## EDOC KELLIN-HOUSE.

**Employees Are the "Secret Sauce" for Sustained Value Creation** 

**Employment and Labor** 



Several years ago, I found myself bracing against a cool spring breeze as I walked across a parking lot to a Wegmans grocery store in Rochester, NY. I had arranged a meeting with one of the company's directors of human resources with the object of learning some of the details about how they "operationalize" their values.

Wegmans Food Markets grew from humble beginnings in the 1930s to become a supermarket powerhouse that now operates 103 stores, employs 50,000 people, and enjoys US\$9.7 billion in annual sales.

In addition to its financial success, one thing that really sets Wegmans apart from their competition is that it has been at or near the top of *Fortune Magazine's top* 100 places to work every year since the Great Place to Work survey was first deployed in 1998. It ranked #1 in the country in 2005 and #3 in 2020. This is an extraordinary achievement for any company. But it is even more remarkable considering the fact that working in a grocery store lacks the sex appeal of working for Silicon Valley companies like Google, Cisco, and Sales force who also vie for the best place to work distinction.

When I sat down to interview the Wegmans human resources executive, she told me that she was a bit more pressed for time than she expected because she was scheduled to have 25 separate meetings with store employees that day and one more had signed on at the last minute. These meetings, she explained, were part of an on-going open door process where employees have the opportunity to voice any concerns or career aspirations they might have directly to the company's

executive ranks.

Given our limited time to talk, I cut to the chase and asked, "What's the secret sauce in your company's success?" She responded that everything they do is grounded in their company values that start with caring "about the well-being and success of every person," and she drew me a diagram showing the relationship between the organization's core values and its operations. As insightful as her explanation was, I found it far less persuasive than the genuine enthusiasm she had for the grueling day she had ahead of her.

Many managers faced with the prospect of one-on-one meetings with 25 employees would dread such a chore. Instead, the Wegmans executive told me that this was the favorite part of her job and her passion for the work was obvious in her demeanor. Many of the conversations she might have had ahead of her that day were likely to be difficult, but she looked at them as an opportunity to both help her colleagues achieve their career goals and better understand what was really happening at the store.

And so, that morning I discovered the three key ingredients in the secret sauce for sustained value creation:

- 1. Craft a company mission statement that puts the well-being of people first;
- 2. Hire and groom executives who have a genuine passion for achieving this mission; and
- 3. Create the processes and structures to let them do their work.

On Aug. 19, 2019, the Business Roundtable announced the release of a new "Statement on the Purpose of a Corporation" (the BRT Statement) evidencing that others are starting to catch on to the idea that employees are among the stakeholders that companies should care for. Signed by 181 CEOs of some of the world's largest companies, the BRT Statement expressly abandoned the Wall Street "shareholder primacy" business model. In their press release, the BRT introduced the BRT Statement by observing:

Since 1978, Business Roundtable has periodically issued Principles of Corporate Governance. Each version of the document issued since 1997 has endorsed principles of shareholder primacy — that corporations exist principally to serve shareholders. With today's announcement, the new Statement supersedes previous statements and outlines a modern standard for corporate responsibility.

After observing that "the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all," the BRT departed from the shareholder primacy business model by stating "we share a fundamental commitment to all of our stakeholders." The BRT Statement then reads as follows:

## We commit to:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity, and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.

- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies
  to invest, grow and innovate. We are committed to transparency and effective engagement
  with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities, and our country.

Like many advocates of Conscious Capitalism, I was pleased to see that the BRT recognized the reality that all stakeholders, not just shareholders, are vital to business success. But, unlike Wegmans, the BRT failed to recognize that not all stakeholders are of equal importance. Wegmans' spectacular success, the reason communities celebrate new store openings, and the reason their customers are so loyal is because Wegmans knows that the best way to serve the interests of all stakeholders is by putting employees first. This recognition, and their ability to operationalize it translates into significant business advantages that cannot be matched via any other strategy. Among them are:

- 2,000 applications for every open position;
- Employee turnover rates twice as low as their next best competitor resulting in an annual savings of US\$50,000,000; and
- One of the most satisfied and devoted workforces in the United States.

As a consequence, they hire the best and the brightest, they keep them for the long-term and their employees work their hearts out for the company.

As a regular Wegmans customer, I have personally interviewed pharmacists and checkout clerks and asked them how they like working for the company. Every one of these individuals told me that it was a great company and a great place to work. When I asked a middle-aged checkout clerk why she felt that way, she told me, "They listen to us. They treat us with respect."

Perhaps Wegmans' sauce is not that secret. But, I think that it is as potent as it is rare. If your company is like most, the ingredients in the Wegmans' sauce are either missing altogether or not being added to the mix in sufficient measure to have a beneficial impact. If this is the case in your company, do what you must to improve your recipe and start cooking to optimize your performance over the long term.

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