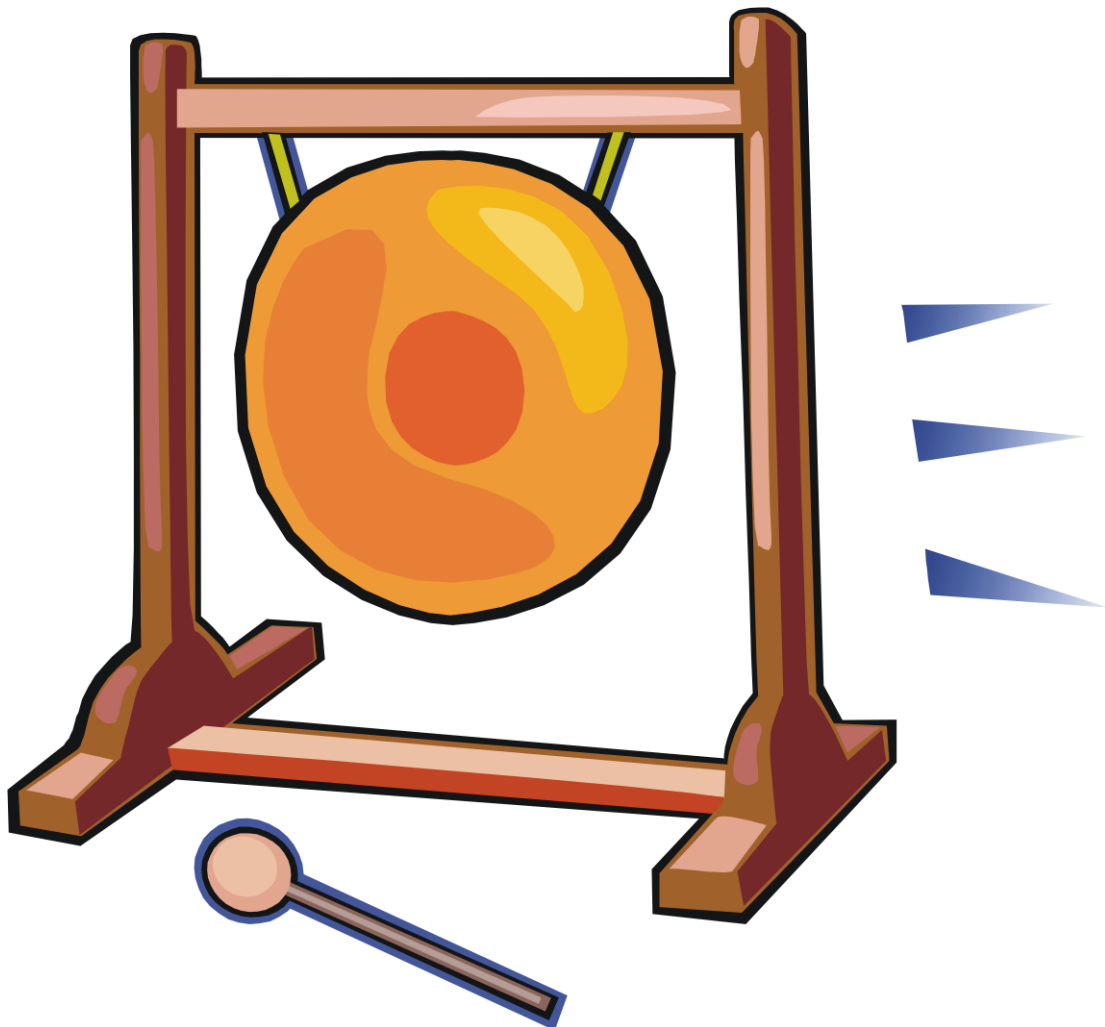


The Giant Eagle GONG Show

Final Project, 45-792 Section F
Team Ten

Alan Charness, Deepa Choundappan, C.J. Girod,
Chris Lord, Eddie Murphy, Surya Singh, Bin Zhou



Problem

“It’s the third kid we’ll have to disappoint this week,” said the New Kensington Giant Eagle bakery clerk. After promising a busy mom and her 4 year-old son a Barney the Dinosaur birthday cake earlier in the day, when rummaging through the box of cake kits in the back of the bakery, she realized that all Barney decorating kits were gone. She just didn’t want to have to tell another mom and especially her soon-to-be 5 year old that the cake they ordered wasn’t available on their return the following day. She thought to herself, at an organization as large as Giant Eagle with hundreds of bakery departments and thousands of bakery clerks, someone has to have figured out a better way to keep track of available kits and avoid this problem.

Why Giant Eagle’s structure won’t solve this problem

Like many retail operations, the formal organizational structure of Giant Eagle is hierarchical with a centralized top-down design. Historically, because of the unidirectional flow of communication from central management out to stores, innovative ideas developed at the store level infrequently made it up to management and were rarely adopted across the organization. According to Vicki Clites, HR director, “we used to have a standing joke, if you [ed: store personnel] really wanted something to change, write a letter to David [Shapira, the CEO]”.

This communication process of enabling change through letters to the CEO was ineffective for a few reasons. The process incorporated neither a formal follow-up to the initial letter nor a controlled reward system, (both crucial for effective communication of ideas). In addition, the CEO wasn’t able to address all employee concerns because of time constraints. Although Giant Eagle wanted to create an effective structure for enabling this type of communication, it did not have a prescribed linkage system for handling these types of suggestions.

Giant Eagle recognized this communication problem early on. In 1991, according to Vicki, the company adopted a philosophy that “employees were as important as customers” and “employee satisfaction and loyalty led to customer loyalty and satisfaction which led to increased profits”. Although Giant Eagle wanted to empower employees and let them have more direction over their work, no structure existed to compliment this philosophy to manage employee suggestions for improvement.

Nadler and Tushman to the rescue?

Nadler and Tushman (in Chapter 6 of *Competing by Design*) offer several effective approaches for overcoming these types of communication barriers: liaison, cross-unit groups, integrator, and matrix strategies. Unfortunately, implementing any of these four re-structuring strategies would require additional personnel at some level of the organization. Giant Eagle’s organizational philosophy of minimizing overhead expenses restrains it from adopting such mechanisms. Still, coming up with a cost-effective solution to this problem would require some changes.

Attempt #1, “Opportunities for Improvement” and why it failed

Giant Eagle’s initial attempt to create a formal mechanism for handling these types of suggestions was called the Opportunity For Improvement (OFI) program. Under the OFI program, any employee could write an idea, obtain a sponsor for it, and have it processed by higher levels in the organization (see Figure 1). OFI acted as a first attempt at a linking mechanism within the existing organizational structure for evaluating employee ideas.

The OFI program had many faults. All ideas had to be presented in a written document (see attached “OFI Savings/Income Idea Form”) but many store-level employees didn’t possess the ability to create an effective document or were uninterested in devoting time to writing down their

ideas. Other problems arose from the necessity to initially submit an idea to the manager for approval and forwarding. The process also did not have a formal mechanism for requiring evaluation of an idea within a prescribed timeframe, leaving ideas unapproved for long periods of time. The number of levels ideas had to pass through to gain approval magnified this problem. In addition, the potential threat of managers stealing good ideas made employees reluctant to participate fully.

While this hierarchical program was well intentioned, it did not meet Giant Eagle's information processing requirements. By the end of the 3-year program, only 87 ideas were judged to be beneficial to the company despite having 37,000 employees who were able to submit ideas. Although hierarchical linking can efficiently filter out poor ideas, the barriers discouraging participation produced limited results. It was quite obvious that a new structure and program was necessary to effectively mine ideas from store employees.

Attempt #2, The GONG Show

Based on the notion that people performing tasks are usually the best resources for improving those processes, Giant Eagle decided to try a new formal process to solicit employee ideas. In the spring of 2000, Giant Eagle introduced the *Go Or No Go* ("GONG") Show. This show serves as a strengthened linking mechanism that allows employees to bring ideas for improvement to the direct attention of management who can then share the ideas throughout the organization.

Two to three times per year, at the GONG show, employees can present their ideas for increasing sales, reducing costs, or simply making Giant Eagle a better place to work or shop. The GONG show committee usually includes the Regional Business Manager, Store Directors/Managers in the Region, and a member of the Human Resources Department. As opposed to the former OFI

program, employees are not required to obtain a sponsor for their idea, nor are they required to submit supporting documentation. Once their idea is presented, the employee is asked to leave the room for a few minutes while the committee considers the idea. The committee discusses the scope of the idea, the ease of implementation, and the potential benefits. Once the committee reaches a decision, the employee is invited back into the room to receive immediate feedback on the idea.

If the idea can be implemented immediately in one or all of the stores in the region, the employee is awarded between 25 and 250 points (redeemable for comparable dollar value gift cards), depending on the value of the idea. If the idea cannot be easily implemented, or if the idea requires the approval of upper-level management, the employee is awarded a small amount of points or a logo shop item, and the idea is passed along to the appropriate decision maker. If the idea is tested and has documented results from a particular region, and the idea has the potential of being implemented throughout the company, the employee is awarded additional points. However, if the committee determines that the idea does not have merit and should not be implemented, the employee receives a small parting gift (e.g. t-shirt, mug) for his or her participation, and is invited back to present future ideas.

In order to notify employees of upcoming GONG shows, the shows are advertised with posters, post cards, and letters attached to paychecks. The Regional Business Managers take this process very seriously and only cancel or reschedule meetings when absolutely necessary.

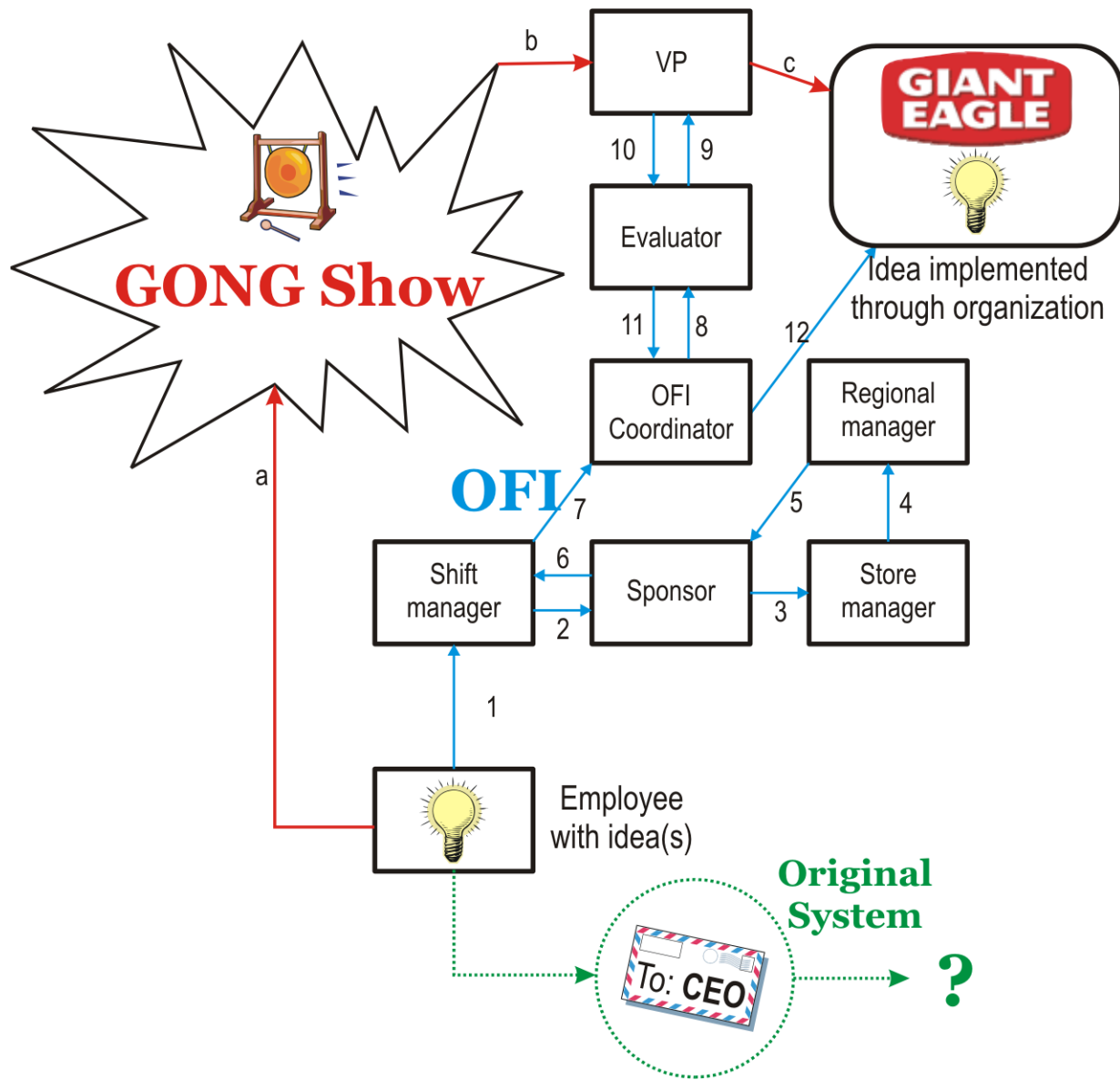


Figure 1: Communication Processes Compared

Why this process works (structural benefits)

Unskilled laborers in the lower rungs of an organization tend to shy away from writing and presenting suggestions. This in turn, prevents the necessary feedback that can be critical to the information flow of an organization and the decision-processes of management. The OFI process

results in “information breakdown” because it requires a document in which the merits of the actual idea may be hidden. This GONG show alleviates the need for employees to submit written proposals by allowing them to verbally present their ideas.

The Giant Eagle organization is a perfect example of a “bottom heavy” organization. As discussed earlier, the OFI system was merely polishing a fundamentally flawed process. By looking at the organizational fundamentals governing “information flow,” Giant Eagle has implemented a radically different feedback mechanism in the form of a GONG show.

The format of the show does not fall directly into any of Nadler and Tushman’s definitions of linkages. In a sense the Regional Manager operates as the liaison to upper management. This GONG program is successful because it eliminates the main disadvantage of the OFI program by cutting through all the layers of the hierarchy and efficiently communicating ideas to the appropriate personnel (see above figure).

Both front-line employees and upper management during the duration of the show function as a cross-unit group established to focus on methods to improve the customer shopping experience or organizational bottom line. Because these groups only meet three times per year, little expense is incurred by the organization. Through the show, Giant Eagle has adapted a formal, low cost method to form an efficient channel of communication between management and employees.

Why this program works (informal network implications)

In order to create a successful linking structure, the show must address many of the informal networks in place at Giant Eagle.

Giant Eagle store employees perceive themselves as being separate from management because they don’t interact with corporate decision makers on a regular basis. By having employees directly interact with Giant Eagle’s leadership it makes them more comfortable interacting with

management and creates additional informal ties. These ties have led to a noticeable amount of additional informal contact between employees and regional managers during subsequent regional manager visits to stores.

There is a strong interaction at Giant Eagle among non-management store employees. With OFI, because of the complexities and the small number of ideas that made it through the formal process, many employees became skeptical of the process. This lack of personal success alienated a significant number of employees who then in turn communicated their dissatisfaction to peers, discouraging them to also participate. However, given the immediate feedback and reward at the GONG show, the positive experiences of employees have encouraged additional “word of mouth” encouraging participation among the peer group according to Vicki. Participation in GONG shows has steadily increased throughout the first year of the program.

Why this program works (information processing benefits)

There are many aspect of the show that enable a considerable number of ideas to be presented in a short amount of time.

The ideas can be effectively considered because the committee members at the show have the power to immediately implement the idea. In situations that require additional corporate resources for verification (i.e. ideas that might have legal ramifications), the relevant corporate employees are frequently contacted by phone during the show. The short periods for presentation of ideas (no more than 15 minutes per idea) allow for a large number of ideas to be presented in a short period of time.

Many features of the show encourage employee participation. The GONG shows are well advertised with break-room signs, letters on paychecks and other relevant forms of communication. All employees who wish to attend only need to submit their name in advance. Employees do not

need the prior approval of the store manager to present any idea or to attend the show. At the shows, the committee members “did everything possible to make them [store employees] comfortable”, according to Vicki Clites, they introduce themselves to employees, and usually serve something to eat or drink to create a casual atmosphere. Store employees are paid for their time at the meeting and are also permitted to bring along a supporting member of management. Evidence that this sort of style effectively works includes a significant number of employees who have presented ideas on their days off.

The size of the rewards also encourages submission of high-quality ideas. The points awarded are proportional to the total savings that Giant Eagle earns from presented ideas.

Solution to Initial Problem

At the first gong show in the northern Pennsylvania region, one of the bakery clerks from New Castle presented a good solution to the decorating kit problem. She suggested keeping track of the stock of cake decorating kits with a small page on the outside of the decorating kit box. This inventory page enables employees to easily verify which kits are in stock while a customer is still at the bakery counter. After five minutes of review by the regional manager and several store managers, the employee was immediately rewarded and over the next month the idea was rolled out across the organization. Now, bakery clerks at all Giant Eagle stores can quickly verify if Barney kits are in stock and will no longer have to disappoint moms and children.

References:

1. Nadler and Tushman, *Competing by Design: The Power of Organizational Architecture*, 1997, Chapters 5-6, pp. 71-115.
2. Interview with Vicki Clites, HR director and Giant Eagle GONG Show Program Coordinator, November 28, 2001.