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Strategies for Minimizing the Effects of Manager Turnover on the Randolph-Sheppard Business Enterprise Program

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The field of disability research has made little effort to investigate the Randolph-Sheppard Business Enterprise Program (BEP) and, in particular, the turnover of facility managers and the potential link of that situation to the BEP's deterioration over the last decade. Turnover does not always lead to a decrease in the number of facilities, but it can if a qualified facility manager is not available to fill a vacant position or if the replacement manager has only entry-level skills in operating a facility or lacks the communication skills necessary to sustain relationships with existing customers and to build new ones. The critical importance of the BEP as an employment option for men and women who are blind is heightened when one considers that 70% of the working-age individuals (ages 18–69) who are legally blind are also unemployed (Kirchner, Schmeidler, & Todorov, 1999). In this article, I present strategies that BEP counselors and directors can use to reduce the vulnerability of their BEP facilities to high manager turnover.

Overview of the Randolph-Sheppard Program

Through the Vending Facility Program (more commonly known as the BEP), authorized by the Randolph-Sheppard Act (Public Law 74-732, as amended by Public Law 83-565 and Public Law 93-516; 20 U.S.C. section 107 *et seq.*), individuals who are blind can obtain remunerative employment and self-support by operating vending facilities on federal and other property (Rehabilitation Services Administration [RSA], 2001). The program, enacted into law in 1936, was intended to enhance employment opportunities for individuals who are blind by training and licensing them to operate facilities (Moore & Tucker, 1994). At the outset, stands selling sundries were placed in the lobbies of federal office buildings and post offices. Subsequent amendments in 1954 and in 1974 ensured that individuals who are blind had a priority in the operation of vending facilities, which included cafeterias, snack bars, and automatic vending machines, on federal property. Although the BEP includes facilities such as card shops and gift shops, the vast majority are food service operations (Moore, 1999).

The federal regulations established in each state a State Licensing Agency (SLA), which is responsible for operating the BEP in individual states. Only a state vocational rehabilitation agency may become an SLA, although it may choose to contract with another agency to provide program management. The states that choose to subcontract management responsibilities are termed *nominee* states (Weston & Spaun, 1985). The SLA or its nominee trains operators, oversees business practices and fiscal reports, and selects or develops facility locations. Since its inception, more than 30,000 individuals who are blind have been employed in this program, which now has expanded beyond federal locations to state, county, municipal, and private installations. The gross sales of the program rank it among the 50 largest food service corporations in America. The Randolph-Sheppard program can, therefore, most accurately be characterized as "big business" (RSA, 2001).

Recent Trends in the BEP

Table 1 contains data on national trends in the BEP for fiscal years 1996 to 2000. In those years, the gross income of facilities and the earnings of facility managers increased, but the total number of facilities and facility managers in both federal and nonfederal locations declined. Alleviating these losses is critical for the long-term viability of the BEP as an employment option for individuals who are blind or severely visually impaired.

George Arsnow, Chief of the Randolph-Sheppard Vending Facility Branch of the RSA, suggests that the decrease in number of vending facilities and of facility managers could be attributed to the closing of marginal or unprofitable facilities that were not subsequently replaced with more profitable locations (personal communication, April 26, 2001).

Turnover in the BEP

The turnover rate of facility managers is a key measure of any BEP's human resources success. Turnover can be healthy for an organization. New managers bring new ideas, new abilities, and new skills and provide a chance to restructure an organization. Turnover also can weed out facility managers who are not right for their jobs.

Table 1. National Trends in the Randolph-Sheppard Business Enterprise Program: FY 1996–2000

	1996		1997		1998		1999		2000	
Item	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Income and earnings										
Gross income[a]	$419.6	2.6	$421.0	0.3	$425.5	1.1	$448.1	5.3	$471.1	5.1
Facility managers' earnings[b]	$79.1	–1.4	$81.9	3.5	$86.4	5.5	$90.6	4.9	$93.9	3.7
Average earnings	$26,653	0.9	$27,889	4.6	$29,815	6.9	$32,556	9.2	$34,337	5.5
Number of facility managers										
Federal locations	1,010	–10.5	1,009	–0.1	974	–3.5	925	–5.0	913	–1.3
Nonfederal locations	2,098	–11.9	2,081	–0.8	1,979	–4.9	1,888	–4.6	1,816	–3.8
Totals	3,108		3,090		2,953		2,813		2,729	
Number of facilities										
Federal locations	1,126	1.8	1,139	1.2	1,135	–0.4	1,119	–1.4	1,117	–0.2
Nonfederal locations	2,322	0.6	2,288	–1.5	2,256	–1.4	2,232	–1.1	2,162	–3.1
Totals	3,448		3,427		3,391		3,351		3,279	

Source: Cavenaugh, B. S. (2002). *Randolph-Sheppard Vending Facility Program Annual Report Fiscal Year 2000.* Washington, DC: U.S. Department of Education, Rehabilitation Services Administration.

[a] $ millions gross sales and vending machine income.

[b] $ millions.

The costs of turnover include a drain of institutional knowledge, the loss of productivity while positions are vacant, the need for additional recruitment efforts and for training new facility managers, and strained customer relationships.

By managing turnover a BEP can let go of managers whose skills do not fit a facility and bring on managers with appropriate skills. The challenge for BEP directors and counselors is to make sure that the people looking for new jobs are not the ones they would prefer to retain.

The selection and retention of qualified facility managers has in recent years been a significant operational issue for the BEP. Often, when turnover occurs—a facility manager leaves the program, retires, or is promoted—no qualified facility manager is available to replace the outgoing manager or is willing to relocate to another facility. Frequently, the new manager who is placed in a vacant facility may not possess the same level of institutional knowledge as his or her predecessor. A facility is at risk when a new manager is not aware of customer preferences or is not familiar with routine facility operations such as the quantity of goods to order to avoid spoilage or insufficient inventory. The BEP receives no direct congressional appropriations. Most SLAs support their programs through Title I funding under section 110 of the Rehabilitation Act of 1973, as amended. When these funds are used to cover the costs of turnover, less money is available to recruit and retain facility managers. Thus, turnover can have a strenuous financial impact on the BEP as well as hinder the attainment of its mission and goals. Therefore, it is imperative that BEPs develop strategies that minimize the effects of facility manager turnover and give new managers a smooth start, thereby ensuring that the program remains attractive to men and women who are talented and entrepreneurial. These strategies also will help to maintain vital customer relationships during a change in managers.

Preserving the Relationship Between Customers and Facility Managers

Customers are the prime concern of successful BEPs. They respond quickly to customers' needs and constantly strive to add more value to their products. By giving customers more than they expect they sustain a strategic edge. Maintaining long-term customer relationships strengthens the BEP's overall image, and having repeat customers may enhance long-term profits. However, when a manager is no longer available to serve the facility's customers, the loss may fundamentally affect the BEP's relationship with the building manager (Bendapudi & Leone, 2002). The loss of a favorite facility manager may be a catalyst for the building manager to reevaluate the business relationship with the BEP (Anderson & Robertson, 1995; Duboff & Heaton, 1999), or may make the building manager less open to establishing additional bonds with the BEP, or more open to moving to a competitor (Bendapudi & Leone).

Several studies have documented the importance of certain employee characteristics and how those characteristics contribute to strong customer relationships. The characteristics include familiarity (Brown, 1995), likableness (Jones, Moore, Stanaland, & Wyatt, 1998), and trust (Doney & Cannon, 1997), and they result in positive emotional ties (Beatty, Mayer, Coleman, Reynolds, & Lee, 1996; Price & Arnould, 1999) and a greater likelihood of the customer continuing to patronize the facility (Seabright, Levinthal, & Fichman, 1992).

Doney and Cannon (1997) found that customers' trust in a firm directly affects their intentions to do business with it, whereas trust in the front-line salesperson (in BEP's case, the facility manager) has an indirect effect through trust in the firm. Machintosh and Lockshin (1997) examined customers' relationships with stores and their employees and found that strong relationships with specific employees had a positive effect on the customers' attitudes toward the store. Brown (1995) found greater correspondence between evaluations of the suppliers and the supplier's sales force when customers evaluated salespeople with whom they were familiar than when they evaluated salespeople with whom they were less familiar. Reynolds and Beatty (1999) found that the loyalty of retail customers to a salesperson led to benefits to the firm such as increased spending and positive word of mouth. Further, Bendapudi and Leone (2002) found that the acceptability of the replacement for a key contact employee was a major concern for customers. The customers' concerns centered around the potential performance gap between the key contact employee and his or her replacement and on the procedures used in the transition (Bendapudi & Leone).

Strategies for Managing the Transition Process

The following strategies can be used to minimize the effects of turnover by facility manager and, in some cases, may prevent turnover.

Develop a transition plan. Informing customers in advance of a change in facility management can minimize their concerns. The most effective means of alerting customers would be to have the outgoing manager personally introduce the new manager to them. This helps to reassure customers about the handoff (Bendapudi & Leone, 2002). Customers pay as much attention to the way such situations are handled as they do to its results (Greenberg, 1986). Further, customers may perceive a badly handled transition as evidence that the facility manager's upper management structure (in BEP's case, the SLA or the state's nominee agency) is poor or that the manager does not value the customer's business (Bendapudi & Leone).

Pass on knowledge. The effects of turnover can be managed by ensuring that when managers depart, they leave their successors records of vital information such as customer product preferences. Research suggests that a culture of sharing is an important determinant of the effectiveness of efforts to capture employee information (Caylor, 1999; Phillips, 1997). SLAs should give their star performers incentives to share their secrets for success with their BEP counselors, who could pass on the information to all of the facility managers (Bendapudi & Leone, 2002). The literature acknowledges that both monetary and nonmonetary rewards significantly affect employees' perceptions of organizational support for sharing information (Barker & Camarata, 1998). When facility managers trust the SLA and are committed to it, they are more likely to voluntarily share information with it (Butler, 1999; Morgan & Hunt, 1994; Rousseau & Tijoriwala, 1999). Morgan and Hunt state that commitment leads to supportive behaviors such as altruism, conscientiousness, and a lower intention to quit.

Become a learning organization. Bendapudi and Leone (2002) pointed out that even facility managers who are motivated to share information cannot do so unless the work environment enables them to do so easily and effectively. Private firms are increasingly relying on technology to make it easy for key employees to share information (Hunsaker & Lixfield, 1999). Requiring a facility manager to record relevant customer information can help the SLA transform itself into a "learning organization" (Senge, 1990) and improve the process of learning (Sinkula, 1994). Given the ease and affordability of most data management systems and of e-mail, the key to using this tactic is no longer whether an SLA has such systems but how well they use them (Bendapudi & Leone).

Become an employer of choice. Selection and hiring practices may enhance the image of all facility managers (Pfeffer, Hatano, & Santalainen, 1995). Building managers and customers may reason that a BEP with stringent employment standards would hire only the best candidates; therefore they would view those managers more positively than those who work for a competitor with less rigorous standards (Bendapudi & Leone, 2002). Placements in lists of "best places to work" or similar rankings may signal a demand for jobs in the BEP that enables the BEP to be selective in hiring (Hannon & Milkovich, 1996).

Enhance customers' confidence through training managers. Frequently, private firms advertise the rigorousness of the training provided to employees as a way of increasing customers' confidence in the quality of the employees in the firm and the services they provide (Brown, 1998). For example, SLAs that provide on-going food safety training rather than a one-time training session may increase customers' confidence in the quality of the food and also increase their positive perceptions of the quality of the facility managers and the BEP in general. Such training creates reassuring perceptions among customers and keeps them coming back.

Highlight star facility managers to customers. Highlighting successful facility managers to customers may increase positive perceptions of all of the facility managers, thus increasing the acceptability of replacement managers. It may be worthwhile to advertise facility managers' promotions and their civic club appointments and awards on a prominent bulletin board in the facility. According to Howard (1998), such efforts pave the way for managers to build new relationships with customers and to reassure existing customers of the value of these employee relationships.

Convey a consistent, high-quality image. Firms often use visible cues such as employee uniforms and accessories as a way of "packaging" their employees (Solomon, 1985). SLAs must be conscious of integrating the messages conveyed by every element of the tangibles associated with facility managers from their appearance and dress to their identification tags (Bendapudi & Leone, 2002). Bitner (1990) stated that such physical cues can have a significant impact on the interpretations that customers make about the various actions of facility managers.

Prepare for Success

Employee turnover typically occurs within 9 months of the employee's being hired (Pinkowitz, Moskal, & Green, 1997). Why? The chief reasons are poor supervision, little direction, unfulfilled job expectations, improper fit into the work environment, and lack of initial preparation for success. The latter is the real culprit and is almost always associated with a lack of orientation for the new employee.

A new facility manager is much like an infant in the early stages of child development. The first behavioral settings and expectations are usually imprinted for life. A proper orientation for a facility manager should include these elements:

- A comprehensive overview of the BEP: its history, current state, and long-term vision.
- A detailed overview of how an employee can succeed culturally within the BEP and what defines failure.
- A robust dialogue on how the facility manager will fit into the program. This helps guarantee understanding of what is expected today, tomorrow, and 5 years from now.
- An overview of how individual facility managers affect the BEP's operation. Paint the picture clearly so that they can visualize how results depend on their contributions.

These pieces of the orientation should be delivered by a well-trained, well-versed BEP counselor and connects easily with others. Ensuring that the orientation is informative, comfortable, interesting, and directed dramatically increases the likelihood of launching a productive, satisfied facility manager who will be an asset to the program. An orientation that makes a positive difference and sets a standard of excellence creates a strong foundation for the facility manager's success.

Conclusion

Employee turnover interests both managers and researchers across a wide array of disciplines. In the past two decades, interest in turnover has intensified, as the pressure to improve financial performance among American organizations has increased. The BEP is no exception.

Employee turnover is expensive: The average cost is 25% of the employee's annual salary plus 25% of the benefits package offered (Pinkowitz, Moskal, & Green, 1997). If a facility manager's annual salary is $35,000, the direct cost of turnover is $11,375. These costs include administrative time and paperwork, training costs, lower productivity, customer uncertainty, and lower return on investment. High turnover rates also adversely affect BEPs through loss of institutional memory, diversion of BEP management focus, diversion of facility managers to train new hires, damage to the BEP's image, and poor morale among remaining facility managers.

From 1996 to 2000, the number of BEP facilities and facility managers declined. The suggestions in this article can minimize the effects and frequency of facility manager turnover, thus reducing both the possibility that profitable locations will be forced to close and the time that SLAs must spend in recruiting qualified and motivated individuals who are blind to keep the BEPs operating.

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