate with high performance climates, while the shorter term styles correlate with de-motivating climates.

What do these leaders actually do? The range of leadership styles used.



A typical leader has a toolkit which consists of dominant styles (those they use most often) and back up styles (those they need to make a conscious decision to use). The managers who created motivating climates demonstrated a broader range of leadership styles in which authoritative, affiliative, coaching and coercive were dominant. Those who created de-motivating climates used fewer styles and relied mainly on the coercive style.

Small can be beautiful

So how can your front line managers – the 'store managers' of your business – create a positive climate in a miserable economy?

An unexpected result from our research offers an answer. We found that smaller stores accounted for a greater proportion of those with positive climates, and hence strong results. Staff were more likely to feel they are 'all in this together', and to experience strong communication and shared responsibility.

To create 'small store' climates within their teams, front line managers should:

1. articulate the purpose and goals of each work group – as well as the vision of the organisation
2. set standards of behaviour – so that everyone in the work group knows what is expected of them
3. hold everyone accountable to those standards – allow team members to take responsibility for ensuring that they all rise to the challenge.

Measuring the things that matter

What makes this case study important is that it demonstrates that the move in retail leadership from 'tell and do' to 'explain why and involve' is more than just desirable. It's essential.

Dorothy Perkins had already made the move to focus on store leadership. They had implemented data and admin systems that freed up store managers to lead – to be on the shop floor making a difference. However, the styles and climate data highlighted very real issues that they could address.

It revealed, for example, that managers of large stores needed to take a different approach to ensure they maintained their leadership impact in the face of longer trading hours, more transient staff teams and middle management layers.

It helped to spotlight the things that great store managers actually do to get the best out of their staff, including:

- applying their product passion and commercial savvy to the displays, layout and atmosphere within their stores
- running staff competitions to increase sales
- planning carefully to make the most of a sale launch
- balancing care and directness to tackle absence
- employing their creativity to cut costs.

Persuaded by what they had learned from the Hay Group data, Dorothy Perkins are sharpening their approach to brand briefing and communication – working to improve clarity across all their stores.

They also plan to repeat the leadership styles and climate surveys, in order to strengthen:

- area manager development
- leadership in the top 15 stores
- leadership in their other regions.

And they are implementing ongoing coaching and development for all staff who have received feedback on their leadership.

High performance climates deliver long term growth across all sectors

Time and time again our studies have shown that leaders who can create positive environments (climates) for their teams make an impact on bottom line performance. Below are just two examples:

- We studied 33 new MDs in a global technology firm and found that those who created high performing, energising climates outperformed their peers by £353 million in profit.
- In a similar study of leaders within a financial services call centre we found that the teams led by managers creating a positive climate delivered 26 per cent more sales than their target, compared to an additional four per cent delivered by their peers. They also had substantially lower absence rates (one quarter) and lower staff turnover (one third lower).

Stocktake your leadership

Retail is fast and furious. There isn't the time – or the cash – to send managers on in-depth leadership programmes. Retail managers are given high quality data – targets, budgets, sales and shortfalls – but rarely provided with anything that helps them learn more about themselves. And the more we discover about leadership, the more we realise the part that self-image and feedback play in developing great leaders. Assessment surveys bridge the gap between the harsh realities of retail life and the results promised by leadership development.

And the best results are achieved when you:

- measure performance alongside leadership behaviour
- measure the behaviours your organisation needs for the future – give your old competencies a make-over
- communicate what you learn – collate feedback to share key messages while protecting individual anonymity.

Leadership assessment provides a cost-effective way to help managers become the leaders they have the potential to be.

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