



By Hippo Zourides

## Incentivising the team

The disparity of pay between directors and the labour force has filled many newspaper and trade magazine columns. We suspect that if the same exercise was conducted in the retail food industry, the results could be staggering.

Has the time come for business owners in the retail food industry to share the cake more fairly with the workforce? Analyse your business and decide whether the 'team' is as important as you, as the owner or investor and whether they should be incentivised to produce more for your business.

Shoprite reported in its 2023 integrated report that CEO Pieter Engelbrecht earned a total remuneration package of R64.66 million. According to a report compiled by Just Share, a Cape Town based advocacy group that has historically lobbied company boards to disclose the wage discrepancies between executives and their lowest-paid workers, this was 1 081 times more than the company's internal minimum wage, with other large companies listed on the Johannesburg Stock Exchange (JSE) also having large pay disparities between employees and executives. Shoprite's own internal minimum wage is the lowest on the list, coming at R58,700 – if the employee works 45 hours per week for all 52 weeks of the year.

According to [businesslive.co.za](http://businesslive.co.za), Woolworths CEO Roy Bagattini, an outspoken proponent of a 'living

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## Why should you incentivise?

Traditionally in South Africa, employees have been accustomed to receiving a 13th cheque (sometimes less), where applicable, and this is normally paid in December of every year to assist with the purchase of both seasonal gifts and the 'back to school' burden that afflicts many families.

wage' for store employees, earned R122.4m in the 2023 financial year, more than three times what he earned in the previous year, as his long-term share options vested.

So we refer to the differential between what an owner/investor may take home as compared with the average of his/her workforce. The general reaction to this poser is the fact that the risk and hard work of an entrepreneur should be rewarded handsomely by the final results of the business, especially in times when the results are not as expected. This may be true, but it is also true that one has to look at ways of incentivising the rest of the team to assist the owner/manager achieve his/her objectives.

Unfortunately over the years, this process has become a habit and an expectation by the employees with no direct influence on their productivity and no linkage to profit or loss, spectacular performance or indifferent productivity.

The way to plan for a new approach to motivating one's workers would be to do away with the annual bonus (NB. Consult a labour expert to see if the current employment contracts can be amended) and implement a 'balanced score card' incentive scheme, that not only rewards the management and supervisory levels in your store, but also the total labour force. If you are starting a new business, here is a basic plan to consider.



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## Define the rules of the game

A good starting point will be to define the various levels of incentive available to various levels of grades or positions in your team. Start with the departmental managers, then define the level of supervisors and finally break down the total store in sections, such as the butchery, bakery, delicatessen/HMR/coffee shop (if applicable), fresh produce, perishables, groceries, general merchandise, front line and storage/receiving.

A balanced score card must then be developed for each section of the store.

Define the measurement parameters for each section as they differ considerably. Service departments would typically cover areas such as sales, profitability, waste, growth and control of expenses, while the storage/receiving area would look at number of cases handled, store room tidiness, control of damages, shrinkage and so on. The front line would include items such as customer count, compliments and complaints, items handled per hour/day/week and so on.

## Who should be incentivised and when?

The ultimate aim should be to incentivise the whole store, but one could start with the managers and supervisors, especially if the change from annual bonus to regular incentive is considered. The balance of the staff could be left for last in this process.

It makes sense that the heads of department should be taken on this journey and one way to keep the interest going is to make the incentive

quarterly, where everyone looks at monthly results but have three months in which to achieve the targeted incentive.

## Examples of an incentive scheme

For the sake of an example, let us take a butchery manager and his performance. His balanced score card could consist of the following areas:

**Sales** – grow sales for the same period last year by 15%

**Profitability** – achieve an average gross profit for the department of 26%

**Expenses** – maintain a ratio of packaging to sales to no more than xx% and a salary ratio to sales of no more than yy%

**Promotions** – ensure a minimum of 6 items on promotion at all times

Every one of the above aspects could be rated differently based on the weighting of each portion. For example, out of a possible 100 points, sales could be weighted at 50, profitability at 25, expenses at 15 and promotions at 10. Below is an example of a balanced score card for a 3 month period and its outcome ...

AREAS	Weight	Budget	Actual	Rating	Comments
SALES	50	R 1 200 000	R 1 260 000	52,50	Sales were 5% higher than budget (50 X 1.05)
PROFIT	25	26%	24%	21,16	The margin achieved was 92% of budget (25 x .92)
EXPENSES	15	12%	12%	15,00	Expenses were spot on
PROMOTION	10	96 items	86 items	9,00	10 items less than budgeted were promoted
<b>TOTAL</b>	<b>100</b>			<b>97,66</b>	

In this example, the extra sales redeemed the lack of performance in margin and promotional activity.



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with the department manager and later on with the whole staff complement. Incentives can be primarily of a financial nature but can also include tickets to the rugby or soccer or to an overseas visiting artist and trips away for the person and their partner. The sky is the limit but the preparation and week to week management of an incentive are vital.

### How public should the incentive be?

Many independents guard their sales and profit figures very closely to their hearts for many reasons but primarily because they are loathe in sharing the information with staff.

If that is the case, then consider using an Index system to show them their performance. In the above example, the budget of R1 200 000 sales

for the month can be indexed as 100 and the resulting sales of R1 320 000 would reflect as an index of 110. There is no harm in putting up a bar chart in the butchery showing the two index figures monthly (budget vs. actual) to keep the staff informed of their achievement.

The same can be done on the other measurable criteria, so when the time comes to include the whole team in the incentive scheme, they are all well informed without disclosing the financial details of each target.

Incentives work. However, they must be well considered before implementation and the people to be incentivised must be taken into the journey with openness transparency and honesty. **SR**

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Measurable and realistic targets should be set. When scoring areas such as tidiness or customer complaints and compliments, specific checklists must be developed to avoid individual preferences from clouding one's judgement. In some cases, external mystery shoppers can be brought in to rate a service or tidiness of a store or department. The result of such external input must be shared with the relevant incentivised employee.

### How much to incentivise?

This question can only be answered by the store owner/investor. But here is a suggestion: if you had already budgeted for a 13th cheque, what stops you from giving away a 14th cheque for excellent performance or a 15th cheque for exceptional results that will increase your bottom line exponentially?

Decide on the value of this investment (that is what it is, an investment in growth and a better bottom line) and break it down into the quarterly targets discussed previously to be shared firstly



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## W&RSETA CONTINUES ON IMPROVED PERFORMANCE AND RECORDS UNQUALIFIED AUDIT REPORT

The Wholesale and Retail SETA (W&RSETA) presented its 2022/23 Annual Report and Annual Financial Statements to its stakeholders at the 2023 Annual General Meeting on 23 November. The SETA is on the upward trajectory having recorded an increase in its performance and receiving an unqualified audit report from the Auditor-General South Africa. These results are a demonstration of the W&RSETA's commitment to boost economic growth through various programmes that were implemented to improve productivity of its stakeholder companies, create jobs and support small businesses. While performance continued to peak reaching 83.78% in 2022/23, the impact of the W&RSETA's programmes is the true measure of the SETA's investment in skills development in the Wholesale and Retail Sector.



## Some of the W&RSETA's impactful areas for the 2022/23 financial year include the following:

- **R 236 million** disbursed in Mandatory **Grants** and **R 1.130 billion** in Discretionary Grants towards skills development initiatives.
- **15 672 unemployed youths** were registered on learnerships, occupational qualifications, skills programmes and occupationally directed programmes. **10 447 employees** were registered in various learning programmes.
- **10 347 completions** on learnerships, skills programmes, WIL and occupationally directed programmes (employed and unemployed).
- **1 629** trade union members received training.
- **598 artisans/technicians** were enrolled through the Artisan Development Programme.
- The W&RSETA Bursary Scheme benefited **3 393** students from TVET colleges, universities of technology and universities.
- **90 senior executives** enrolled on the International Leadership Development Programme and **283 Managers** on Retail Management Development Programme as part of the SETA's transformation agenda.
- **4 321 SMMEs** were supported for various skills development initiatives.
- **3 006** hawkers, spaza shop and micro enterprise owners benefited from the Informal Traders and Micro Enterprises Development Programme.
- The W&RSETA partnered with Kenyan university, Zetech, to expose 117 informal traders to the thriving informal trade of Nairobi focusing on technology and innovation.
- **2 782** graduates from TVET colleges and HETs were placed in wholesale and retail companies to gain workplace experience.
- The annual Entrepreneurship Development Programme benefited **257 young people**.
- The W&RSETA empowered **275 vulnerable women** to start or improve their businesses through the Taking Care of Business programme.
- **20** cooperatives and **177** community-based organisations participated in skills development programmes to ensure the sustainability of their businesses.

## W&RSETA Profile

The Wholesale and Retail Sector Education and Training Authority (W&RSETA) has been in existence for over 23 years, facilitating skills development in the Wholesale and Retail Sector. The W&RSETA operates within one of the top five biggest sectors of the South African economy, wholesale and retail, with large conglomerates that attribute to 19% of the country's active workforce. The sector comprises predominantly of small, medium and micro enterprises including informal traders.



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