

Snacks

stard

manufacturer
coupons
up to **99**
See customer service desk for details.

The display rack is organized into several rows and columns. The top row features six bags of Lay's Classic chips. The second row also has six bags of Lay's Classic chips. The third row contains two bags of Oberto Beef Jerky (Original) on the ends and a row of small jars in the middle. The fourth row consists of six bags of Lay's Wavy chips. The fifth row has two bags of Oberto Beef Jerky (Hickory) on the ends and a row of small jars in the middle. The sixth row contains six bags of Lay's chips: two bags of Salt & Vinegar, two bags of Barbecue, and two bags of Cheddar Cheese. The bottom row features six bags of Lay's chips: two bags of Cheddar Cheese, two bags of Salt & Vinegar, and two bags of Barbecue. Price tags for '2 for \$6.00' are placed between the rows of bags.



Count on

Productivity

Gains

Frito-Lay's HR leaders tap measures of performance and skill to identify ways of hiking drivers' productivity.

By Alec Levenson and Tracy Faber

In 2005, Frito-Lay's senior executive team faced a challenge with route sales representatives (RSRs). The company was achieving sales and profitability targets, but high turnover and low productivity among the RSRs was making it progressively harder to meet those targets. Tired of resorting to "cheerleading" to meet each quarter's numbers, line managers and human resource professionals came together to see if they could come up with solutions that would provide cost-effective, sustainable bottom-line results. They immediately ran into a brick wall: What were the causes of the low productivity and morale?

"Continuing to base plan performance on the field's ability to simply 'do better' was not a sustainable business strategy," says Randy Melville, senior vice president of Frito-Lay Sales. The team turned to research and designed a plan for overcoming these problems. >

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Hungry for Answers

All Frito-Lay products sold at retail are placed on stores' shelves by RSRs. This delivery method, known as direct store delivery, serves as a cornerstone of Frito-Lay's service to stores. With direct store delivery, Frito-Lay reaches more than 20,000 outlets daily. Quality service helps the company achieve a greater than 60 percent share of the salty snack-food market nationwide.

More than 17,000 RSRs drive products from warehouses to retailers, merchandise the products at retailers, take orders from the retailers and negotiate for additional display space. The RSR is a commission sales role, with compensation depending on volume of sales.

Frito-Lay executives had a laundry list of possible reasons for the low productivity and high turnover, including compensation, training, recruiting, the growing complexity of the job because of an increasing number of products, and a more difficult retail environment.

Executives had known for some time that compensation issues could be inhibiting improved performance in pockets of the sales organization. Some regions had fallen behind the company's local benchmarks for target compensation of route sales drivers. A leading hypothesis was that these shortfalls were at least partly responsible for low morale, productivity and retention. Supporting this, a preliminary analysis of U.S. turnover and compensation patterns among Frito-Lay drivers revealed that regions where the gap between target and average compensation is greatest tends to have higher turnover.

At this point, many business leaders would declare victory and dive headfirst into solving the compensation problem. Yet, two factors led the diagnosis team to look further for root causes.

First, although the relationship between compensation and turnover was real, the statistics were not strong. Researchers suspected that other factors were influencing turnover, but specific causes, aside from compensation, had not been identified.

Second, the relationship between the compensation gap and turnover in each region was stronger for new-hire turnover and weaker for turnover among the longer-tenured RSRs. And it was the longer-tenured RSRs who had greater productivity and sales. So, while closing the compensation gap would have positive impact on the

talent supply of RSRs, it would not necessarily improve productivity. To do that, other elements in the employment picture needed to change.

"We were successful by framing the investment in the RSR job as any other strategic business decision where the fundamental hurdle is always whether or not the investment will grow the business and increase profitability," Melville says. By quantifying the impact of new-hire turnover on lost sales, HR leaders, in conjunction with senior sales leaders, were able to align the organization to invest in RSR compensation, with a goal of bringing pay to market targets over three years.

"Prior to the study, we could only hypothesize turnover had a negative impact on sales," Melville says. "After the study results came in, we had hard data and specific volume and profit impact to back up our hypothesis. We could commit to a return on investment that justified the expense of increasing compensation."

Frito-Lay

Industry: Food manufacturing and distribution subsidiary of PepsiCo.

Ownership: Public, PEP, NYSE.

Top leader: Al Carey, president of Frito-Lay.

2008 revenue: About \$11 billion in annual sales.

Locations: More than 200 facilities in the United States; U.S. headquarters in Plano, Texas.

Employees: 48,000.

Connections: www.fritolay.com

New-Hire Turnover at Frito-Lay

Analysts found that when driver compensation was equal to the target for a local market, new-hire turnover was 35 percent per year, but when compensation was less than 85 percent of the target for the local market, new-hire turnover was 50 percent per year.



Source: Center for Effective Organizations.

Look at the Job

To start, members of Frito-Lay's HR team contracted with researchers at the Center for Effective Organizations, a research unit in the Marshall School of Business at the University of Southern California in Los Angeles, to study attraction, retention, motivation

and productivity of RSRs. They broke the job down into three parts: sales tasks, driving and delivery tasks, and merchandising tasks. There were two reasons for taking a job-design approach:

- Frito-Lay's sales team had already studied the importance of in-store product location for sales. They knew that getting additional display space in high-traffic areas was key to increasing sales volume. Training and coaching had long been provided to RSRs on how to identify and secure incremental shelf space in key areas. So, even though sales activities—including gaining incremental shelf space and building promotional displays—take only a fraction of RSRs' time each day, they were aware that sales activities were critical for hiking sales revenue and compensation.
- The RSR job is highly structured, with the numbers and types of stores on each route set to strike a balance between driving time, in-store

Factors Other Than Compensation Likely Affecting Turnover

Onboarding process

Training quality

Work schedule

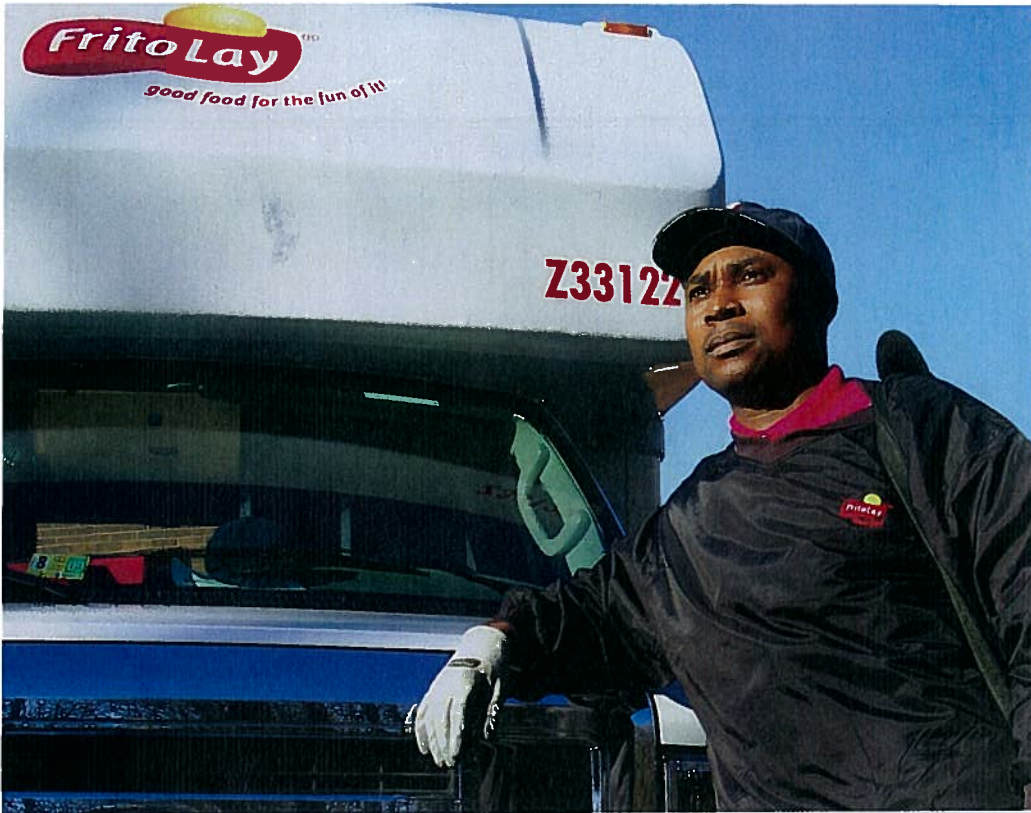
Weekend work

Job complexity

Work environment

Physical demands





Driving sales: A job analysis allowed Frito-Lay managers to identify the factors eating away at employee performance. Once jobs were restructured, scores of route sales representatives, including Haroon Muhib of Lorton, Va., met their sales targets and were eligible for raises.

refusing displays or putting them in less-desirable locations in the stores. They further argued that even if RSRs on the high-volume routes had less impact on the numbers and locations of displays compared with the low-volume routes, the greater volume of sales on those routes meant that each incremental display in the right location on a high-volume route had a dis-

Frito-Lay drivers on the high-volume routes spend more time in each store with more products to handle per store and are only one of several of the company's employees to work with these store managers.

proportionately large impact on Frito-Lay's bottom line.

The job-design approach used by Frito-Lay, which combines the three sets of tasks—sales, driving and delivery, and merchandising—into one role is just one approach employed by consumer products companies. Managers at other companies divide the tasks into separate jobs, most often creating two separate roles—one dedicated to sales, and another for driving, delivering and merchandising.

Frito-Lay's leaders wanted to use measurement and analytics to better understand the trade-offs in keeping three sets of tasks bundled into one, and the options for improving performance if the basic job design remained the same. This was of particular concern for the high-volume routes. These routes were better candidates for breaking the tasks into separate roles because of the greater total sales. Hourly merchandisers already were employed in some instances to help keep the shelves stocked at stores with extremely high volume, such as Wal-Mart.

time and truck utilization. Low-volume routes service a large number of small-volume stores, such as convenience stores, drugstores and gas stations, and use smaller trucks. High-volume routes service a small number of large-volume stores, such as Wal-Mart and large grocery stores, and use larger trucks.

RSRs on the low-volume routes spend more time driving between stores and are the primary interface with the retail store manager. RSRs on the high-volume routes spend more time in each store with more products to handle per store and are only one of several Frito-Lay employees to work with these store managers. For the high-volume routes, national and regional account teams work directly with buyers in the retailers' corporate offices on many, though not all, aspects of promotions and product mix, leaving less leeway for the RSR to influence sales at stores.

One hypothesis that Frito-Lay's leaders wanted to test was whether sales task execution mattered on high-volume routes. Some argued that the work of the account sales teams for the high-volume stores meant that in-store sales task execution by the RSRs was not important for spurring incremental sales volume on those routes.

Other leaders argued that RSRs' executing sales tasks on high-volume routes was critical because local store managers could subvert the directives of their own national account teams by either

Measurement and Analysis

Data for the analysis came from a one-time survey of the RSRs and their supervisors, and from the performance measurement system. The RSR survey measured factors related to attraction, retention and motivation, including fit with the different parts of the job, availability of outside employment opportunities, job and career satisfaction, pay satisfaction, supervisor and organization support, and work/life balance.

The survey also included questions about respondents' previous experience—before employment at Frito-Lay—in two job-design areas: sales, and driving and delivery. Prior experience in merchandising was not a focus of the analysis because merchandising skills are relatively easy to learn and apply. The impact that prior sales experience or prior driving and delivery experience had on productivity of people in the RSR job was unknown, though.

The supervisors' survey used new measures to rate each RSR's ability to execute the sales, driving and delivery, and merchandis-

ing parts of the job. Given the deep understanding of the tasks associated with each part of the job, the supervisors had no trouble providing the ratings. All survey data were collected and treated confidentially by the Center for Effective Organizations' researchers. They also matched RSRs' and their supervisors' responses with the route performance data, including net sales and customer service scores.

Influences on Productivity

The analysis produced actionable results. One insight was that the marginal contribution of task execution to sales performance differed by route type and skill type. On the low-volume routes, differences in sales task skills were the main influence on sales performance. On these routes, the ability to secure additional display space was the primary differentiator of sales and customer service performance. In addition, RSRs with more years of sales experi-

When overloaded schedules got in the way of employees' performance, the key was to redesign the workers' jobs.



ence before joining Frito-Lay had greater sales than peers who came to the job with less prior sales experience.

On the high-volume routes, differences in driving and delivery task skills were a stronger differentiator of sales performance than sales task skills. On these routes, the ability to hit tight delivery windows was critical because most high-volume stores require that deliveries be made early in the morning. This meant that an RSR might have to make deliveries to three stores on the route first thing in the morning, and then double back later in the day to merchandise the products and work on sales tasks.

Based on these results, managers might have concluded that sales task execution was not important as a differentiator of sales on the high-volume routes. Yet a separate analysis demonstrated that prior sales experience before joining Frito-Lay was a predictor of sales on the high-volume routes, just as it was on the low-volume routes. Thus, the emphasis on sales task training was validated for high- as well as low-volume routes.

Actions Taken

The question remained: What to do about the importance of driving and delivery skills on the high-volume routes? Because the bottleneck to performance lay squarely with the job structure—the tight delivery windows—the solution was to free up time for driving and delivery tasks on the high-volume routes. This was accomplished by allocating more hourly merchandising help to those routes, free-

ing the RSRs to take on more stores and focus on the driving and delivery and sales tasks.

To take advantage of the positive impact of prior sales experience on route performance, the hiring profile was modified to put greater emphasis on prior sales experience.

Metrics Offer Lasting Takeaways

During the process, HR professionals throughout the sales organization, including generalists and specialists in compensation, recruitment, and training and development, played central roles, working alongside line leaders to identify the possible causes of the productivity bottlenecks. Jose Motta, vice president of Frito-Lay compensation and benefits, explains, "Business leaders will often move quickly to what they intuitively believe to be the 'right' answer, and Frito-Lay sales leadership was no different. In this case, HR [professionals were] able to guide the decision-making by informing the process with key data and analysis."

This case is an example of targeted, focused use of data. The measures of job task execution and RSRs' prior experience were largely created specifically for the analysis, and were not drawn from the HR information system or other reporting systems.

This case demonstrates the value of problem-focused analysis, including custom measures not necessarily serving as ongoing reporting metrics. Frito-Lay's HR leaders used the process of designing and conducting the analysis to reframe managers' original beliefs and hypotheses about the RSRs' role.

One lasting takeaway for HR professionals in other organizations: Tailor measures to fit the issue. The "right" human capital measures cannot necessarily be found in turnkey software, a lesson applicable to companies of all sizes.

And while the resources to design and conduct this analysis were not insignificant, they represent a tiny fraction of the dollars spent monthly in compensation and support for more than 17,000 incumbent employees.

More important, the job-design analysis capability that Frito-Lay HR professionals used is in short supply in the HR functions of many organizations. Finding the root causes in this case meant looking at:

- The design of the job.
- The tasks needed to execute each part of the job.
- The skills each RSR must have to execute these tasks.
- The role of attitudes about compensation and other factors in influencing retention and productivity.

In short, building job-design capabilities into the HR toolkit offers potentially high return on investment for executives looking to improve human capital management. ■

Online Resources

For more information about HR metrics, see the online version of this article at www.shrm.org/hrmagazine.