Introduction

Store24 is currently facing a strategic decision about whether employee retention should be treated as a meaningful lever for improving store profitability. While store performance has often been attributed to site-location conditions, leadership is also considering whether longer tenure among managers and crews creates measurable financial value at the store level. This question matters because retention initiatives[1], require targeted investment and should therefore be justified by business returns.

The central business problem is therefore not whether retention is desirable but whether and where retention investment is likely to improve profit, given location-based constraints[2]. From the perspective of an internal analytics team, this report evaluates the relationships among manager tenure, crew tenure, and store profitability using correlation and regression analysis to inform evidence-based decisions for Store24's leadership team.

Hypothesis Development

Exhibit 1 from the case study compared the average profit of the top 10 most profitable stores with that of the bottom 10 least profitable stores. The results show that the average tenure of managers and crew in the most profitable stores was nearly four times that of the least profitable stores. Given this observation, the following hypotheses aim to test the relationship between these variables[3] and profitability.

[1] Including pay increases, bonuses, training, and career development,
[2] Such as competition, local population, and pedestrian traffic.
[3] Manager tenure and crew tenure

Exhibit 1 Fiscal Year 2000 Store-Level Profitability (fiscal year 2000 ends April 30, 2001)

Top 10 most profitable stores:

Store #	Profit	Manager Tenure	Crew Tenure
74	518,998	171.1	29.5
7	476,355	62.5	7.3
9	474,725	109.0	6.1
6	469,050	149.9	11.4
44	439,781	182.2	114.2
2	424,007	86.2	6.6
45	410,149	47.6	9.2
18	394,039	240.0	33.8
11	389,886	44.8	2.0
47	387,853	12.8	6.6
Mean	438,484	110.6	22.7

Bottom 10 least profitable stores:

Store #	Profit	Manager Tenure	Crew Tenure
37	187,765	23.2	1.3
61	177,046	21.8	13.3
52	169,201	24.1	3.4
54	159,792	6.7	3.9
13	152,513	0.7	1.6
32	149,033	36.1	6.6
55	147,672	6.7	18.4
41	147,327	14.9	11.9
66	146,058	115.2	3.9
57	122,180	24.3	3.0
Mean	155,859	27.4	6.7

Source: Company information.

Exhibit 1 From Case Study

Hypothesis 1 (H_1): Average manager tenure is positively correlated with profitability.

According to Human Capital Theory, knowledge and skills accumulated through work experience and training will enhance both individual productivity and organizational outcomes (Becker, 1964). Managers with long tenure will accumulate more firm-specific human capital. This tacit knowledge is hard to imitate and can only be developed through interpersonal interactions (Noe, 2023). Recent research illustrates that the expertise gained from managers' long tenure is closely linked to operational effectiveness and can positively affect profitability (Guzzo et al., 2022). In the context of Store24, accumulated firm-specific capital enables store managers to move beyond basic supervision to more complex operational issues[4], helping the organization elevate efficiency and reduce costs.

From the talent retention perspective, long-tenured managers can help maintain team stability through their well-developed management skills. Research suggests that leadership

[4] Such as inventory management and labour deployment

continuity is a prerequisite for consistent employee performance, as long-tenured managers are better equipped to mentor junior staff and build a positive working culture, thereby reducing operational risks associated with high turnover (Hausknecht et al., 2009). Meanwhile, implicit knowledge that long-tenured managers possess enables them to recognize teammates' unique strengths and features, which significantly improves employee motivation and strategic deployment. Their internal coordination skills mitigate sunk costs in recruiting and training.

Hypothesis 2 (H_2): Average crew tenure has a non-linear relationship (inverted U-shape) with profitability.

Individual performance is closely linked to an organization's financial performance. The two-stage model of performance developed by Murphy (1989) distinguishes employees' performance between two stages of tenure. In the initial transition stage, the relationship between tenure and financial performance has been positive, as staff accumulate essential human capital (Godfroid et al., 2022; Mincer, 1974). At Store24, this process manifests as employees' proficiency with their tasks, collaboration, and organizational procedures[5], all of which improve individual performance.

However, over time, employees' performance is likely to trend downward (Murphy, 1989). Helmreich, Sawin, and Carsrud (1986) proposed the honeymoon effect, which explains that at the beginning of tenure, excitement drives employees' intrinsic motivation. But as time passes, individual proficiency and repetitive tasks decrease variety, reducing motivation and generating occupational fatigue (Hackman & Oldham, 1976), which may hinder organizational profitability. This also aligns with Store24's COO's skepticism, who noted that for most

[5] E.g., merchandising and maintaining in-stock position

experienced employees, further increasing crew tenure might have a relatively small financial impact.

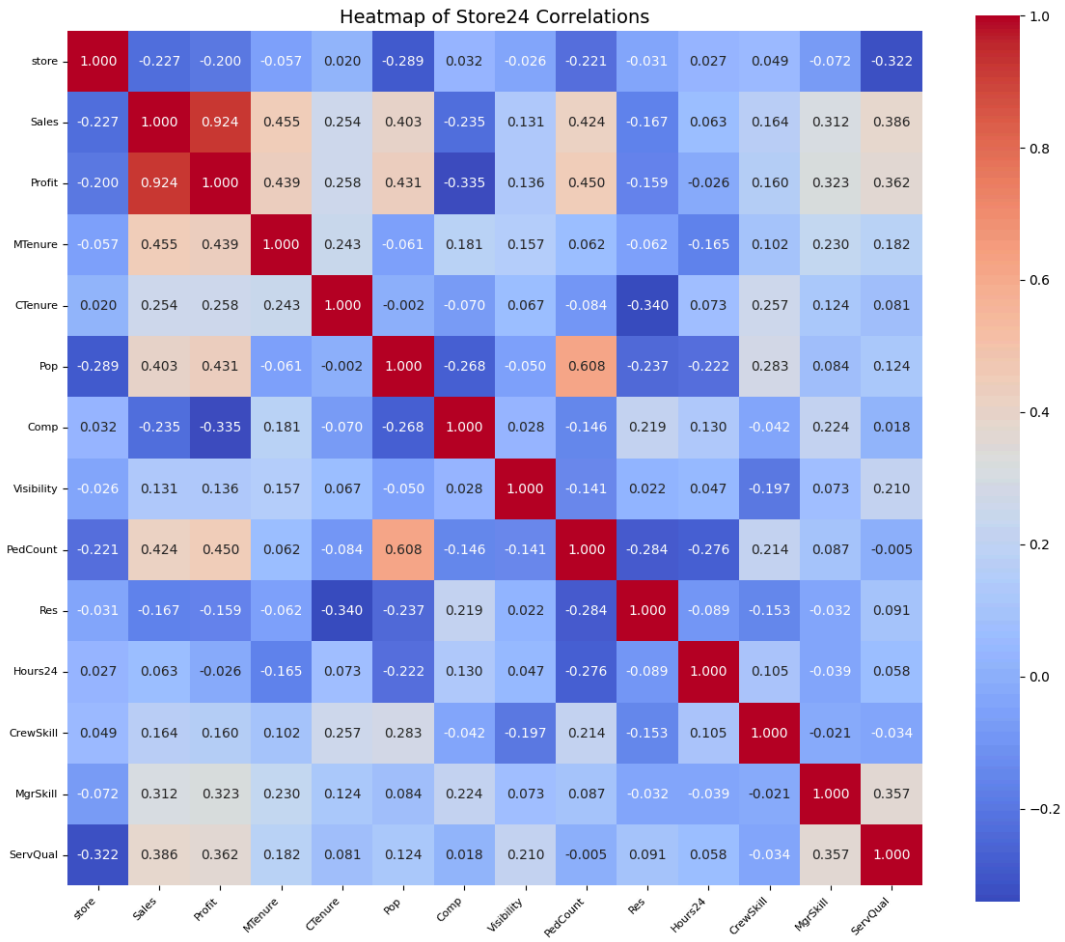
Data Analysis

Correlation Analysis

To test our hypotheses on the relationship between managerial and crew tenure on profitability, a Pearson correlation heatmap (Figure 1) was produced. The heatmap displays a positive correlation among tenure variables and profit, with MTenure (r = 0.439) and CTenure (r = 0.258) tentatively suggesting a link between staff experience and store profits.

Figure 1

Heatmap of Store24 Correlations



The strong correlation between managerial tenure and profit supports H_1[6]. The correlation for CTenure (r = 0.258) neither confirms nor disconfirms H_2. While the positive relationship may appear to contradict the predicted non-linear relationship, Pearson correlation is not sensitive to curvature. Therefore, the correlation cannot discern an inverted U-shape in the data.

In addition to our key variables, several other correlations are worth noting (See Table 1).

Table 1

Key Correlations Relevant to Store Profitability and Workforce Characteristics

Variable Pair	**Correlation (r)**	**Direction**
Pedestrian Count & Profit	0.450	Positive
Population & Profit	0.431	Positive
Service Quality & Profit	0.362	Positive
Manager Skill & Profit	0.323	Positive
Competition & Profit	-0.335	Negative
Manager Skill & Service Quality	0.357	Positive
Manager Skill & Manager Tenure	0.230	Positive
Crew Skill & Crew Tenure	0.257	Positive
Crew Skill & Service Quality	-0.034	Negligible[7]

Furthermore, the near-perfect correlation between Sales and Profit (r = 0.924) justifies using Profit as the dependent variable in the regression models, as it avoids redundancy while capturing the same store performance dynamics.

The correlation analysis provides preliminary support for H_1 and highlights several additional variables that Store24's leadership may wish to consider when developing future

[6] MTenure positively associated with profit.
[7] The absence of a relationship may reflect that crew competence improves individual task execution but does not translate into customer-facing experience that drives satisfaction scores.

strategies to improve store profitability. Additionally, the positive linear correlation observed for crew tenure (r = 0.258) does not necessarily contradict H_2. Conclusive evaluation of H_2 therefore requires regression analysis incorporating a quadratic crew tenure term, which is examined in the following section.

Regression Results & Interpretation

According to CEO Bob Gordon, store financial performance is determined by place factors and people factors. Equation 1 summarizes the regression model, where $People_i$ represents people factors, and $Place_i$ represents place factors affecting financial performance.

Eq1.

$$Financial\ Performance = \beta_0 + People_Z\gamma + Place_Z\omega + \varepsilon$$

To test our hypothesis of how tenure affects profit, we conducted a multiple regression using Equation 2. MTenure and CTenure were included as main predictors, and place factors (Pop, Comp, PedCount) found to be highly correlated with profit were included as control variables.

Eq2.

$$Profit = \beta_0 + \beta_1\, MTenure + \beta_2\, CTenure + Control\ Variables + \varepsilon$$

The regression results for this model are illustrated in Table 2. The main predictor MTenure, is a significant positive predictor of profit (β = 708.51, p < .001). This result supports

H1, suggesting that managers with higher tenure are associated with higher store financial performance. Each additional month of manager tenure is associated with approximately $708.51 increase in profit.

Table 2

Regression results predicting store profit

Model coefficients for data			
Predictors	*Estimate*	*SE*	*p-value*
(Intercept)	213376.87	34828.77	**<0.001**
MTenure	708.51	133.23	**<0.001**
CTenure	739.53	427.16	0.088
Pop	3.34	1.59	**0.039**
Comp	-21165.46	5832.00	**0.001**
PedCount	22948.88	9307.16	**0.016**
Observations	75		
R^2 / R^2 adjusted	0.552 / 0.519		

In the linear model, CTenure is a positive predictor of profit but not statistically significant ($\beta = 739.53$, $p = .088$). This indicates that improving crew member tenure may have limited impacts on stores' profitability.

To test the non-linear relationship between crew tenure and profit, a predictor I ($CTenure^2$) was added to the model (See Equation 3). When the quadratic term is included, crew tenure's effect becomes significant ($\beta = 2820.91$, $p = .013$), suggesting a non-linear relationship between Crew Tenure and Profit.

The coefficient of the I (CTenure^2) variable is negative and significant (β = -22.69, p = .045), supporting H_2 (See Table 3). This suggests that the positive effect of Crew Tenure on profit diminishes over time. See Figure 2 for a visualization of the effect.

Eq 3

$$Profit = \beta_0 + \beta_1\, MTenure + \beta_2\, CTenure + \beta_3\, \text{CTenure}^2 + Control\, Variables + \varepsilon$$

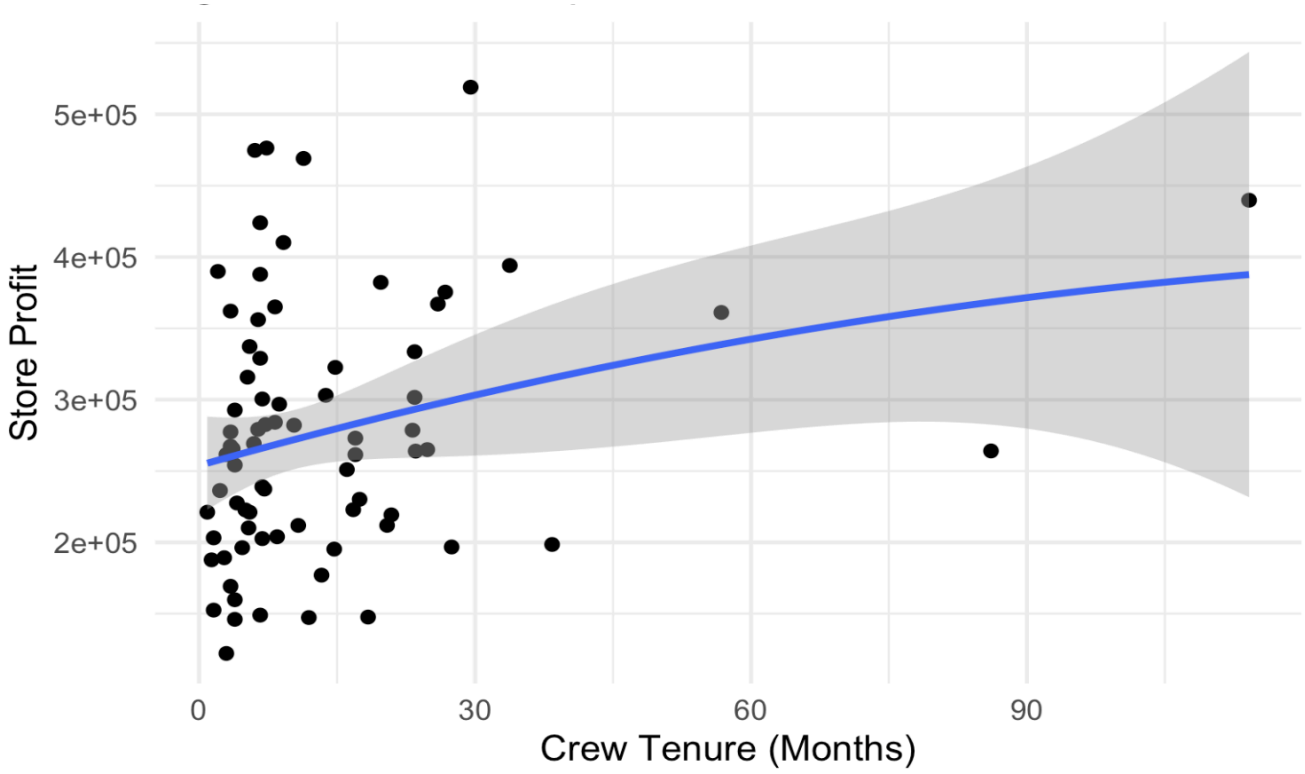
Table 3

Regression results predicting store profit with a quadratic term for CTenure

Model coefficients for data			
Predictors	*Estimate*	*SE*	*p-value*
(Intercept)	180686.68	37633.09	**<0.001**
MTenure	703.55	130.30	**<0.001**
CTenure	2820.91	1101.84	**0.013**
Pop	4.01	1.59	**0.014**
Comp	-19873.55	5737.60	**0.001**
PedCount	24231.07	9122.29	**0.010**
CTenure^2	-22.69	11.11	**0.045**
Observations	75		
R^2 / R^2 adjusted	0.578 / 0.540		

Figure 2

Relationship Between CTenure and Profit



The regression results indicate that experienced managers are associated with higher store profits after accounting for differences in store location characteristics. From a managerial perspective, this highlights the importance of retaining experienced managers. In contrast, crew tenure's effect on profit is less robust, suggesting that focusing on increasing manager tenure is a more effective strategy to increase profit.

Recommendations

Tenure-Based Bonus to Retain Experienced Managers

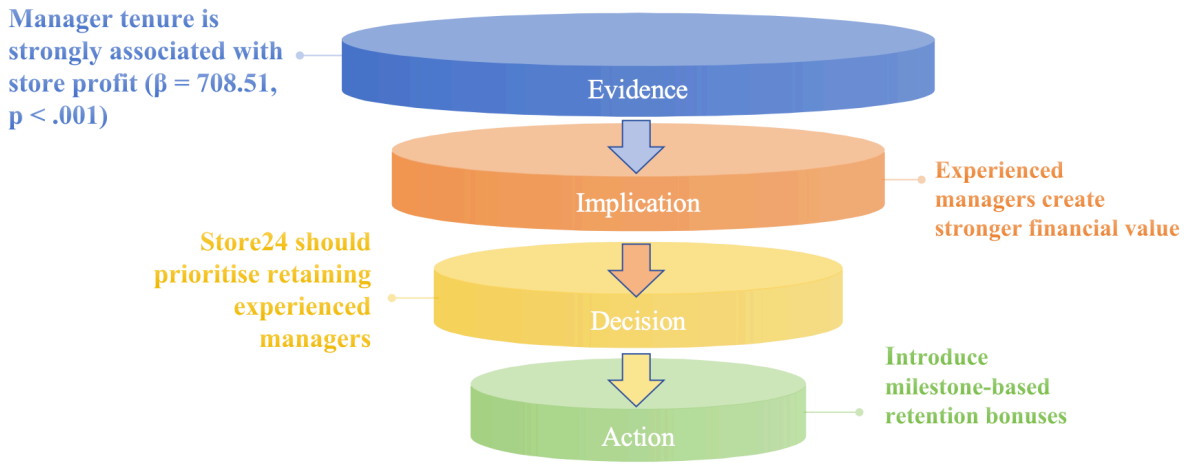
To support long-term retention, Store24 could introduce a tenure-based bonus, such as a financial reward granted after approximately two to three years of service, with the bonus

amount increasing at later milestones[8]. Financial incentives play an important role in reducing voluntary turnover by increasing the benefits of remaining with the organisation (Rubenstein et al., 2018).

In our analysis, store profitability is strongly linked to managerial tenure. Retaining experienced managers would allow Store24 to preserve store-specific knowledge and maintain stable store leadership, thereby supporting more consistent operational performance (See Figure 3).

Figure 3

Recommendation Logic for Retaining Experienced Managers



Allocate Managers Strategically Based on the Locations' Features

Research suggests that managerial capability becomes particularly important in more competitive retail environments (Arnold et al., 2009). Consistent with this insight, Store24 should assign managers with longer tenure to stores in areas with high pedestrian traffic, large local populations, or strong local competition, where stronger leadership can better capture

[8] E.g., five or ten years.

customer demands and manage operational complexity. Store24 could use its internal store performance data to identify these high-pressure locations, while assigning less-experienced managers to lower-complexity locations with lower operational risk.

Our analysis shows that population, pedestrian traffic, and competition significantly influence store profitability, indicating that store performance depends on both workforce characteristics and location conditions. By placing managers with longer tenure in these strategically important locations, Store24 can better match managerial capabilities with each store's specific operational demands (See Figure 4).

Figure 4

Store Context-Manager Allocation Matrix

Build a Future Manager Pipeline from High-Potential Crew Members

Store24 should place greater emphasis on building future managerial capability rather than focusing mainly on extending general crew tenure. The clearest profit-related finding in this report concerns manager tenure, suggesting that long-term financial value is more closely tied to sustained managerial capability than to broad tenure extension across the entire crew workforce. Research has found that leadership development programmes can strengthen employees' strategic performance and organisational alignment, contributing to increased profits (Dalakoura, 2010). From a succession-planning perspective, organisations should proactively develop internal talent pipelines for roles that are more directly linked to operational and financial performance (Conger and Fulmer, 2003). This recommendation also addresses the concern raised in H_2 that crew tenure may weaken over time if work becomes increasingly repetitive. This risk has direct financial consequences, as in “high-contact” service environments such as retail, sustained employee motivation and loyalty are linked to higher service quality, customer satisfaction, and ultimately sales revenue (Yee et al., 2011). By developing high-potential crew members toward future managerial roles, Store24 may broaden skill variety and help sustain motivation (Hackman and Oldham, 1976).

Store24 should therefore build a future manager pipeline from high-potential crew members so that people investment can be converted more directly into long-term managerial capability. Practical measures are outlined in Table 4.

Table 4

Practical Measures for Building a Context-Sensitive Future Manager Pipeline

Initiatives	Implementation Details & Evidence-based Justification
Identify high-potential crew members as future manager candidates	Use the last 6–12 months of performance records, attendance stability, service feedback, and basic supervisory behaviours (e.g., onboarding new staff, handling shift coordination, solving frontline issues) to screen candidates. Nominations should be made jointly by store managers and area managers using a shared set of criteria, rather than relying only on informal judgment.
	Groves (2007) found that best-practice organisations identify high-potential employees using both observable supervisory behaviours and performance indicators. Therefore, this criterion should ensure that both measures of potential are accurately defined.
Provide targeted supervisory and leadership development	Create a short-cycle, modular development plan covering stock control, labour scheduling, shrinkage management, cash handling, and customer complaint handling. Use shadowing, rotational exposure, or deputy shift responsibility so that candidates gradually take on core managerial tasks rather than receiving only generic training.
	Broadening task variety through this process may also help sustain motivation amongst crew members who could otherwise disengage from repetitive work (Hackman and Oldham, 1976).
Build a succession pool for strategically important stores	For stores with high pedestrian traffic, large local populations, or strong competition, establish a manager back-up list in advance so that each critical store has at least one or two near-ready successors. This would allow faster coverage when a manager leaves, transfers, or is absent.
	Proactively maintaining a back-up list of successors for high-priority stores reflects Conger and Fulmer's (2003) succession planning principles, where it is argued that strategically developing internal talent is directly linked to higher operational and financial performance.
Ensure retention and deployment decisions reflect store context	Segment stores according to competition, population, and pedestrian traffic, for example, by distinguishing high-opportunity / high-pressure stores from standard stores. Use this segmentation to prioritise manager allocation,

	succession coverage, and development attention where profit sensitivity is higher.
	Differentiating investment and attention by store context aligns with the strategic management view that organisations should direct disproportionate development resources toward positions that contribute most to competitive advantage (Collings and Mellahi, 2009).
Review pipeline priorities using store performance data	Review store profit, manager turnover, internal promotion rates, and vacancy pressure quarterly. Use this data to update which stores need stronger managerial retention, which candidates should be prioritised for development, and where succession coverage needs to be strengthened.
	Regular review of these factors ensures that the pipeline remains responsive to the operational context. This is in line with Rothwell's (2010) definition of succession planning, in which he emphasises the importance of consistently evaluating and revising talent plans to adjust to different operational realities.

Additional Note

Beyond the manager pipeline development, Store24 should also actively manage the risk of motivational decline among long-tenured crew members. When average crew tenure exceeds approximately 60 months[9], job enrichment initiatives[10] should be introduced to counteract the plateau observed in the data, rather than simply extending their tenure.

[9] The estimated peak of the quadratic relationship
[10] Such as cross-training, deputising roles, or project-based responsibilities

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```
        string.se = "SE", string.p = "p-value", show.ci = F,
        string.est = "Estimate")
```

Graph

```
ggplot(data, aes(x = CTenure, y = Profit)) +
  geom_point() +
  geom_smooth(method = "lm", formula = y ~ x + I(x^2), se = TRUE) +
  labs(
    title = "Figure 2. Relationship Between CTenure and Profit",
    x = "Crew Tenure (Months)",
    y = "Store Profit"
  ) +
  theme_minimal()
```