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**Strategic Human Resource
Management**




MIT Sloan School of Management

The Retail Industry



- ❖ About 16% of the U.S. work force works in retail.
- ❖ During the period 1948-1992, real wages in retailing declined from from 91% to 62% of the national average.
- ❖ As an industry, retailing is plagued by high turnover, few benefits, and the extensive use of part-time employees.




“All retailers in America have awakened to the Nordstrom threat and are struggling to catch up. Nordstrom is the future of retailing... [It] is the most Darwinian of retail companies today.”

**New York Times,
August 27, 1989**

Retail Comparison



	Sales per gross square foot of store area	Gross profit per gross square foot of store area	Expenses as a percentage of sales
Macy's	\$203.80	\$61.10	26.3%
Dillard	138.00	44.50	24.7
Federated	165.00	47.00	24.7
May	171.00	48.90	20.4
Nordstrom	388.40	117.60	25.1



The retail worker in the United States is somebody who often came from a dysfunctional home... somebody who didn't do well in school, who basically told the teachers in one way or another to go to hell.”

Charlie Bressler
EVP, The Men's Wearhouse

Measurement System



Nordstrom carefully evaluates salespeople on their sales-per-hour (SPH) ratio.

- ✘ Each employee has a target SPH ration – a quota – based on hourly wage and store department.
- ✘ Actual SPH for the past two weeks – sales, minus merchandise returned by customers, divided by hours worked – appears on each pay stub.
- ✘ If actual SPH is higher than target SPH, employee is paid 6.75 % to 10% on net sales.
- ✘ If SPH is below target, employee is paid the base hourly wage.
- ✘ Failure to meet SPH often results in decreased hours, or in some cases, termination.
- ✘ Meeting or surpassing the target SPH means more working hours – including better hours when the shopping is heavier – and a better chance of promotion to a department manager job.

Diagnostic Control Systems



- ❖ Measure a critical performance variable for the firm.
- ❖ Allow managers to set ex ante targets or standards
- ❖ Allow the organization to measure outputs

Impact of SPH



“There is pressure on managers to get people with the biggest SPH in the the most hours. You’re not told that if you don’t go off the clock, you’ll get your hours cut. It becomes an inferred thing. The more you sell per hour, the more hours you get.”

Nordstrom employee speaking
only after being guaranteed anonymity.
HBS Case #191-002

Nordstrom: American Dream, or American Nightmare?



Great Service through Fear

- ✘ Local 1001 publicity campaign
- ✘ Washington State union complaint
- ✘ NLRB charges
- ✘ Shareholder class action suit
- ✘ Employee class action suit
- ✘ WSJ front page story
- ✘ 60 Minutes TV story

Entrepreneurship in Action

- ✘ Highest retail sales productivity
- ✘ Earnings > \$80,000
- ✘ Compound growth in sales, earnings
- ✘ Highly educated & motivated workforce