The Good Jobs Strategy:
Why Good Jobs Are Good For Businesses

Presented by Zeynep Ton
Adjunct Associate Professor of Operations Management at MIT Sloan

Moderated by Dr. Peter Hirst
Executive Director, MIT Sloan Executive Education

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ABOUT Zeynep Ton

- Adjunct Associate Professor of Operations Management at the MIT Sloan School of Management
- Currently examining how organizations can design and manage their operations in a way that satisfies employees, customers, and investors simultaneously; earlier research focused on the critical role of store operations in retail supply chains
- Her work has been published in a variety of journals, including *Organization Science*, *Production and Operations Management*, and *Harvard Business Review*. In addition, she has written numerous cases that explore different approaches to managing retail stores and labor
- Prior to MIT Sloan, Ton spent seven years as an assistant professor in the Technology and Operations Management area at Harvard Business School, where she was awarded the HBS Faculty Teaching Award for teaching excellence
- Ton holds a DBA from Harvard Business School and a BS in Industrial and Manufacturing Engineering from Pennsylvania State University
The Good Jobs Strategy

Zeynep Ton
Full-time store help wanted
- poverty-level wages
- chaotic schedule
- no training
- poorly designed work
- no meaning or purpose

Contact badjob@retail.com
BAD JOBS COST COMPANIES A LOT MORE THAN THEY MAY REALIZE
In-store logistics

- New products
- Extra units
- Expired/obsolete units
- Promotions

~40,000 SKUs
~2500 transactions/day

Multiple deliveries/day

JUDGMENT
TRADE-OFFS
Problems

Phantom Stockouts
• 1 in 6 customers at Borders

• Specialty retailer: 60% of stockouts phantom

• GMA estimates 25-30% of all stockouts due to misplaced products

50% of promotional displays put up either late or not at all (Harris and Tenser, 2008)

Inventory Data Inaccuracy

65% of SKUs are inaccurate
Vicious Cycle

- Labor budgets
- Low quality or quantity of people
- Poor operational execution
- Sales & profits

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Virtuous Cycle?

- Labor budgets
- Good quality and quantity of people
- Good operational execution
- Sales & profits
Good Jobs

• Decent pay
  – New FT employee’s salary ~2X min wage
  – Bonus

• ~85% employees FT w/ stable schedules

• Opportunity for success and growth
  – 4 weeks training, internal promotions

• Turnover 3.4%
Store profits: 89% > TQ
Sales /hour: $142 vs. $94.7 (TQ)
Shrink = 0.7% vs. 1.52% industry average
Good Jobs

• Fortune’s 100 best 12 years in a row
• Decent pay
  – Entry-level managers $35-40K
  – Bonus
• Stable schedules for all managers and most full-timers
• Opportunity for success and growth
  – > 40 hrs. training, internal promotion
The Good Jobs Strategy

- Operate with slack
- Offer less
- Cross-train
- Standardize & empower

Invest in people

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NOT SPECIFIC TO RETAIL
GJS → Enables companies to adapt

- Operate with slack
- Cross-train
- Offer less
- Standardize & empower

Invest in people

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Spanish Supermarket Chain Finds Recipe
As Country's Jobless Rate Approaches 25%, Mercadona Keeps Hiring and Boosting Sales Using a German Template
The Good Jobs Strategy

• Not just paying employees more
  – Smart choices
• Sustainable strategy in which everyone wins
  – Customers, investors, employees
• Icing on the cake
  – Society also wins
Jobs that Provide Meaning and Dignity

“You're working with 12 or 14 people . . . they go out and they touch 12 or 14 people . . . so I get to make a really big impact in so many people's lives, just by trying to get them to see . . . what QT's ending goal is and that's for everybody to be successful, you know, and everybody to be happy.”

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For Q&A

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Featured Reading

The Good Jobs Strategy:
How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits

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- April 14-15, 2015
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