

Vêtements Ltée

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S. L. McShane *Canadian Organizational Behaviour*, 5th ed. (Toronto: McGraw-Hill Ryerson, 2004); S. L. McShane & M. A. von Glinow, *Organizational Behavior*, 3rd ed. (Boston: McGraw-Hill, 2005); S. L. McShane & T. Travaglione, *Organisational Behaviour on the Pacific Rim*, 1st ed. (Sydney: McGraw-Hill Australia, 2003)

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Vêtements Ltée*

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Vêtements Ltée is a chain of men's retail clothing stores located throughout the province of Quebec. Two years ago, the company introduced new incentive systems for both store managers and sales employees. Store managers in each store receive a salary with annual merit increases based on sales above targeted goals, store appearance, store inventory management, customer complaints, and several other performance measures. Some of this information (e.g., store appearance) is gathered during visits by senior management, while other information is based on company records (e.g., sales volume).

Sales employees are paid a fixed salary plus a commission based on the percentage of sales credited to that employee over the pay period. The commission represents about 30 percent of a typical paycheque and is intended to encourage employees to actively serve customers and to increase sales volume. Because returned merchandise is discounted from commissions, sales employees are discouraged from selling products that customers do not really want.

Soon after the new incentive systems were introduced, senior management began to receive complaints from store managers regarding the performance of their sales staff. They observed that sales employees tended to stand near the store entrance waiting to "tag" customers as their own. Occasionally, sales staff would argue over "ownership" of the customer. Managers were concerned that this aggressive behaviour intimidated some customers. It also tended to leave some parts of the store unattended by staff.

Many managers were also concerned about inventory duties. Previously, sales staff would share responsibility for restocking inventory and completing inventory reorder forms. Under the new compensation system, however, few employees were willing to do these essential tasks. On several occasions, stores have faced stock shortages because merchandise was not stocked or reorder forms were not completed in a timely manner. Potential sales have suffered from empty shelves when plenty of merchandise was available in the back storeroom or at the warehouse. The company's new automatic inventory system could reduce some of these problems, but employees must still stock shelves and assist in other aspects of inventory management.

Store managers have tried to correct the inventory problem by assigning employees to inventory duty, but this has created resentment among the employees selected. Other managers have threatened sales staff with dismissals if they do not do their share of

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inventory management. This strategy has been somewhat effective when the manager is in the store, but staff members sneak back onto the floor when the manager is away. It has also hurt staff morale, particularly relations with the store manager.

To reduce the tendency of sales staff to hoard customers at the store entrance, some managers have assigned employees to specific areas of the store. This has also created some resentment among employees stationed in areas with less traffic or lower-priced merchandise. Some staff have openly complained of lower paycheques because they have been placed in a slow area of the store or have been given more than their share of inventory duties.