

Reducing Turnover and Expanding Operations through Creative Compensation and Apprenticeships



By Ellen G. Frank-Miller, PhD; Molly Wendland; and Madi Ryan of the Workforce & Organizational Research Center (WORC)

Meet CIV Plus and Global Source Distribution

CIV Plus is a family-owned retail company that sells vapes and natural products to fulfill their mission of helping adult smokers rid the use of combustible cigarettes. What started in 2012 as a single storefront selling alternatives to combustible cigarettes quickly grew to 12 stores and the subsequent launch of its distribution center, Global Source Distribution (GSD), which provides products to 1,200 retailers, in addition

to CIV. The two businesses, CIV and GSD, employ approximately 70 workers across their retail and distribution operations.

A Small Company Engages Local Business Advisors to Help Reduce Turnover

As is common across the retail industry, turnover at CIV/GSD was high, and finding shift coverage was an administrative headache, something Ashley Hartman, chief strategy officer of CIV

and GSD, had been wrestling with for a while. Ashley knew that focusing on improving staff retention was imperative to free operational staff to focus on company expansion efforts instead of constantly putting out fires. Ashley had a hunch that employees were dissatisfied with wages; however, she knew she needed external support to surface underlying issues to catalyze change. Fortunately, through the Redesigned Jobs, Resilient Workers program, CIV/GSD was matched with two business advisors who helped them figure out a plan.



Employee Surveys Reveal Opportunities to Improve Retention

To kick things off, Ashley and the business advisors launched a survey designed to elevate employee voice and gather feedback on organizational areas for improvement.

Working with the advisors, Ashley identified employees to speak with about their experiences to ensure she was interpreting the survey results correctly. Although the survey and interview findings validated Ashley's hunch that wages and benefits were crucial to retaining staff, she knew that she and her leadership team would have to creatively address wages in the face of budget constraints and strict industry-wide federal regulations that often limit operational choices.

“We really put a lot of research into that survey and ever since [the business advisor has] been there, we've really tried to look at data as faithful. That's our pride and joy because it's really easy to have assumptions on things. But if you don't have the data to back it up, it really means nothing.”

Ashley Hartman
Chief strategy officer, CIV Plus and Global Source Distribution



Creative Solutions to Improve Wages

With wages and benefits identified as opportunity areas, the leadership team got to work brainstorming ideas. CIV/GSD had been interested in open book management for quite some time, and decided to apply some principles from that methodology. The steps they took were aimed at improving pay for all employees and providing incentives for winning on-the-job behaviors.

Higher Starting Wages and Raises for All Hourly Employees

CIV/GSD began with a goal of increasing pay for all employees. As a first step, they increased starting hourly wages from \$12.00 to \$14.00 per hour. In addition, after a 90-day probationary period, new hires would be eligible for a wage increase of up to \$1.00 per hour, depending on performance. Since this approach was implemented, the majority of new hires have received merit-based wage increases after the 90-day probation period of \$0.75 to \$0.90 per hour. They also implemented a weekend pay differential of \$1.75 per hour to incentivize better coverage for their busiest times.

At the same time, CIV/GSD also brought all employees up to a minimum hourly wage of \$15.00 to assure equitable wages across the workforce. Employees who were already earning \$15.00 per hour or more received merit increases that averaged \$1.50 per hour. Across the whole operation, employees ended up with a total of nearly \$230,000 more in their pockets after the first year.

Aligned Financial Interests for Employees and the Company

To motivate all employees to focus beyond their day-to-day tasks and begin to see the relationship between what they do on the job and the company's financial success, CIV implemented a tiered bonus structure in their retail stores and a gainsharing program for distribution center employees.

The tiered bonus structure, where employees receive a percentage of the store's profits based on their sales achievements, was immediately popular and instrumental in motivating employees to up their sales games. Each customer interaction suddenly became an opportunity for extra cash at the end of the month, which changed the dynamic and helped employees think creatively about meeting customers' needs. In 2022, individual bonus payouts to retail employees were approximately \$154,000.

At the distribution center, error rates were costing the business dearly. GSD implemented a gainsharing program that linked reductions in error rates, tracked monthly, to payouts for employees. This new effort is getting off the ground and sparking new ideas about how shipments can get out the door more accurately.

Business Success Leads to Better Employee Benefits

Ashley emphasized the importance of the employer's mindset to achieving the business benefits of better job quality and in this case, the company's mindset of shared success resulted in vastly improved employee benefits programs.

CIV/GSD's creative compensation strategy has led to stunning 20% month-over-month revenue growth for over a year, which gave the company the ability to greatly enrich employee benefits.

In addition to increasing paid time off from five days per year to 10 days for all full-time employees, the company has dramatically increased healthcare benefits, contributing up to \$500 a month towards health insurance for all employees. A new 401(k) plan open to all employees includes a 4% employer match and will be rolled out in January 2024.

Improved Communication Through Connecting Business Units

Survey findings also revealed that employees working at the distribution center, which is co-located with corporate headquarters, felt more

The Bottom Line — Everyone Wins

- **20% month-over-month revenue growth for over a year**
- **Reduced turnover from 40% to 24%**
- **~\$483,000 total additional compensation paid out to employees in 2022 (average of \$6,900 per employee)**

connected to the company than those working in the retail stores. Ashley and her team knew it was imperative for retail employees to feel connected to facilitate organizational growth.

Ashley and her leadership team transformed the distribution center representative role into a customer support role. The new role emphasized a supporting relationship between the reps and retail store managers, creating a direct link between the distribution and retail business units for the first time. They also implemented mid-month and month-end manager meetings to give retail managers frequent opportunities to communicate directly with the leadership team and discuss challenges collaboratively.

“The people of the organization make the business. It's not me. It's not [the owners]. It's the people.”

Ashley Hartman

Chief strategy officer, CIV Plus and Global Source Distribution

Retaining Employees Through an Apprenticeship Program

Ashley knew that upskilling and providing career pathways for her dedicated long-term staff were paramount to capturing market share from larger industry competitors. With the help of

the business advisors and key players at the organization, Ashley strategically curated an apprenticeship program geared toward retail management. The leadership team selected four employees who expressed an interest in moving up within the organization and launched the apprenticeship program, provided at no cost to employees.

The program was designed to be completed over approximately two and a half years to ensure employees would be able to meet their job demands and have adequate time for upskilling. The curriculum included online courses from Penn Foster University, Iowa State University, and Dale Carnegie Leadership Institute focused on the various aspects of managing a retail store, from OSHA compliance to strategies for managing staff.

To provide additional support throughout the rigorous program, CIV implemented a mentorship program to pair apprentices with experienced staff members. They also carved out four hours per week from participants' regularly scheduled weekly hours to work on apprenticeship coursework.



Ashley and her team knew that sustaining motivation over two and a half years would be a challenge, so they implemented wage increases based on achieving apprenticeship milestones to keep participants engaged:

- **Phase 1 completion: \$0.50 raise**
- **Phase 2 completion: \$0.50 raise**
- **Phase 3 completion: \$1.00 raise**

Ken, a sales associate who was promoted into a store manager role learned about the apprenticeship program through his leadership team, who encouraged him to apply. Although hesitant at first, Ken accepted the opportunity.

Now in his second and final year of the program, Ken has found the program's coursework, particularly a people management course on navigating differences, surprisingly valuable. He credits his coursework with helping him recognize ways that he could improve as a manager and adapt his management style to become a better leader. Now an area manager, Ken will be helping identify the next cohort of sales associates and assistant managers to participate in the apprenticeship program and will serve as their mentor as they move through the coursework.

“The work that I’ve done [with the apprenticeship program] 100% has helped make me not only be a better store manager but a manager of managers. I’m now the area manager, so I oversee five other managers and [the apprenticeship program] absolutely has helped me in that role. It could have been much more difficult had I not gone through the apprenticeship program.”

Ken
Area manager, CIV Plus

What’s Next?

The job quality initiatives implemented at CIV/GSD were so successful that the company is now focusing their efforts on expanding retail operations throughout Iowa and into Texas, with two new stores opening soon. Ashley credits the business advisors with catalyzing change by uncovering opportunity areas through the employee survey and looks forward to administering employee surveys in subsequent years to measure progress and look for more ways to improve.

Suggestions for Employers Looking for Creative Ways to Retain Employees

Employers looking for creative ways to retain staff by upskilling incumbent workers and improving wages should consider the following:

- **Prioritize data collection** efforts that uplift employee voice to identify areas for improvement and to understand how things are playing out on the ground.
- **Invest in establishing organizational processes** the right way, even when it may be difficult — don't cut corners to save a quick buck.
- **Engage your local resources** — there may be opportunities to catalyze business operations you didn't realize were available.

“Business owners have to be willing to look in the mirror. Our partners and advisors gave us all the resources, but if we don't do anything with what we're given, we're foolish. We followed the program verbatim — every step, we went through. It took three years to get here, and our business success speaks for itself.”

Ashley Hartman
Chief strategy officer, CIV Plus and Global Source
Distribution



About National Fund for Workforce Solutions

The National Fund for Workforce Solutions envisions an equitable future where all workers have the resources required to thrive, race does not dictate employment outcomes, and all jobs are good jobs. We are a recognized leader in establishing and scaling effective strategies that foster racial equity in the workforce to help communities thrive. Our dynamic national network is comprised of more than 30 regional workforce collaboratives that convene cross-sector stakeholders and align resources toward collective action for greater impact in local communities.