

INDUSTRY INSIGHTS

PRODUCTIVITY ON A PLATE?



CAN FOOD REALLY PLAY A PART IN INCREASING PRODUCTIVITY IN THE WORKPLACE?

As Napoleon famously said, “An army marches on its stomach.” Today, some military assessments on the strength of their opponents are not only based upon the amount of hardware they possess, but in terms of how many days they can feed and sustain their troops effectively.

This may seem basic, but a thread still holds true today across many different aspects of working society.

Elton Mayo was an organizational theorist and a pioneer of industrial research. He made several observations in his work on the Hawthorne studies, in which he analyzed workplace and workflow design in connection with human performance and productivity. He concluded that people are complex and that theoretical changes do not always translate to the levels of success that logic may point to.

One of his most important studies involved a set of furnaces in a factory. At first, he divided one stack of coal for the five furnaces into five stacks, making the stokers journey shorter distances, creating a faster process. Productivity increased as a result. He then gave the stokers larger shovels. Productivity also increased. He noticed how much the stokers were talking to each other as they worked, so he built brick walls between them. Productivity decreased dramatically.

The point of this story is that people need certain elements to thrive. As in Maslow’s Hierarchy of Needs, basic needs are a person’s physiological needs—food, water, and shelter. Safety and security are next up the needs pyramid. They are closely followed by the social needs for belonging, friends, and relationships.

Once upon a time, the cubicle was a logical solution for space, confinement, and productivity. The vending machine was the solution for the staff canteen as, at the time, simply providing a job was sufficient to satisfy the workforce. These once logical concepts have proven to be inherently flawed over time.

It is from this historical basis that organizations that understand associates’ needs can design a workplace that not only looks great but also provides a great work experience that enables people to do more than survive—to thrive. The days of seas of cubicles in offices are numbered, the days of the vending machine are dated, the days of free thinking of the possibilities of the power of human potential are with us, today.

WHAT MOTIVATES THE WORKFORCE OF TODAY?

To have the ability to drive productivity, the insights to this question provide the clues to plan for your future workplace design and your work experience value proposition.

The answer to the question is also highly dynamic, with many variables and moving parts. Your company strategy, culture, the type of work undertaken, your current talent pool, demographics, and geography are just a few variables that determine your needs.

The expectations of highly technical software engineers in Palo Alto vary vastly from fashion house designers in Paris, sheet metal workers in Pittsburgh, call center operators in the Philippines, or lawyers in Philadelphia.

No matter the location, demographics, or work type, there are commonalities that today’s workforce is seeking in the search for satisfaction, including:

HIERARCHY OF NEEDS	
<ul style="list-style-type: none"> • Physiological • Safety 	<ul style="list-style-type: none"> • Belongingness • Prestige and Accomplishment
WORK EXPERIENCE	
<ul style="list-style-type: none"> • Health • Community 	<ul style="list-style-type: none"> • Career • Expression
WORKPLACE DESIGN	
<ul style="list-style-type: none"> • Place • People 	<ul style="list-style-type: none"> • Culture • Technology

It is the combination of these 12 factors that translate into designing the right work experience for your business. This may also solve the question of whether food really plays a part in increasing productivity in the workplace.

These factors play a part in every work experience, from white-collar administrative office locations to creative, free-thinking agencies to professional services, call centers, manufacturing, and industrial settings—after all, we are all human!



THE FOUR PS: PROXIMITY, PRICE, PRODUCTIVITY, PURPOSE

The four Ps are at the center of understanding how food in the workplace can transition from being a cost play to a valuable return in the design of the workplace and workflow.

According to the Society of Hospitality and Foodservice Management (SHFM), where there is a valued food service available within a five-minute food commute from the workstation, productivity can be improved by up to 20 minutes per day.

This addresses the key essentials of proximity, price, productivity, and purpose. When taken into context of the value of your workforce and its productivity, the question changes from “How much will this cost me?” to “How much should I invest to get the optimum return?”

The potential buildup of solutions that are right for your workforce are wide and varied and take these four factors into consideration. Options vary from micromarkets to food trucks, from True Eats stand-alone 24/7 outlets to convenience stores. Micro food carts, popups, and full café solutions that both national brands and white label are also in the mix.

The tantalizing question is around the levels of productivity to potentially be leveraged. Even at a modest productivity improvement of five minutes per day per employee, the numbers add up very quickly.

PROXIMITY

Travel time to and from a food venue

PRICE

Variety/value quality healthy customization

PRODUCTIVITY

Improve employee performance, punctuality, and mental focus

PURPOSE

Serve the needs and desires of employees

THE FOUR PS: LABOR PRODUCTIVITY SAVINGS

WORKFORCE	1,000	2,000	4,000	6,000	8,000	10,000	12,000	15,000
MINUTES PER DAY	5	5	5	5	5	5	5	5
HOURS PER YEAR	20,833	41,666	83,333	125,000	166,666	208,333	250,000	312,500
FTEs PER YEAR	10	20	40	60	80	100	120	150
ANNUAL SAVINGS	\$300,000	\$600,000	\$1.2 million	\$1.8 million	\$2.4 million	\$3.0 million	\$3.6 million	\$4.5 million

*Based on five minutes per day productivity increase per employee, 250 working days a year, a 40-hour working week, and a \$30,000 annual salary.

Therefore, the potential returns are significant in productivity savings alone. When you take into consideration the cost of labor turnover, the potential becomes even more compelling.

THE COST OF LABOR TURNOVER

According to the Society of Human Resources Management (SHRM), monitoring labor turnover is an important function of human resources. Companies want to monitor the movement of employees out of the organization, so they can look for and minimize causes of turnover. Controlling turnover is one of the many quantitative ways human resources can impact the bottom line.

Turnover rate is calculated by taking the number of separations during a month divided by the average number of employees, multiplied by 100:

Turnover Rate = Number of Separations/Avg. No. of Employees x 100

At first this formula sounds pretty simple, but deciding which data to include and where can be confusing. For example, does an organization use full-time equivalent (FTE) or straight head count when determining the number of employees and separations? What about temporary workers? What if an employee is on a leave or furlough?

Whatever the nuances of the calculation for your organization, it is very clear that labor turnover costs money, and a lot of it.

“Turnover seems to vary by wage and role of employee. For example, a CAP study found average costs to replace an employee are 16 percent of annual salary for high-turnover, low-paying jobs (earning under \$30,000 a year). For example, the cost to replace a \$10/hour employee would be \$3,328.”

—PeopleKeep

There are other calculators and reference points that estimate the cost to be as high as 30 percent of annual salary, but for the means of this white paper and in the spirit of conservatism, let's stick to 16 percent and see what effect that would have on your workplace:

According to the Bureau of Labor Statistics, Labor Turnover in Manufacturing was on the up in 2017 to previous years to 30.4 percent. The following table reflects the effect of a 33 percent reduction in labor turnover to a normalized rate of 20 percent.

LABOR TURNOVER SAVINGS

WORKFORCE	1,000	2,000	4,000	6,000	8,000	10,000	12,000	15,000
TURNOVER RATE	30%	30%	30%	30%	30%	30%	30%	30%
TURNOVER	300	600	1,200	1,800	2,400	3,000	3,600	4,500
ANNUAL T/O	\$988,000	\$1.97 million	\$3.9 million	\$5.9 million	\$8.0 million	\$10.0 million	\$12.0 million	\$25 million
IMPROVEMENT	\$332,000	\$664,000	\$1.3 million	\$2.0 million	\$2.7 million	\$3.3 million	\$4.0 million	\$5.0 million

*Based on an annual existing turnover rate of 30 percent, at 16 percent of annual salary, or \$3,328 per employee separation. Improvement rate is based on reducing this to a normalized 20 percent annual turnover rate.

THE QUESTION OF MATERIALITY

If the labor productivity savings and labor turnover savings are not already a compelling reason to revise the way in which we look at the way we approach work design and the work experience, then the whole notion of materiality comes into question as a third and critically philosophical dimension.

No matter what your answer is, and no matter at what level investment you make, even at the highest level, your investment is going to be a small percentage of your overall labor costs.

The question then becomes: Can food really play a part in improving productivity and reducing labor turnover?

“What is a happy, nourished, and engaged workforce worth to your organization? Is it 50 cents a day, \$1 a day, or \$5? Whatever you decide, what does that represent as an overall percentage of your employment costs?”



WHAT COULD THIS MEAN FOR MY ORGANIZATION?

In the beginning of this white paper, we described how theory and logic don't always translate directly into reality. What we do know, however, is that the potential for labor productivity savings is significant. When combined with the substantial opportunity to derive benefit from labor turnover savings, the thought process of seeking return becomes more apparent than measuring cost.

The key to the answer to this question is in the intent of your organization to drive the work experience. This has more far-reaching implications than just employee turnover and productivity. According to the Great Place to Work Institute, the organizations that invest in the work experience far outperform those that don't by as much as two times, both in terms of top-line and bottom-line results.

The questions to understanding what this means for you include:

- 1 What is the value of your workplace experience to your organization?
- 2 As you observe your operation, what are the opportunities for productivity betterment?
- 3 What is the cost to your business of employee turnover, and could this be improved?
- 4 Are you philosophically ready to explore the value vs. simply the cost of the workplace experience?
- 5 What does materiality of investment look like to us as an organization?



A MODEL FOR THE FUTURE OF WORK AND CHANGING THE WORK EXPERIENCE FOR GOOD

The key to defining the future of your work experience is understanding that the strategic imperatives of your organization relate to optimizing the opportunity to create the best environment to foster a happy, engaged, productive workforce. Food can not only provide sustenance and refreshment, but also acts as a central hub for your workplace community.

As Elton Mayo discovered, people are complex, and as you journey upward in Maslow's Hierarchy of Needs, beyond food, sustenance, and survival, community becomes a most important need.

The process begins with data collection, including the following key elements:

- 1** DETAILED FLOOR PLAN OF YOUR CAMPUS(ES), SITE(S), BUILDING(S)
- 2** MAP OUT THE DEMOGRAPHICS AND CLUSTERS OF WORK TYPES/GROUPS, AVERAGE SALARIES BY GROUP
- 3** PLOT THE EXISTING AMENITIES, WHAT THEY ARE
- 4** INDICATE THE TRAVEL DISTANCES (WALKING) ON THE MAP
- 5** PROVIDE EXISTING LABOR TURNOVER RATES AND COST PER EMPLOYEE

This will allow you to design and create the right set of programs for your business, optimize your amenities, and identify the opportunities for return on investment.

Then, measurement is key to grounding the relationship between return and investment.

This is the journey to leveraging food and employee amenities to not only transform the work experience, but to create value from investing in ways to attract and retain the best talent, reducing employee turnover, and driving productivity. This is a winning combination.



CHANGING
THE WORK
EXPERIENCE FOR
GOOD!



Insights to Partnerships



About the Author:

Simon J. Elliot is a fellow of the Institute of Directors (IoD), member of the Chartered Institute of Personnel and Development (CIPD), and a global advisory board member of the WORKTECH Academy. Simon is currently vice president of strategic partnerships with Aramark, supporting some of the most important companies in the world. He helps them design their workplace experience programs to create great places to work, attract and retain the best talent, and drive employee engagement productivity, changing the work experience for GOOD.

He lives in the San Francisco Bay area. Simon is responsible for a portfolio centered in North America but has global footprints and experience. He started his career in the United Kingdom, and his business experience spans Northern and Eastern Europe, Scandinavia, Australasia, Asia, and North and South America.

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