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**HR Management**

**Working for the Best: The Container Store**

Being voted the best company to work for in America by *Fortune* magazine, it’s a dramatic honor — number 1 twice and number 2 two other times. We like to say that we were number 1, number 1, number 2, number 2, so we must be the number 1.5 best company to work for in America.

Walk into any of The Container Store locations, and you'll immediately notice two things. First, great products, more than 10,000 items designed to simplify and streamline your life. Second, you'll see happy employees, in fact, some of the happiest and most empowered to ever work in retail.

Well, I think that everything we do, the recognition we've received from *Fortune* magazine, rests upon a culture that Kip and I and then everyone else have helped create this past 25 years.

And that culture is built upon the importance of hiring great people. In fact, it’s stated as one of their six foundation principles — one average person equals three lousy people, one good person equals three average people, and one great person equals three good people.

We really do believe in that, and we hold out for the right person, and we refuse to make compromises, and we expect that we will get those people.

And, you know, I really think the one equals three thing is a little bit understated. The year that Babe Ruth hit 59 home runs many, many years ago, the guy that hit the second most home runs that year hit 13, and his name was Home Run Baker. So sometimes people are more than three times as good as somebody else.

How does The Container Store define astonishing levels of customer service? Well, they don’t just fulfill customer needs. They exceed their expectations. It’s called the man in the desert philosophy. Don’t just give him a glass of water, but give him a cool, shady place to sit down, a hat to cover his head and a cell phone to call home.

Just to point out the fact that if you really care about this person, there is unlimited — almost unlimited number of things you could really do to help — to help this person.

The most astonishing thing we can do is, obviously, help someone organize their closet perfectly or garage perfectly or pantry perfectly, but even beyond that, there are innumerable cases where employees just said, “This is the right thing to do for this customer at this point in time.”

And the stories of employee kindness abound, like the woman in Miami who loaned a stranded customer her car, or the man in Houston who helped a customer prepare for their driving test by teaching them to parallel park out in the parking lot. So what is it that motivates these employees to provide such great customer service? To answer this, let’s take a look at the history of management. We'll compare the various schools of thought to actual management practices at The Container Store. The study of management has come a long way since the early 1900s, when efficiency experts such as Frederick Taylor looked at workers largely as machines which needed to be properly programmed. Elton Mayo’s Hawthorne Study some 20 years later led to completely new assumptions about employees, one of which was that pay is not the primary motivator. Maslow’s Hierarchy of Needs, which was first published in the 1950s, theorized that people are motivated to satisfy unmet needs. If these were applied to The Container Store, it might look something like this. Physiological needs, such as food, water and shelter, are not provided for by The Container Store. However, it does provide a wage which allows employees to meet those needs, and these wages are among the highest in the industry.

You have to be willing to put your money where your mouth is. If you really believe you're getting three times productivity, well, then what we try to do is pay 50 to 100 percent above industry average, and everybody wins.

The Container Store helps its employees to feel emotionally secure by creating an environment with the proper values, stressing integrity, honesty and open communication. In achieving this, they have also created a family‑like atmosphere that meets the social need to feel loved, accepted and part of the group.

A lot of people that come to work at The Container Store go, “I've always wanted to be in this kind of business environment, but I haven't been before, or I haven't quite been before.” And it’s thrilling to be able to be the kind of person you want to be and have the kind of values guide everything you do, you know, without compromise.

Esteem needs cover the need for recognition and acknowledgment from others.

I think recognition of people, that we do a really good job of recognizing people both formally and informally. I mean, Kip and I do that all the time. I write notes to stores, write notes to individual people or call people and hear about somebody doing something just neat.

Why do so many Container Store part‑time employees become full‑time employees? Perhaps because the company motivates them to reach their full potential.

The way we look at it is you're hiring the next key salesperson, the next key distribution person, the next key buyer or the next key store manager, when you're talking about this perhaps seasonal person working at Christmas.

Christmas. And it is amazing, as Garrett said, if you — if you — if we bring in the top 150 people in the company there or something and you say, “How many of you started out part‑time,” half the room stands up, and that’s — that’s an unusual deal.

And the numbers back this up. Annual turnover is only about 15 to 25 percent in an industry that averages 90 to 100 percent annually. Many researchers were influenced by Maslow, including Douglas McGregor, who observed that managers’ attitudes generally fall into one of two sets, known as Theory X and Theory Y. If this is true, it’s obvious that The Container Store seeks out and empowers Theory Y employees, giving them the freedom to think for themselves.

Because you have to really believe in people and let them do it, not just say, “Well, we're empowering you, but don’t do anything unless you check with me.”

Business is too situational for someone like me to presume that I’m smart enough to tell someone like you how to do much of anything.

I mean, of course people can make mistakes, but we create an environment where making mistakes is fine. The one thing that’s really terrible to do is to do nothing.

Another theory that dealt with management’s attitude toward workers was William Ouchi’s Theory Z, which emerged in the 1980s, representing a hybrid of Japanese and American styles of management. Frederick Herzberg’s studies in the 1960s concluded that job content issues, or motivators, could increase productivity. For example, at The Container Store, it was obvious that employees took great pride in the work itself.

You get kind of spoiled working here when you're doing some other retailing or shopping with other retailers. You get kind of spoiled with the service that you give your own customers, so you kind of expect it when you're out.

When you're the customer.

Exactly. Yeah, you don’t always get it.

Herzberg felt that job environment issues, or hygiene factors, could cause dissatisfaction if missing but did not necessarily motivate employees. Job enrichment is a motivational strategy that emphasizes motivating the worker through the job itself. Other job enrichment strategies include job enlargement and job rotation. The Container Store cross‑trains its employees so that they understand everyone else’s job. This not only makes their position more interesting, but it prepares them to handle being empowered to make decisions as if they were a store manager.

To the customer, it seems like, “Gosh, isn’t it amazing? I walked into The Container Store, and the first person I found who was actually at the register, you know, was really the store manager, you know, and I got lucky that day.” And was it the store manager? No, this person is actually what we call a prime time person who works 15 hours a week, who just listened to this customer and made a decision and knew that the decision they made would be backed up, whether it involved — whatever it involved.

Peter Drucker designed a system to help employees motivate themselves, called management by objectives. The Container Store uses a similar system, but they place much, much more emphasis on the daily coaching and learning.

You know, between formal — we have formal reviews, of course, but that’s meant to be no surprises, okay, but working with people day by day, week by week, to help develop them, work on weaknesses, help, you know, enhance strengths and all that.

Victor Vroom’s expectancy theory stated that the amount of effort that employees put in depends upon their expectations of the outcome. Similarly, equity theory deals with the question if I do a good job, will it be worth it and what’s fair. A key point is that corporations must communicate effectively when it comes to questions of employee expectancy and equity.

I think communication is absolutely the number one and most important factor in terms of motivation.

We try to communicate with everybody in the company as if they're a vice president, really. It’s just like we want people to know maybe even more than they can handle.

Even though we're a privately held company, we share all of our financial information. At The Container Store, we like to say that communication and leadership are the same thing.

This concept of open communication extends down to the team level, where peers are encouraged to share their knowledge with each other regardless of position.

That’s something actually new people I've heard every now and then have struggled with for a short period of time, going, “Hey, it feels like everybody is my manager.” And then after four months it’s like, “I understand why people speak up. It’s not because they want to — you know, they're wanting to manage me or have power over me. It’s because they care.”

So having reviewed the history of management, did you spot the theory that The Container Store employs? Probably not. That’s because good managers don’t use just one formula. Instead, they tailor their motivational effort to the needs of their people and the job. The Container Store’s humanistic approach, coupled with empowerment, strong values, cross‑training and open communication, has created a world‑class organization that is treasured by its employees.

And it’s like a second family to them. I mean, one person said, “This is — The Container Store is like the family, the extended family you would choose if you could choose your extended family,” which is not always possible.