

"Becoming an Industry of Choice"

*(A Draft-for-discussion 'Industry Skills Strategy' for the
Retail and Wholesale Industries)*

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“Becoming an Industry of Choice”

“The Retail ITO exists to facilitate the best possible, quality assured training and education systems in order to improve productivity in the retail and wholesale industry”.

Introduction:

All industries face the risk of declining profitability as a result of economic downturn. The New Zealand retail and wholesale industries face a number of risks to their profitability that are far more insidious because their impact will occur whether the economy is buoyant or in decline. These risks arise in part from the failure to address the future decline in the availability of potential employees in the labour market and an insufficient supply of skilled employees or people with skills from the labour market to meet industry needs.

Invitation

The purpose of this document is to invite you, as a stakeholder in the retail and wholesale industries, to contribute your thoughts, suggestions, concerns and potential solutions to workplace skills and training issues that confront our industries. This is a draft document intended to stimulate discussion and debate and, we hope, inspire or incite you to respond. If your concerns are not covered in this document please let us know what they are. If you have insights and understanding about our industry that you think need to be taken into account please respond in writing. If you have suggestions for solutions to the issues raised in this document please contribute to the development of an industry based and industry owned response to the challenges involved in ensuring the provision of skilled and capable employees and managers for the future. The future is now.

What is the Retail ITO?

The Retail ITO is an industry led organisation. It exists to provide the retail and wholesale industries with effective industry training systems. Its objectives include:

- the development of national industry standards in response to the needs of industry stakeholders;
- the appropriate management of training development to improve skills;
- ensuring that training is undertaken for sound business reasons; and
- ensuring that training is based on demonstrated workplace competence so that employers will have confidence in employee skills.

The Retail ITO is a vehicle available for the use of the industry and the enterprises that it serves. It has a statutory obligation to work to ensure that skills and labour crises are minimised and that the industry is equipped with a strategy to meet such events. In order to do this it must have the support of its industry stakeholders.



Vision

The retail and wholesale industries are of major social and economic importance to New Zealand. They are significant contributors to the success of the economy and accounted for approximately 17% of the national GDP in 2005 and employ around 355,300 people in 21% of the filled jobs in the economy (Statistics New Zealand 2006). Employment in the retail industry alone is predicted to grow by 46,000 new jobs by 2011 (Nana et al, 2006).

Despite their size and significance in everyday life, retail and wholesale are still not seen by most people as a desirable career option. For many they are considered as industries for those seeking a fill-in job whilst at school or tertiary studies, or for those with few choices or low educational attainment; they are often seen as a career of last resort.

The Retail ITO vision is that by 2011, retail and wholesale employers of all sizes will be united in a common skills agenda that will contribute directly to improved productivity and growth. In addition, current and potential employees will see the retail and wholesale industries as a place to learn, develop, acquire skills, achieve qualifications and pursue defined career paths.

We think that the key to achieving this outcome is a focus on the person who may work in a lower management role in a small, medium or large organisation, or as the owner/operator of a small business or franchise.¹

The vision will be realised if the person is a competent, professional, front-line manager or their supervisor capable of managing between 1 and 20 people in the workplace.

By competent and professional we mean a person with

a full range of management skills including

- trading skills,
- financial skills,
- planning skills,
- leadership skills,
- training mentoring and modelling skills,
- employee recruiting and management skills,
- ordering and stock control skills,
- merchandising skills,
- media and communications skills.

Businesses being managed by front line managers who are competent in these skill areas will achieve a significant lift in the productivity of the whole team

Recent research undertaken by the Retail ITO and the NZRA reveals that

- Few managers have enjoyed the opportunity for thorough training in their position - most learn the role “on-the-job”.
- Managers face intense daily pressure to ensure the performance of their staff and the successful operation of their own or their employer’s business.
- There is a serious skills and labour shortage at middle management in the retail and wholesale industries in New Zealand suggesting that up to 6,000 managers could easily be absorbed into the retail industry (NZRA, 2005)²

The retail and wholesale industries need training interventions to equip managers with the key tools to train their staff and to manage their businesses so that they will become ‘employers of choice’, able to attract, retain and develop employees who will be magnets to customers and contribute to increasing business profitability and productivity.

1. 56.7% (23,693) of the 41,788 business units in NZ employed fewer than 20 people and accounted for 54.5 % (118,034) of the retail workforce of 215,390 in 2004. .

2. Similar skills shortages have also been identified in Australia, (Buchanan et al, 2003), and the UK (Huddleston & Hurst, 2004) suggesting that the problem may be systemic..

Scenario #1:

A Retail and Wholesale Industry Labour Challenge

– The reality of a labour market with large pockets of labour shortages may mean high end retailers coping but stretched with most other retailers struggling financially, not as a result of economic circumstances, but as a result of skills and labour market difficulties:

- Retailers struggling to attract and retain staff
- Intense competition between businesses for the few skilled employees available
- High levels of employee turnover
- Inadequate skill levels impacting productivity
- Significant stock handling difficulties
- Poor customer service
- Low wages and industrial unrest impacting profitability

For the industry this will mean:

- Company profitability and productivity under threat
- Decreasing customer numbers from poor customer service and inadequate stock levels
- Business disorganisation from insufficiently skilled managers
- Higher than necessary administration and training costs as a result of staff turnover
- Higher than necessary recruitment costs including advertising and administration, as a result of labour market shortages.



Or: NZ Retailers and Wholesalers as "Employers of Choice"

- An industry that attracts and retains high quality potential employees
- Careers in retail and wholesale that are attractive to school leavers.
- Pathways to careers that include school to work transition, retail and wholesale modern apprenticeships, effective workplace learning leading to university and polytechnic pathways that incorporate workplace learning.
- A comprehensive industry training system with an industry training organisation strongly supported by industry.

For industry this will mean:

- A stable and secure workforce
- An industry that creates and sustains a learning culture
- Competent productive workplaces
- Employee engagement with employer goals leading to:
 - Continuous improvement in business practice and employee performance
 - Employee involvement in business development and innovation
 - Businesses and employees capable of responding to changing market trends and economic conditions.
 - Improved and sustainable productivity and profit growth
- An industry skills strategy that is a living document leading to the potential for industry to anticipate and prepare for change rather than respond after the event

Scenario #2:

A Retail and Wholesale Productivity Challenge

- The retail and wholesale industries operate in an environment of tight profit margins and intense competitiveness where profitability has traditionally been driven by cost cutting, new technology and efficiencies in the supply chain and use of labour.
- The global product market has enabled significant reductions in product price and intense competition driven by cut-price mega-stores such as Wal-Mart and The Warehouse – the complexity of mega marketing requires such enterprises to invest heavily in training.
- Competition has been influenced by the recent entry of significant numbers of overseas retailers, especially from Australia but also from the US, South Africa, the UK and Europe. For example: The Just Jeans Group (Australia), Borders (Books) & Footlocker (USA); Metro Cash & Carry (SA); Boots Group pharmacies (UK) and Louis Vuitton (Italy).
- Many international businesses have established employee training programmes and high expectations of employee skill standards in order to compete on the basis of superior quality and customer service.
- New Zealand businesses, faced with decreasing scope for productivity gains to be driven by cost reductions and labour intensity, must look to their employees as a potential source of productivity gains
- Failure to engage with industry training by NZ's wholesale and retail enterprises may result in a retail and wholesale industry dominated by highly resourced international companies and some successful New Zealand majors with a struggling SME sector facing the continued, unrelenting battle for survival in which there are insufficient resources for businesses to invest in training.



Or: Productivity as a Competitive Advantage for Industry

- The publication of the Porter Report in 1991 brought national recognition that New Zealand's economic prosperity is dependent upon its ability to develop international competitive advantage for its industries based upon a highly skilled and competent workforce.
- International research suggests that such challenges may be met by investment in employee training through national industry training strategies. Industry and government agencies in the UK, Australia, Singapore, South Africa and New Zealand are following similar paths.
- Industry engagement with and participation in our national industry training strategy will lead to a thriving retail and wholesale industry that has competitive advantages both nationally and internationally that derive from its skilled employees. As an “employer of choice”, the retail and wholesale industry will draw potential employees as new entrants to the workforce, from the labour market and from overseas.

3. Crocombe, G. T., Enright, M. J., E.Porter, M. & Caughey, T. (1991) Upgrading New Zealand's Competitive Advantage (the Porter Project). Auckland, Oxford University Press. .

4. Brown, P., Green, A., & Lauder, H. (2001). *High Skills: Globalization, Competitiveness, and Skill Formation*. Oxford: Oxford University Press

Ashton, D., & Green, F. (1996). *Education, Training, and the Global Economy*. Aldershot: Edward Elgar.



Inaction will lead to the labour and productivity challenges outlined.

The intensity of the potential crises for the NZ retail industry raised above would significantly increase if both these scenarios occurred at the same time. There is significant evidence to suggest that they might. The possible antidote or solution to these crises is less complex because it lies in a similar course of action – employee skills development. We would like to suggest that enterprise engagement with the Retail Industry Training Organisation to link such skill development to industry standards will produce a multiplier effect for the benefit of the whole industry.

Options for Engagement:

Option One: Do Nothing

One argument against the need for an industry wide strategic approach is that some business enterprises already provide training and that training is adequate. Hard evidence is difficult to come by; a 2003 study by Business New Zealand indicated that nation wide 59% of all employees had received some form of training in the previous 12 months but only 25% of that training was formal⁵. A recent survey of 25 retail enterprises carried out by the Chief Executive of the Retail ITO found that whilst many businesses provided in-house training most regarded the lack of an organised and systematic training process as a significant barrier to the effectiveness of retail training (Malpas, 2006).

This lack of organisation is demonstrated in the following case study:

Case Study 1: Corporate retailer – no engagement with formal workplace qualifications.

This nationwide chain had recently introduced a nation wide in-store training programme before it was taken over in the late 1990s. The programme was packaged as a series of modules to be administered by front-line managers under the supervision of the store HRM/Systems manager. The programme was not connected to the National Qualifications Framework. Shortly after the programme was rolled out the business changed hands; the new owners scrapped the training programme and introduced their own model. This took over a year to set up and it too was not connected to the National Qualifications Framework. Again front-line managers were to be responsible for its delivery. They received limited training yet were required to explain the programme to their staff, give them training modules to complete, assesses them using assessment check sheets and record their progress; where staff knowledge was incomplete they were to be re-trained. The front-line managers had no training in staff development, many were on 40-45 hour contracts and worked 60 hours plus a week, but they had to deliver training results by set timeframes. Many simply checked off the assessment sheets to meet the deadlines and treated training as a joke. The lack of systematic organisation and the failure to relate workplace training to the NQF resulted in costly duplication of effort for the business owners with no measurable outcome for either the business or the employees.



Questions: Industry engagement with formal industry training processes is, with notable exceptions, sadly deficient. Why is this happening? Is it simply a case of not knowing about the opportunities available? Might it be that owners and managers do not appreciate the link between skills and productivity? How can formal engagement with training through the Retail Industry Training Organisation be increased? What else could the RITO do to encourage you to engage?

5. Baker, J., Summers, S. & Murdoch, C. (2003) Report of the Business New Zealand Skills and Training Survey 2003. Findings of Research Conducted by Business New Zealand and the Industry Training Federation for the Future of Work Research Programme.

Option Two: From Limited Engagement to Full Engagement

The retail and wholesale industries account for approximately 21% of the nation's workforce. The Retail Industry Training Organisation provides national qualifications based upon industry determined unit standards. The Retail ITO facilitates the management of training and assessment for these qualifications yet many businesses nation wide have yet to realise the potential productivity and profit gains to be realised through engagement in formal workplace training.

For the period 2000 to 2005 less than 1 % of retail and wholesale employees had access to workplace training to achieve a national qualification. In the same period less that 300 of the nations 22,298 small retail businesses engaged with industry training (1.3%) despite the availability of the very employer friendly and well supported Retail Modern Apprenticeship programme. Some of the businesses that have engaged with industry training have done so because the opportunities are available at minimal cost to them, or because they think they are doing their employees a favour. However minimal engagement comes with negative consequences. The following case studies demonstrate how on a continuum from limited to full engagement, businesses might benefit from workplace training to achieve formal qualifications.



Case Study 2: SME with six retail outlets – a great idea with the wrong motivation

This small to medium sized business has six small retail shops selling clothing imported from China. The owner decided that signing up ten of his more experienced employees to complete the National Certificate in Retail Level 2 by Accelerated Assessment would be a good way to improve their motivation at work, especially as most had no formal qualifications. The owner did not have time to be involved in the programme; as far as she was concerned it was for the employees benefit and so it was their responsibility. None of the ten employees completed the qualification and no benefit accrued to any of the parties involved.

Case Study 3: Large retail chain – with a good approach, good execution, but poor attention to labour market issues.

This retail group runs over 250 stores in New Zealand and Australia under a variety of brand names. Each store is staffed by a small group of young employees. The business appears to offer an opportunity for rapid promotion to capable and well motivated employees who enter the business as sales assistants and learn on-the-job. If they show commitment, are quick to learn and willing to take responsibility they will soon find the opportunity to stand in as a key holder or 2IC, further experience quickly leads to the role of store manager.. There is a high expectation placed on employees for detailed product knowledge and good customer service. The company has a continued commitment to in-house training and the recognition of employee skills through its engagement with the Retail ITO for the provision of the National Certificate in Retail by Accelerated Assessment at Level 2 and 3. Participation is often made compulsory and completion of qualifications is not rewarded; employees are paid a maximum of \$12 an hour and store managers a maximum of \$16 an hour. Many employees wanted to do the training but were disillusioned because of lack of recognition for their achievements - turnover remained high.

Case Study 4: An international retail chain with an integrated solution

This Australian based retail enterprise recruits new employees with the offer of an internal career pathway linked to workplace qualifications. Employees commence work as trainees and complete a National Certificate in Retail at Level 2 in the workplace. They then have the opportunity to progress to a Level 3 Certificate in Retail Supervision and the prospect of becoming an assistant team leader or 2IC. Further experience and training in the workplace can lead to a National Certificate in Retail Management and a position as departmental manager or team leader. Support and training exists within the company for employees to progress to national diploma and degree level in areas related to retail and wholesale management. This is a highly competitive business in which employee retention rates have increased over time.



Question: Each of these businesses has engaged with industry training in a different way. What do you think are the outcomes that businesses should seek to achieve through training and what are the factors that might lead to the best possible outcomes for a business?

Securing Positive Outcomes from Training for National Qualifications:

Ongoing research into the return of investment in training strongly supports the view that workplace training increases employee and business productivity. Recent research by the Retail ITO suggests that success or lack of success in increasing productivity through training is not of necessity a consequence of size for there are small businesses that have achieved excellent results and large businesses that have not. The key to successful and productive engagement with industry training appears to lie in the skills and role management in the industry training process.

The results of a recent national survey of 242 employees who had completed national retail or wholesale workplace qualification in 2004 clearly demonstrates that such qualifications contribute in increasing employee skills, capability, motivation, commitment and productivity in the workplace regardless of the size or nature of the business.⁶

- 95 % said that completing the qualification refreshed their knowledge of retail (227)
- 75% said that it lead to the recognition of their skills (182)
- 72% said that it lead to an increase in their confidence at work (175)
- 61% said their motivation at work increased (147)
- 60% agreed that their productivity increased (145)
- 57% said their commitment to their employer increased (138)
- 57% said that their confidence as a learner increased and (138)
- 55% said that their ability to work with others had increased (133)

Questions:



- Do you think that the managerial and supervisory staff in your business have the skills to adequately train your employees?
- Given your current business situation do you feel you can afford to train them if needed?
- If you have a need to train your managerial and supervisory staff how would you to this?

Many respondents clearly indicated that management's role in the administration and implementation of training was important to the outcomes. Half of the respondents (120) indicated that their immediate supervisor had been supportive of their efforts to complete the qualification; however many also indicated that their employer, business manager, senior manager was not involved in process and that they received very little recognition from the business on completing the qualification. There was a stark contrast between the minority of workplaces that had a positively supportive learning culture that was clearly identified with a manager who participated in or actively supported the learning process, and those workplaces where the employee was left to gain the qualification on their own as if workplace training had no relevance to the business. There was also a significant absence of formal management or HR qualifications amongst the managers who made up half the sample.

These case studies and research demonstrate that active engagement in training for national retail and wholesale qualifications with support from enterprise managers will make a positive contribution to organisational productivity.

Training Managers to Train Staff: A Possible Training Strategy

In the current retail and wholesale environment in New Zealand there appears to be a significant lack of support for the training of managers and an accompanying critical shortage of middle managers. Buchanan (2003) in his study the retail industry in Victoria likened this to “Farmers eating their seeds” – being so concerned about their immediate needs that they fail to invest in their future. The familiar phrase “If I train them they’ll leave” is an aspect of this syndrome, where businesses prefer to battle with poor productivity and lack of employee commitment by ignoring their training needs. The Retail ITO’s research has revealed that:

- Most businesses rely on owner/operator or managers to train staff, but few have any training themselves to perform this role
- There is a need for systematised and resourced training models for owner/operators and managers, who also need training in what to train.
- There is a need to address training for more complex occupations, for example merchandise managers, buyers, as well as specialist merchandise related training, logistics and supply chain managers.
- There is a lack of awareness of the industry training system and the opportunities it provides for SME’s as well as larger enterprises.

The Retail ITO argues that failure to train managers, especially in the skills required for training and managing staff will result in ongoing poor management practices resulting in increased business costs, high levels of staff turnover and lower productivity. Training interventions are desperately needed to address these issues.

The Development of a Retail and Wholesale Industry Skills Strategy:

To encourage the development by industry of an industry skills strategy we propose the adoption of the following strategic goal and objectives and make some recommendations as to how they may be achieved. They are now subject your consideration and review to be developed into an industry skills strategy that represents your views:

Strategic Goal:

“That retail and wholesale careers become so attractive that businesses within the industries become employers of choice”

Strategic Objectives

1. To anticipate and address the labour market needs of the retail and wholesale industries
2. To increase employee participation in retail and wholesale industry training
3. To address existing skill needs and promote practices to meet future skill needs
4. To develop workplace qualifications to meet the needs of all sectors of the Retail and Wholesale industries
5. To increase industry engagement in the administration, promotion and success of Retail and Wholesale industry training

Recommendations :

Objective 1: To anticipate and address the labour market needs of the Retail and Wholesale industries.

The Retail Industry Training Organisation recommends that the retail and wholesale Industries support the:

- Extensive promotion of retail career pathways in schools and career agencies.
- Increased participation of secondary school students in retail training through the Gateway Programme, especially by providing workplace job placements for Gateway students
- Provision of Modern Apprenticeships in the Retail and Wholesale industries to new and existing employees
- Implementation of workplace literacy and numeracy programmes in conjunction with qualifications

? Questions :

- 1.Do you support these proposals?
- 2.How could/should this be done?

Objective 2: To increase employee participation in retail and wholesale industry training

The Retail ITO recommends that businesses increase their employee participation in retail and wholesale industry training by:

- Increasing industry engagement in formal learning arrangements to 10% of our industry by the end of 2011. This means at least 4,000 individual employers engaged and about 35,000 individual trainees; approximately 6,000 of these will be Modern Apprentices
- Increasing the numbers of holders of the Levels 2,3 and 4 retail and distribution qualifications
- Increasing the participation of employees in workplace training by offering training agreements to new and existing employees and promoting the employment of young people in conjunction with the offer of a Modern Apprenticeships in Retail or Distribution.

Objective 3: To address existing skill needs and promote practices to meet future skill needs and

Objective 4: To develop workplace qualifications to meet the needs of all sectors of the Retail and Wholesale industries

The Retail ITO recommends:

- That businesses support the development of workplace qualifications and their adoption across all sectors of the Retail and Wholesale industries
- Critical to the argument of this draft strategy is the need for a range of retail and wholesale management qualifications at level 5, 6 and above that support the training process within enterprises
- The review and development of unit standards and assessment tools for the Retail and Distribution Modern Apprenticeships

Objective 5: To increase industry engagement in the administration, promotion and success of Retail and Wholesale industry training

To address the need to increase Industry and Employee Engagement in Industry Training the Retail ITO recommends:

- Maximising employer participation in the development of the Industry Skills Strategy for the Retail and Wholesale industry
- Increased representation of enterprises on Retail and Wholesale Industry Advisory Boards
- The establishment of a Strategic Training and Education Council for Retail and Wholesale Industry Training funded by industry

The following section presents a plan of how the strategic goal and objectives of the Retail and Wholesale Industry Skills Strategy might be achieved. The plan is accompanied by a feedback form inviting your comments and appraisal of the strategy.

“Becoming an Industry of Choice”

(A Draft-for-discussion 'Industry Skills Strategy' for the Retail and Wholesale Industries)

Introduction

The retail and wholesale industries play a significant role in the national economy and provide 21% of the filled jobs. Continued growth is expected to require 46,000 new jobs in retail by 2011 (Statistics New Zealand 2006; Nana et al, 2006).

Despite their size and significance in everyday life, the retail and wholesale industries are not seen by most people as a desirable career option. They are often seen as a career of last resort, the “just-passing-through-on-my-way-to-something-else” industries.

Consequently the New Zealand retail and wholesale industries face challenges from skills and labour shortages that will impact on their productivity and profitability.

The Retail ITO is an industry led organisation with a statutory obligation to assist its stakeholders to develop strategies to counter these shortages. As a stakeholder you are invited to contribute to their development.

The Vision

The Retail ITO vision is that by 2011, retail and wholesale employers will be united in a common skills agenda contributing directly to improved productivity and growth. Current and potential employees will see these industries as attractive places to learn, develop, acquire skills, and achieve qualifications and stay to pursue defined career paths.

We think that the key to achieving this outcome is a focus on the shop manager. Businesses being managed by shop managers who are competent will achieve a significant lift in the productivity of the whole team

The Concern

There is already a serious shortage of skilled and capable shop managers (NZRA, 2005). Few have enjoyed the opportunity for thorough training and many face intense daily pressure to ensure the success of their own or their employer's businesses.

The retail and wholesale industries need effective, quality assured training interventions to equip shop managers with the key tools to train their staff and to manage their businesses so that they will become 'employers of choice', able to attract, retain and develop employees who will be magnets to customers and contribute to increasing business profitability and productivity. Active engagement in staff training which leads to NZQA retail and wholesale qualifications, with support from enterprise managers, will make a positive contribution to organisational productivity

The Choices for Retail and Wholesale Enterprises

- Be constrained by labour shortages or thrive as an “employer of choice”
- Achieve productivity gains by competing on cost or achieve productivity as a competitive advantage based upon skills, innovation and employees committed to the business.



We recommend

that retail and wholesale enterprises cooperate to develop a strategy in which retail & wholesale careers become so attractive that businesses within the industries become employers of choice. This strategy might include:

- The extensive promotion of the industries
- The extensive promotion of retail and wholesale careers as worthwhile, professional and rewarding
- Increased employer/enterprise participation in retail and wholesale industry training
- The development of an increasing array of workplace qualifications to meet the needs of all industry sectors
- The establishment of a Strategic Training and Education Council for Retail and Wholesale Industry Training funded by industry.



What do you think? Your viewpoint is vital to the development of a strategy representative of the retail and wholesale industries. Please read the attached draft document and send your response using the attached form to the Retail Industry Training Organisation.