

EXECUTIVE WHITE PAPER

Become a Great Company

Building and maintaining a winning team

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Achieve more.

Abstract

Great companies hire, nurture and retain great people. They build cohesive teams around a shared vision. It takes dozens of integrated processes to achieve greatness and most of them are focused on people: recruiting, selection and hiring, orientation, education and training, performance support and leadership. These strategies form the foundation for acquiring, building and maintaining a great team.

This paper challenges you to rise above the sea of mediocre competitors and become a great company. The path is long and the journey is difficult, but the rewards are life-changing. Great companies grow, prosper and make more money than their lesser competitors.

But the business outcomes of creating a great company pale in comparison to the personal satisfaction you can derive from all the extra effort. Happiness evolves from a life well-lived: giving back to society, helping others and being the best you can be. Creating something great leads to self-actualization.

There are things you can do right now...today...to get started on your path to greatness. They begin with your people and your people processes. Some are inexpensive and some aren't. Some are easy, while others require more thoughtful planning and tenacious execution. Some will help a little and some will help a lot.

Most importantly, the strategies are synergistic. Each one provides value, but when combined, the results are remarkable. In fact, the sum is far greater than the parts. The key is to get started with new processes that can help.

It begins with self-awareness. Who are you? What do you stand for? What markets do you serve? Great leadership begins with self-awareness. And, that extends to self-awareness of your business as well. By carefully analyzing and fully understanding who you really are, you can determine who best fits your team.

This paper delves into the transformative people processes necessary to achieve greatness. It is not a path for everyone to take. After all, not everyone can be great.

It's All About Winning

When you start your business, it's not about winning, it's about survival. There are so many things that you don't know and most of them can hurt you. But after some hardships, some struggles, some misplaced enthusiasm and some happy customers, the business, still fragile, begins to grow. Bigger and better things are on the horizon.

At first... it's not about winning, it's about survival

Time passes quickly. You're no longer in a survival mode, although set-backs and harsh realities occasionally bring survival back into your consciousness. Soon, your thoughts turn to growth. If you've been lucky enough and skillful enough to surround yourself with a few good people, you have some help for your journey. At first, everyone can do everything and they don't mind. Accounting, marketing, warehousing, routing, cooking hamburgers at lunchtime, emptying the waste baskets...you and your people can do it all.

But one day you look around and the business has grown to a size that you and your small team of people no longer have all the answers. Your jack-of-all-trades fellowship has holes. You need specialists to take the business to the next level. So you hire some computer tekkies, marketing types who know terms like SEO and meta-tags, operations experts who are Lean Six Sigma certified and so on. Perhaps you are already this far along.

And then you wake up one morning and realize that just having a good business is not good enough; you want to have a great business. One that can be passed on to the next generation. One that won't get stomped out during the next economic downturn. One that does things so well it can compete head-on with the best of the best. But how do you go from good to great?

The opening line of Jim Collins landmark book, **Good To Great**, tells it all: "*Good is the enemy of great.*" He quickly builds on this concept by noting that we mostly have good schools, good government and a good life. But things that are great are rare indeed. Perhaps you have a good company. And that might be your greatest challenge.

Good is the enemy of great.

Business is all about winning. Beating your competition. Great companies win. Weak companies lose. And the ones in the middle (the good guys) plod along. Do you have what it takes to become great? Do you even want to be great? Anyone can have a vision, but very few are able to execute the people processes needed to actually achieve greatness.

What Makes You So Special?

You undoubtedly have great pride in your company and its heritage. So, if someone challenges you with such an offensive question like the one above, you immediately bristle. As a business owner, I would too. It's second nature. We're quick to defend our family, our tribe, our nation and, yes, even our company.

But the question lingers, what does make you so special? What sets you apart from other companies? You're in a competitive market, but the competition isn't only over new business, it's mostly over employees. You're in a fierce battle to attract, hire and retain high quality employees. And the employees who are looking for a job want to know one thing: what makes you so special?

Chances are good that they've worked for four or five companies already who all claimed to be "special." They all promised respect and a host of other vapid platitudes. But they didn't deliver and that's why the industry is plagued with turnover and the common belief that there is an employee shortage.

You can whine and moan about your challenges. You can claim you're in a tough business and it's hard to find good people. But, you don't have a monopoly on the difficult challenge of finding people to work in a tough environment for low wages. Try retail, where pay is rarely more than minimum wage, the work takes place in the evening or on weekends when your friends are all off having fun. An industry where turnover is often in excess of 200%. How do retailers survive? Better yet, how does one particular retailer grow at a rate of 20% year after year for 32 years in a row?

You don't have the monopoly on difficult staffing challenges.

That retailer is the privately owned Container Store, out of Dallas, Texas. It outperforms all other retailers in revenue-per-square-foot by a factor of **500%** and coincidentally it's made Fortune's list of *100 Best Places to Work in America* in each of the past 11 years. Most analysts would describe this company as great. Perhaps there are lessons to be learned.

Let's dig a little deeper to find out why...

Their self-described key to success: **PEOPLE**

It begins with a devotion to recruiting, hiring, training and retaining a highly qualified workforce and providing a unique culture, based on their six founding principles. They only hire great people (3% of applicants), as defined, in part, by these key attributes:

Attitude	Intelligence
Positive Energy	Love of People
Teamwork	Peer to Customer

They insist that just one great employee outperforms three average employees! And, they're willing to leave a slot open until they can find the next great applicant. Compare that to their competitors who hire just about anyone who completes an application.

Their employee referral program is so effective that they went eight months last year without placing a single help wanted ad. What do you pay for advertising?

Hiring great people is just the first step to achieving amazing results at the Container Store. Each new employee is assigned a personal mentor and everyone gets more than 240 hours of first-year training, compared to an industry average of ten hours. Is it expensive? You bet. Does it pay off? Just look at those performance numbers again. Five-to-one greater sales per square foot and 32 continuous years of 20% growth! Wow. Maybe having great people really makes a difference.

So you can sit back and accept employee turnover and blame it on the industry. And, you can keep shelling out \$20,000 per month and roll the dice on marginal recruiting ads, trying to put butts in empty seats. Or, you can try something different. It begins by understanding what makes you so special.

If you can actually define what makes you so special, you can begin to attract great employees who like what you have to offer. All too often, recruiting ads feature an employee saying nice things about their employer. These are based on the advertising designs of the early 1960's and rely on the *I can relate to that* philosophy. That is, people will more readily believe someone who is a peer. In today's jargon, someone in their social network.

Attract employees who like what you have to offer.

Your recruiting and advertising messages should focus on **what makes you so special** - what makes you different. They have to be appealing and catchy to get everyone's attention. But most importantly, they need to

captivate the attention of the applicants who are a best-fit for you, the people who would *love* to work at a company like yours.

The tragic effects of high employee turnover hurt just about everyone, but just imagine the competitive advantage you would have by cutting your turnover in half. Suddenly, the enormous financial burden that plagues your lesser competitors becomes a remarkable opportunity for you. While they burn through cash paying for churn, you can be buying more trucks. Winning begins with selecting and hiring *winners*. Start there.

The Big Wet Kiss

Think back to your dating days...the budding days of a new romance. What happened first? Did your date make you sign the rule book or take a drug test? If so, you probably ran away like your hair was on fire. Chances are pretty good that you spent quality time together, getting to know more about each other. Getting to know his or her likes and dislikes and, most importantly, values. In our personal life, it's called falling in love. In a job setting, it's called alignment.

Your first and best opportunity to achieve alignment is during the initial orientation and onboarding process. Although the process of alignment never really ends, it's doomed to fail if it doesn't begin at the beginning. New employees are apprehensive. They just made a big decision to join you. They have legitimate concerns about how they'll be treated and what will be expected of them.

Acclimating the new employee to your **culture** is vital to his or her commitment and longevity. But orientation is far too often a mismatched bunch of activities that convolute selection, onboarding and alignment into one fast-paced whirlwind of activity, followed by an almost complete disengagement, as the new employee is given their company manual and sent on his way.

For example, most carriers give employees physicals, drug tests and general skill tests as part of orientation. It doesn't take much to realize that these things are part of selection, not orientation.

Further, the recruits spend a lot of the time completing paperwork; choosing benefit options; signing legal forms or going over the rules (onboarding).

While these activities are important, even required, they aren't orienting or aligning anyone. In fact, they plant damaging seeds. They create an

Alignment is vital to longevity.

impression of red-tape and bureaucracy. That's not who you really are, so why lead them to think that?

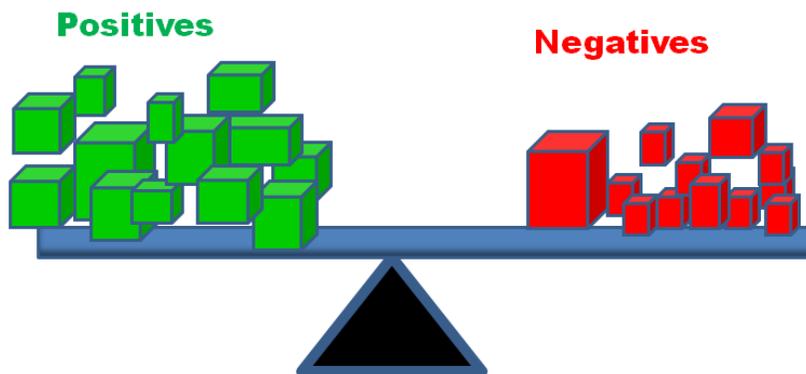
Why not separate those last few steps of selection (e.g. tests and physicals) from the on-boarding activities (e.g. completing company paperwork). Then, provide a real orientation process that welcomes the new employee and explains your culture. Tell him how happy you are to have him on the team. Tell him how he can expect to be treated. Explain what you will expect from him.

Make no mistake; initial employee orientation has a huge impact on first year retention levels. Do it right and enjoy the benefits of lower turnover.

Heavy Weights, Light Weights and Waits

Although effective selection, hiring and orientation are all vital, they are by no means the only people-processes necessary to achieve better employee retention. There are lots of reasons for turnover, too numerous to list here. In fact, through our research we've assembled a list of 192 different reasons why an employee might decide to leave you only to land at another company worse than you are.

A handy way of looking at the root causes for employee turnover is using the metaphor of **weights-on-a scale**.

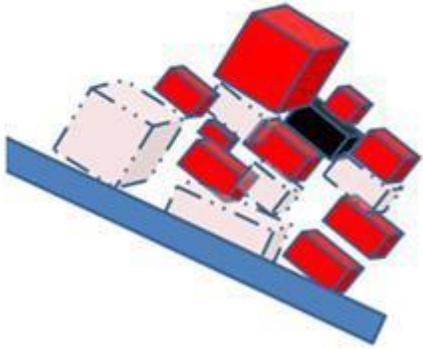


There are positives for joining and staying with your company and there are negatives. Every employee you employ joined you because, at the time of hire, the positives *seemed* to outweigh the negatives.

Once on board, the scale continues to evolve. Weights are added or removed. Some are positive and some negative. As long as the positives outweigh or

balance the negatives, the employee stays. However, if at any point the negatives outweigh the positives, the likelihood for turnover increases.

Real and Imagined Negatives



Different events in the person's life have different weights. Some mean a lot more than others. More importantly, some are real and some are imagined. Facts versus fiction. But in the mind of the employee, negative fiction weighs just as much as hard reality. Psychologists describe this phenomenon as *perception is reality*.

The scale appears to be stacked against you and maybe it is.

Common events such as being passed over for a promotion, or inadequate training are often interpreted by the employee as avoidable. Worse, negative events tend to be personalized. **Why did they do this to me? They don't care about me. They lied to me.** And so it goes, real or imagined, the negative red bricks add up and the teeter totter tips. There goes another good employee.

The manager, who is legitimately too busy to answer an employee's question, drops the same big red brick as the manager who truly doesn't care. In the eyes of the employee, both encounters are negative. Efficiency is vital, but it's only a piece of the puzzle. Interpersonal skills are needed, but on their own, are not enough. Caring is perhaps the most important quality, but without efficiency and interpersonal skills, it too falls short.

That means your managers have to be efficient, skilled and caring to avoid tipping the scales.

On the other hand, positives are only positive, if the employee actually knows about them. They don't do you any good, unless you promote them.

great.

Consider the word **churn**. Churn doesn't just mean turnover. It means employees moving between companies who all provide comparable working conditions. The employee doesn't change jobs and get a \$20,000 raise, or a new title or even more recognition. They didn't *improve themselves*, to use the idiom. They just find themselves at a different company with a different mission and vision and eventually comes to believe that all companies are the same. Maybe they're right. Maybe all companies are good, but they sure aren't

Employees don't leave great companies. But, they often leave good ones.

Why Would They Ever Leave?

When NBA players get called for too many fouls, they ascribe it to lack of respect. Even if their hammering drew an opponent's blood, they believe the referee doesn't appreciate their skills. *You would never call that on LeBron or Kobe!* This **respect** theme is pervasive among employees.

A poor pay package is interpreted as a lack of respect. Delays in getting paid is just like being dissed. Not getting enough recognition, or conversely a co-worker getting too much recognition, are both seen as a lack of respect.

In fact, it's difficult to imagine any negative circumstance, real or perceived, that isn't interpreted by an employee as a lack of respect.

Do your employees bear the brunt of inefficient management procedures or good old fashioned mistakes? Do they not receive the proper training? Are they forced to deal with an unresponsive manager? These are all big red bricks on the employee's scale of justice. Real or imagined, they begin to add up and eventually lead to a tipping point.

Our research identified 192 specific reasons why an employee might leave one carrier and go to another, but it wasn't easy to get the employees to articulate this level of detail. When asked why they left, most employees resort to very broad categories, such as: **They lied to me. They didn't show me any respect. They broke a promise. They treated me badly. They didn't care about me.**

But what really happened in these situations? Were they really lies, or did something go wrong that forced the manager to make a decision that caused the employee to interpret the event as a lie?

Einstein once said that 90% of solving a problem was accurately defining it. And that's true for employee turnover. You can't possibly solve such broadly stated problems as disrespect or lies. You have to dig down to the micro-level and, one-by-one, identify and eliminate those discrete 192 reasons that are stacking up the red bricks.

Employees want to feel appreciated. They want to have a purpose and clear goals. They want to know if they're doing a good job and, if not, what they

Any negative event is seen as disrespect

You can't fix the problem until you can accurately define it.

can do to perform better. They want someone to talk to once in a while; someone to listen and maybe even solve a problem or two along the way.

Great companies have great employees and they know how to keep those great employees happy. It doesn't cost any more than treating them like cattle. Strip away those big red bricks and be sure to self-promote the green ones. Employees leave for many reasons, but the vast majority of those reasons are easily remedied. Tip the scales in your favor and become a great company.

Plug The Leaks

It's amazing how often good companies discuss their problems but fail to study and measure why they have them. Employee turnover is one of the best examples. The business world wrings its collective hands and bemoans the situation as a curse that all must bear. Remarkably, the preferred strategy seems to be recruiting. *Let's find some more employees and put some butts into these empty seats.* Why not systematically plug the leaks?

Great companies are made up of great people who align with a vision behind a talented leader. They have a strategic plan and they know how to execute. They never tackle their problems piecemeal. Instead, their ideas and strategies are brought together under one umbrella into a cohesive plan. Each individual process is carefully studied for its potential to return positive results and its effect on the other strategies.

Interestingly, the first stop when looking at employee turnover is often an examination of employee wages. *If we only paid more money, we could get and keep more employees.* It's an alluring argument but it's dead wrong. Our research shows that while some employees leave the industry because of pay, they are in the minority. The majority of employees churn between companies who all pay about the same thing you do. So don't fool yourself into thinking that a bump in wages is your best solution. It isn't.

You need a plan that everyone can get behind. And, it can't just be a hodgepodge of ideas. It must be a unified approach of several synergistic processes that collectively eliminate the 192 reasons employees leave.

You need a plan.

Start The Journey

There are thousands of good companies, but only a few great ones. The great ones have one thing in common: a relentless commitment to attract, hire and retain great employees. Employee retention is simply part of their DNA. It's a key element of their strategic plan and overtly supported by the daily actions of the senior leaders.

Retention is a key metric for everyone: recruiters, managers, safety, payroll, even sales. Results are measured daily and posted for everyone to see. Compensation and bonuses are based, in part, on employee retention. The loss of a single good employee is a big damn deal and gets a lot of attention and discussion.

So how do you start the journey? If you're good and really want to be great, it begins with a fanfare. A campaign. An event. However, make no mistake about it, it's a long arduous slog to greatness. It requires undying fire in the belly, a significant commitment of time and energy, persistence and championship execution. A momentary program or event won't cut it. Most of all, it begins with an appreciation for your people.

You need a plan and it should begin with a launch campaign. For purposes of getting started, it can be a program with a catchy name. Let's call our example Operation Retention Reinvention. Once Operation Retention Reinvention begins, it needs a lot of visibility. It needs an internal marketing blitz with vocal and visual support from above.

But the kick-off is the easy part. The real work begins when time has eroded the message and employees begin to drift. You can't allow that to happen, or your entire initiative evaporates like the flavor of the month. You have to keep stoking the fire with new ideas, persistent follow up and pervasive conversation.

Most importantly, you have to be demanding. People typically do what their boss inspects, but not necessarily what their boss expects. That means, you need to establish the expectation that employee retention is really, really important. Be sure to take an active role in posting the daily results. Then, follow up with fierce conversations regarding any defection of a desirable employee.

Retention must be a key element of your strategic plan.

People do what their boss inspects.

Summary

Good really is the enemy of great. It's easy to be good. It's acceptable to be good. Everyone likes the good guys. However, real happiness comes from being great. It isn't easy, but for a select few, it's well worth the effort.

Great companies attract, hire, nurture and retain great people. They build cohesive teams around a shared vision. They reliably execute dozens of integrated processes under a single cohesive plan to achieve greatness. They focus on their people processes, especially: recruiting, selection and hiring, orientation, education and training, performance support and leadership.

Great companies have great employees. Employees who stay for years, not months. Employees who show up on time, looking sharp and ready to work. Employees with a *can do* attitude. Employees who obey the laws and regulations and drive defensively. Employees who understand that their paycheck comes from the customer and who provide exceptional customer service.

Plugging the turnover leaks in your organization is the first step towards becoming a great company. It allows you to be more selective with each new hire. And, that ever-increasing selectivity leads to better and better job performance across the board. When you become the employer of choice, everything gets better.

The process of becoming a great carrier provides great rewards. It's a journey well worth taking. Voluntary turnover is a curable form of cancer. Let it eat away at your competition while you become great.

Avatar conducts organizational analyses, provides expertise and develops custom selection, orientation, education, training and support systems. Avatar helps companies modify their employees' behaviors so that people take responsibility for their performance. Avatar's custom-branded strategies and out-come based management tools encourage and reinforce the desired behaviors that lead to operational excellence and world-class results.

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Plugging the turnover leaks allows you to be more selective, which helps you get better and better.