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HBR CASE STUDY



The Case of the Not-So-Supermarket

*The service dilemma: Find enough
workers, upgrade their skills,
and improve productivity—
without giving away the store.
Are there solutions in these memos?*

by Janice McCormick

Janice McCormick is an associate professor at the Harvard Business School, where she teaches a course on employee relations strategies.

Hilltop Stores



Serving Greater Hartford Since 1926

February 16, 1989

To: Margaret Flynn, CEO Hilltop
From: Ed Boyer, VP for store operations

Our contract with Local 413 expires June 18, so we need to start preparing for negotiations (they're scheduled to begin in eight weeks). Now is a good time to go over what's happened in the last three years and to think about what Hilltop needs to do for the future.

You've always said that change is the name of the game in the grocery business. But who could have anticipated the pace of change at Hilltop since the last contract? In 1985, our stores offered 60 to 70 varieties of fresh produce. Today we offer more than 200 varieties—not to mention salad bars, fresh baked goods, fresh seafood, and prepared foods on a scale none of us predicted. In 1985, we had front-end scanners in 6 of our 14 stores. Today we're fully converted to scanners, and we're experimenting with a Direct Product Profitability system for space management and new product evaluations. DPP will require even more automation and more careful management and maintenance of all our computer operations.

In short, we've spent hundreds of thousands of dollars on new technologies, new service departments, and marketing programs to attract new customers. We're making big investments on the theory that sales volume will go up substantially—in fact, it *has* to go up for the investments to pay off. But all of these changes place new demands on our workers—and that's the big problem. They just don't seem able to live up to the new requirements.

Our customers consistently grade us high on quality, freshness, variety, and price. But we're getting creamed on service. Surveys show that our staff is slow, discourteous, and generally unfamiliar with our new products. The stores aren't clean enough and the shelves look jumbled. What good is a salad bar if half the containers are empty? Who can buy freshly baked bread if no one is behind the counter? Even Blue Hills Avenue and Sigourney Street, which have always been our best stores, are reporting more and more complaints.

Let me be direct here: Our business strategy isn't going to work unless we overhaul our personnel strategy. I don't have to tell you how tough it is to find and retain good people. Turnover exceeded 70% last year. We have a minicrisis with clerks and cashiers whenever one of the out-of-town people misses our morning bus—and someone misses the bus almost every morning. High school kids can't really do the job in the service departments, which is where we need people most, and the best ones seem to leave within a few months. Why bag groceries at Hilltop when you can get \$7 an hour at McDonald's? And night stocking is a disaster. I walk through some of our stores first thing in the morning and they look like war zones.

The problems go beyond our union employees. I bumped into Ray Parento at the movies last week. I don't know about you, but for my money Ray has been one of our best store managers ever. He took over Sigourney Street

100 Bloomfield Avenue, Hartford, Connecticut 06105

four years ago and he's done a fantastic job. Yet he told me that, for the first time in his life, he doesn't want to come to work in the morning. And when I think about our personnel problems, I can't say I blame him. I'm worried about Ray. If we start letting turnover in the ranks create turnover in our managers, we're in serious trouble.

Cutting labor costs isn't enough to keep us competitive. That's yesterday's news. The key for us now is to raise productivity, even if it means paying more to do it. We're probably going to have to pay more anyway. I just got copies of Local 413's new contracts with Homestyle Supermarkets and Pride's. The average raise is 13% over three years, and they even won increases in health and welfare benefits.

We need to take drastic action. All along, we've said that people look to Hilltop for jobs, not careers. Well, we've got to rethink that whole idea. We need to create career opportunities in the grocery business. After all, our last contract narrowed the wage and benefit gap so much between full-timers and part-timers there's no big cost advantage to hiring part-timers. What we really need is superior performance from our full-timers and more reliability from the part-timers.

If we went to Pete Ritter and offered to cut our part-timer percentage substantially over the next three years, my guess is that he would be willing to listen to new ideas for enhancing employee productivity. What we need in return is some flexibility on work rules and seniority. Nothing too extreme, but we've got to have more freedom to reward our best employees and create a sense of partnership among all our workers.

Here are three ideas I've been kicking around:

1. We should create a management trainee track for internal promotion of high-potential employees. Participants would spend six months in each of our service-intensive departments – produce, deli and bakery, fresh seafood – and then pick one to specialize in. Management trainees would be drawn from the bargaining unit; we don't want to hire outsiders. But the choice of people has got to belong to us, and we want to choose trainees based on merit – not seniority. We want candidates who demonstrate superior job performance and who display a long-term commitment to Hilltop.
2. We're always going to need part-time people, even if we agree to de-emphasize them. But we've got to attract better people and hold onto them longer, and that will mean some new programs. For example, Hilltop could provide tuition assistance for college students who work the 6 PM to 10 PM shift. We would pay monthly tuition stipends of \$100 as long as the student continues to work for us. We could use a similar approach with high school juniors and seniors. Students who stay with Hilltop for at least one year and maintain a "B" average will receive a \$1,000 tuition stipend. This lets us choose from the brightest students and it gives them an incentive to stay here. And it puts these kids' parents on our side.
3. I'm convinced the only way to boost productivity over the long term is to move away from hourly wage increases toward a pay-for-performance system. We've talked about the Super Fresh gainsharing program in Philadelphia. That's typical of how these plans work. Stores in financial trouble convince unions to accept wage cuts in return for bonuses for exceeding previously established productivity targets. (Since Philadelphia, Super Fresh has gone on to use gainsharing in Virginia and Maryland.)



**Grocery Workers
International Union
Local 413**

February 22, 1989

To: Pete Ritter, President, Local 413
From: Jack Haskell, Shop Steward, Sigourney Street

At the last meeting of the local, you asked us to keep you posted on what's happening in the stores. It's about time the leadership did some communicating. Before you beat Tom DiSessa last fall, he'd run things for six years. In all that time, I don't think he visited Sigourney Street once. He sure never asked for any reports. This is just the kind of planning we need if we're going to deliver on your promise to win back what Local 413 lost last time—the best supermarket contracts in New England. Margaret Flynn won't know what hit her.

I want to fill you in on two things that happened last week. On Wednesday, Henriette Johnson got in a real brawl with some teenage kid who started about three weeks ago. You know Henriette—she's one of our most solid members, and she's been here 15 years. She works at her own pace and likes to do things her own way. She'd been on the express checkout for six hours, a couple of those hours without a bagger. This eager-beaver kid in the next aisle kept running at the mouth with the customers about school, boys, TV—anything that was on her mind. It was driving Henriette crazy. Finally, after she asked Henriette three different times for product codes she should have known, Henriette couldn't take it anymore. It got kind of ugly, and Henriette threatened to walk unless the kid was moved to a different register. Ray Parento wrote Henriette up, and she's still steaming. I told her I'd back her if she wants to grieve the thing, and I think we'd win, since we've won seven of nine grievances this year.

Then, I spent most of Friday trying to straighten out the meat department. A few months ago, the company decided to add a fresh-fish counter in the back of the store. Now Parento needs someone to run it. It's a hell of a lot of work (it takes 50 hours a week just to ice down and prepare the fish), not to mention that you smell like tuna all weekend. It turns out that Parento has been working on Pete Erwin, the new meat cutter who started about six months ago, and Pete was all gung ho about switching over to fish. But the new classification pays \$60 a week more than meat cutting. We can't have a guy who's been here for six months making that kind of move. It took me all afternoon to convince our number-two meat guy to put in for the job.

Parento plays these kinds of games, then he wonders why our people complain that this place is screwed up. Does management ever ask us what's wrong? They open a big new deli counter and, instead of putting someone behind it, they set up a bell for people to ring for service. Then they won-

57 Marlboro Street
Windsor Locks
Connecticut
06096

der why the dell isn't doing the volume they expected! They whine about double coupons, and then they blow tens of thousands of dollars on an incompetent advertising campaign. I could have written better commercials. Hilltop ran three different specials in the last month where Pride's came in and offered deals on the same things at lower prices. It's pathetic.

There's no big secret to running this place better. If Hilltop wants to add departments, then they have to add people. If they want people to perform, then they have to pay them more. You know damn well Hilltop has the money. I can't believe what these yuppies will pay for some of this stuff. And why else are these Wall Street guys gobbling up supermarket chains left and right?

We all celebrated the new contracts at Homestyle and Pride's. I don't have to tell you how much support you have among the membership here at Sigourney Street. They're ready to go to the mat if that's what it takes to win.

I'm going to distribute surveys in a few weeks to get my people's views on the upcoming talks. But I don't need surveys to know what's on everyone's mind. We've got a stronger position than we've had in a lot of years, and it's time to stand tough. We should be able to make solid progress across the board.

Here are three things that should be at the top of the list:

1. We need a big wage bump. Full-time cashiers at Salvucci's are starting at \$275 a week. That means they make just about what our people do. We really look bad on this one, Pete. Why should our members pay dues when nonunion cashiers earn the same money they do? I say we shoot for 15% over three years.
2. We've got to do better on health benefits. I hear the same things over and over again. People want lower deductibles on major medical, a raise in reimbursements on prescription drugs, and more comprehensive dental coverage. You guys at the local are the experts on benefit plans, but this has to mean a solid increase in Hilltop's contribution to the Health and Welfare Fund.
3. People want more paid time off. They're feeling burned out. The store is open two hours longer every day and coverage is getting worse— which means more pressure to work overtime. I've got two people who've put in 60 hours a week for the last three weeks. They like the money, but they also need some rest. Getting one more personal day and, say, birthdays would be a big hit with the people here.

I'll see you at the stewards' meeting next week. I've got a good feeling about this contract.

How Do You Bargain for Grade "A" Employees?

We asked participants in the supermarket industry and a labor-relations expert how Hilltop and its union might strike a productive bargain.



Set the stage for progress next time.

In most service businesses, but particularly in a business as service-intensive as supermarkets, people are a company's most important asset. Sound like I'm endorsing apple pie and motherhood? Maybe so, but that doesn't make it any less true. The people challenge is the central *business* challenge facing Hilltop Stores. So it's reassuring that a planning memo on labor relations comes from Hilltop's senior executive for store operations. Human resources specialists can play vital support and implementation roles, but they cannot replace top management as the driving force behind employee policies.

The workplace issues that Ed Boyer has identified—rampant turnover, generational conflicts, lagging morale—may sound nightmarish to managers unfamiliar with the supermarket industry. But this is the gutsy reality that we struggle with every day. Conditions in many places are even *more* difficult than what Boyer describes. I know of supermarkets where turnover is double or triple Hilltop's 70% rate.

These conditions can take a very real toll on front-line managers. I recently had an encounter much like Ed Boyer's discussion at the movies with

CAROL R. GOLDBERG is president and COO of the Stop & Shop Companies and CEO of Bradlees Department Stores, both of which are based in Boston.

Ray Parento. A veteran store manager greeted me at the door of one of our stores and told me that his job just wasn't fun anymore. He had come up through the ranks in an era when labor was plentiful and training was on-the-job. If a new employee didn't work out, there were ten candidates lined up to fill the slot. This manager had been through a great deal with us over 30 years, but he was not prepared for the headaches of dealing with the changing work force. Soon after our discussion, he put in for retirement.

Ed Boyer is correct to emphasize employee productivity over short-term cost savings. A supermarket manager struggling in a tight labor market quickly learns to do whatever it takes to get bodies through the door. We regularly send recruiters to high schools and churches and have hiring tables in many of our stores so we can reach as many prospective candidates as possible.

The real challenge is retaining and motivating people once they come through the door. This is where much of Boyer's logic begins to break down. There is simply no way Hilltop can "cut its part-timer percentage substantially" over the next three years. Moreover, his argument for "careers" in the supermarket business may appeal to some of Hilltop's employees—but only to some. It is certainly not a basis for a companywide people strategy.

We think of our work force as composed of at least four distinct groups. There are full-time career employees

of the sort Ed Boyer wants to develop, and we work hard to motivate and retain these people. There are also full-time employees who are attracted to the supermarket business at a particular point in their lives but who will never aspire to a career with us. There are part-time employees who will be with us for a limited period no matter what we do. Students are a classic example. Finally, there are "career" part-timers—mothers, retirees, and others who can't put in an eight-hour day but who expect to stay with the company for the long term. A human resource strategy built around the first group of employees will fail to meet the needs and priorities of these last three groups, who comprise the majority of a supermarket work force.

There is plenty of room for HRM innovation and creativity without trying to turn the supermarket business into something it is not. Hilltop must scrutinize every aspect of its operations and identify activities that could be performed more effectively on the outside. We increasingly think of our supermarket operations as more closely resembling the food *service* industry than the food *processing* industry. Stores need less highly skilled butchers and fewer of them; carcasses arrive preprocessed so that meats only have to be processed into final retail cuts. We don't wrap produce anymore, other than convenience items. Customers prefer bulk, and wrapping takes time.

So Hilltop can make great strides in productivity without radical changes in its labor agreement. That's important, because Ed Boyer and Margaret Flynn can't expect to win major changes this time around. He may have some terrific ideas (as well as some not-so-terrific ideas), but there's no time to evaluate or implement them. Hilltop has begun its labor-relations planning much too late. Do Boyer and Flynn understand the operations of Pride's and Homestyle thoroughly enough to know how a 13% wage increase affects their overall cost structures? Moreover, change on the scale Ed Boyer is proposing requires months, if not years, of informal dialogue

continued on page 22

with the union leadership and rank-and-file. It certainly requires more than eight weeks.

Hilltop faces a second daunting problem. It's caught in the middle of a pattern bargaining cycle. Why should Local 413 agree to a contract dramatically different from what Hilltop's competitors signed—especially since, as Jack Haskell's memo indicates, the union thinks the company is quite profitable? Boyer and Flynn should make changing the contract's expiration date one of their top bargaining priorities. There is no need to sign a three-year agreement just because that's been the tradition. Hilltop should consider a one- or two-year deal that breaks the pattern and allows it to initiate more sweeping changes in the future.

Which is not to suggest there is nothing Hilltop can achieve in this round of talks. Tight labor markets do increase union bargaining power. But they have a more subtle effect as well, an effect to which Haskell alludes. When the labor market on its

own provides wages and benefits comparable to union scale, unions have a more difficult time positioning themselves as third parties in the workplace. Today a supermarket union that doesn't work closely with management can get in serious trouble with its members.

We have found organized labor willing to negotiate and compromise to enhance store performance. No union will agree (nor should it) to Boyer's proposal for the near-abolition of seniority as a factor in promotion. But merit is important as well, and here is where Hilltop can win more flexibility in assigning, rewarding, and motivating employees. Stop & Shop's most recent contract gives us more flexibility to adjust wages to local labor-market conditions. We needed the freedom to accommodate those differences, and the union recognized that. With enough lead time, and if it can remove itself from the local bargaining pattern, Hilltop should be able to fashion the workplace innovations it needs to stay competitive.

more revenues per employee, the basic measure of productivity. Employee productivity at Super Fresh was well below industry norms in 1982, and it stayed there until volume grew because of our commitment to superior service. Had we aimed for productivity in the early stages, service would have suffered and volume would have stayed flat.

Boyer also seems to believe that shifting Hilltop's work force toward full-timers will somehow lead to superior employee performance. But pay classifications have no direct correlation with how effectively people work. A store demonstrates superior performance when the entire employee team understands the service objectives and develops programs to meet those objectives. Whether the team is composed of full-timers or part-timers will not much affect the end result.

Ed Boyer seems to think that Hilltop has serious labor problems. He's wrong. It has serious *management* problems. Hilltop doesn't need to make big investments in recruiting and training to improve service and build volume. Instead, management has to demonstrate the traits necessary for success in a service business today: openness, flexibility, and a willingness to adapt policies and procedures in response to employee input.

Senior executives in a service business must be open with middle management, hourly workers, and the union, if there is one. Openness implies a willingness to discuss future strategic and operating plans, current financial results, and all other issues of concern and relevance to the company's various constituencies.

Management often complains that organized labor doesn't understand the economics of its business, and these complaints are usually valid. But how can management expect unions to understand a business unless it is willing to educate them? This is just what we did at Super Fresh. We convened monthly meetings with representatives from senior management, the hourly work force, and the union. At the meetings, we reviewed financial results from each of our five geographic zones, asked people from each zone to dis-



GERARD L. GOOD is president and CEO of Blue Cross and Blue Shield of Virginia, which is based in Richmond. In 1982, he founded Super Fresh Food Markets, a Philadelphia-based subsidiary of the Great Atlantic & Pacific Tea Company, and served as president until 1984.

Don't confuse service with productivity.

Hilltop is in a bind. It has poured lots of money into its stores but has yet to see the increased volume it needs for the investments to pay off. There's no great mystery as to why. To a supermarket customer, the half-life of a good impression is about an hour. The half-life of a bad impres-

sion may be a year. When you lose customers because of bad service, they have to hear a lot of good things from a lot of different people before they'll give you a second chance.

That's why I'm so troubled by much of Ed Boyer's memo. He seems to believe that improving employee productivity will improve customer service. In fact, precisely the reverse is true. Good service means fewer problems in the stores, fewer disenfranchised customers, and increased volume—which translates directly into

cuss their stores' performances, and we described upcoming merchandising programs.

Wait a minute, you're thinking. Didn't the union use the financial information against us in the bargaining? Weren't we worried that the competition would get hold of our performance figures? The answer to both questions is "no." The Super Fresh gainsharing program created a real sense of mutual financial interest between management and labor—employees at each store benefited directly in that store's success. And we took some simple safeguards to guarantee confidentiality. For example, we presented financial results on overhead slides that meeting participants could review but could not take from the room.

Along with openness, management must show a willingness to change policies and procedures in response to employee suggestions. It may sound shocking, but your front-line workers, the people who interact with customers every day, really do have effective solutions to some of the thorny problems that we captains of industry try to solve from behind our desks. Of course, management also needs to develop a degree of tolerance and understanding. Certain employees or union officials will use participation to create trouble for management. But to reach the pot of gold, you have to be willing to tolerate the storm that creates the rainbow. Sometimes that's unpleasant. The end result is almost always worth it.

Recently at Blue Cross and Blue Shield, we decided to tackle some tough problems with employee training that had vexed us for some time. We assembled a task force of six people drawn from middle management and rank-and-file employees (we specifically excluded the top three management layers) and empowered them to talk with anyone, anywhere, about anything to do with employee training. The results were phenomenal. It was as if lights in our building that had been turned off for five years were suddenly turned on. People came out of the woodwork with ideas. Were half the ideas unworkable? Sure. But half of them were

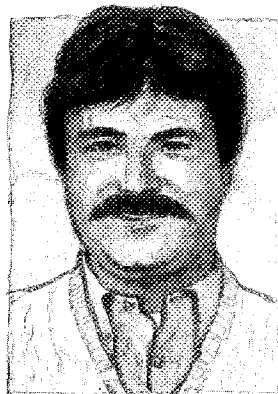
very constructive, and we changed our whole approach to training as a result.

Openness and participation do not mean that management forfeits its power to run the company. Service businesses must be demanding as well as solicitous of their people. If management communicates its performance expectations clearly to workers and demands adherence to these standards within a reasonable time period, people will rise to the occasion. Management may even find that many of its workers have higher and more demanding standards than its own.

So there are no quick or easy answers to Hilltop's dilemma. It's probably too late to make big strides toward openness and participation in

the upcoming contract. But the company can use the change of leadership in Local 413 to make a fresh start and to lay the groundwork for more sweeping reforms in the next contract.

As the first step, Ed Boyer and Margaret Flynn should invite Pete Ritter and a few of his lieutenants to an unstructured and informal meeting. They should begin sharing information on finances and store performance, and they should ask for the union's help and advice on specific operating problems. The going may be rocky at first, and the union leadership may be distrustful, but Hilltop must begin creating a new climate of trust and openness throughout the organization. If it wants to be successful over the long term, it has no choice.



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Workers will help— if management respects their interests.

If Ray Parento is one of Hilltop's best managers ever, then Hilltop is in even bigger trouble than Ed Boyer thinks. At most of the companies I know, conditions like the ones described in the memos would result in Parento's dismissal. These are challenging times for the supermarket industry, especially in the Northeast. Worker shortages, price wars, and Wall Street raids have put a lot of pressure on everyone. But incompetent management is the only way to explain many of Hilltop's problems.

To function efficiently, supermarkets must be properly staffed. Poorly maintained salad bars or bakeries without clerks defeat the very purpose of having them. That's a foolish way to save costs. If a minicrisis erupts whenever a cashier or clerk misses the bus, obviously there are not enough workers to start with. If stores look like "war zones" in the morning, where is the leadership and direction from the night-crew chief? Margaret Flynn and Ed Boyer should look inward, at their own policies and practices, before they push for radical changes in the labor agreement.

Boyer is right to focus on attracting and retaining talented employees, but several of his proposals leave room for improvement. For a part-time employee working 20 hours per week, a tuition stipend of \$1,000 per year amounts to about \$1 an hour. Why not just provide a wage increase

of \$1 an hour and an additional premium for the 6 P.M. to 10 P.M. shift, if that shift has the most serious retention problems? High school and college students are not the only candidates for these jobs, and increasing wages rather than offering stipends widens the recruiting range.

Boyer's proposal for internal promotion of high-potential employees also needs work. Training people for six months in each department means it will take two years for them to work their way through produce, deli, bakery, and seafood. That's much too long. Why not rotate them through a department every six weeks, and then let them make their choices? Also, eliminating seniority as a selection factor is a real nonstarter. Seniority is much more stabilizing than it is restrictive. It eliminates favoritism, both real and imagined, rewards workers for length of service, and provides a light at the end of the job-advancement tunnel. Seniority need not be the *only* criterion for participating in the management-training program, but Ed Boyer is much too cavalier about dismissing it.

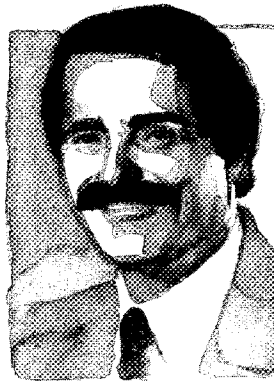
As they develop their bargaining proposals, Margaret Flynn and Ed Boyer have to understand what the new realities in the supermarket industry mean for organized labor. The increasing diversity of the work force affects unions as well as management. Supermarket unions must advance the interests of a wide range of people, from teenage students who may be with a company for six months to 60-year-old heads of households with 30 years of service. The most direct way for a union to meet all its members' needs is to focus on the bread-and-butter issues—wages, benefits, working conditions, pensions, holidays—uppermost in everyone's mind.

Jack Haskell is right. Local 413 is in a strong bargaining position. It will not be disposed, nor should it be, to accept a host of experimental personnel policies and trade wage increases for gainsharing. What's good for one segment of the membership may not be good for another. The most effective bargaining strategy is to focus on gains that are shared

widely across the work force. If management seriously expects to rewrite the contract, its proposals must reflect Local 413's difficult mission.

That said, organized labor is not oblivious to the serious challenges facing the industry. Our members are enthusiastic about new service departments like the kind Hilltop is introducing. They see them as an opportunity to upgrade their skills, and most employees go out of their way to make them a success. Moreover, these departments create employment. Technology has elimi-

nated entire categories of supermarket jobs. In the past, for example, stores would receive whole carcasses that its meat cutters would prepare for sale. Today some meats are received portioned-controlled direct from the distributor. What has saved jobs that might have been eliminated and what has helped maintain our strength as a union are the new departments with which Hilltop is having such trouble. Workers will be willing to help management so long as management respects employee needs and interests.



DAVID LEWIN is a professor of business and director of the Industrial Relations Research Center at the Columbia University Graduate School of Business. This year he is a visiting professor at UCLA.

It's time for a new spirit of cooperation.

Hilltop is well behind the times in integrating its labor-relations and personnel strategies with its overall business strategy. Several real-world supermarket chains—including Kroger, Pathmark, Von's, and Safeway—have redesigned their compensation systems and introduced employee-motivation and productivity-enhancement programs to improve customer service specifically and business performance generally. Hilltop has much to learn from these examples.

Consider the issue of compensation. Ed Boyer wants Hilltop to implement gainsharing, a program with some real limitations. Gainsharing pays off for intermediate performance goals like improved store sales, lower costs, or increased productivity. In a fiercely competitive,

low-margin industry like supermarkets, performance improvements induced by gainsharing don't automatically translate into improved profitability. Many supermarket chains prefer profit-sharing programs, since they pay off when total organizational financial performance improves. Ed Boyer and Margaret Flynn should consider profit sharing over gainsharing.

Of course, any incentive plan requires negotiation with Local 413. Jack Haskell's memo suggests that Hilltop's employees would be receptive to a profit-sharing initiative. Sigmund Street employees want to make more money and be more involved in store-level decisions. Assuming that Pete Ritter and other union leaders feel the same way—and the new president may be looking to deliver something new to his members—there may be a real opportunity for success here.

So Hilltop should explore the possibility of introducing a profit-sharing plan *and* an employee-participation plan that encourages

worker involvement in store decisions. But senior management should keep two things in mind. First, Ed Boyer and Margaret Flynn must actively consult front-line managers like Ray Parento about the merits and consequences of incentive and participation plans. Store managers must be closely identified with the plans—they must “own” them and be their champions—or they could face challenges to their authority once the plans are implemented.

Second, the process of developing these plans creates real opportunities for labor-management cooperation. Jack Haskell is about to distribute opinion surveys to his members. Perhaps Hilltop management and Local 413 could *jointly* survey employees. Among other issues, the survey could explore attitudes on profit sharing and participation initiatives. If there is strong opposition, the plans need not be pursued further. But if there is support among the employees—and Jack Haskell’s memo implies there might be—documenting worker attitudes could

greatly enhance the chances of bargaining success.

Let me comment briefly on two other proposals. It makes sense for Hilltop to increase the ratio of full-time to part-time workers and to introduce career ladders of the sort Boyer is proposing. In return, Hilltop can insist on more flexible work rules and fewer job classifications. The company will end up with a somewhat older, less turnover-prone, and better paid (and thus more costly) work force. But such a work force is also more likely to display the motivation and generate the performance improvements that Hilltop seeks. Creating less dependence on younger, entry-level employees also makes good demographic sense. The 15- to 24-year-old age group is the fastest declining group in the United States, and shortages of entry-level workers are likely to become very pronounced by the early 1990s.

Ed Boyer also recommends that Hilltop push for storewide seniority in place of companywide seniority. This is a mistake. He’s worried that

older workers will bump younger workers from stores where gain-sharing yields big bonuses. A companywide profit-sharing plan mitigates this concern. And companywide seniority may work to Hilltop’s benefit. More experienced employees can undertake new departmental or promotional assignments, regardless of the store where openings arise, which is consistent with the concept of career ladders.

Finally, whatever it agrees to at the bargaining table, Hilltop should begin a new employee-orientation program emphasizing that the company is in the customer-service business, not the food business, and that employees, not technology or prices, are what make the competitive difference. I would accompany this orientation program with a recognition program (such as employee-of-the-month) that features a cash or in-kind award for outstanding performance. This will help solidify employee commitment to high-quality customer service. 

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S. GROSS

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