

# WITH AN “EMPLOYEE-FIRST” MENTALITY, EVERYONE WINS

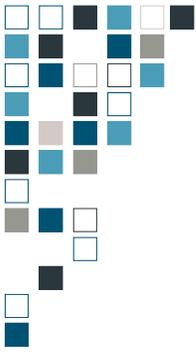
## The Container Store Culture Impact Brief

By Jessica Rohman  
Manager, Program Content  
Great Place to Work®

“If you take care of the employees better than anyone else, they will take care of the customer better than anyone else. If the employees and the customers are ecstatic, the shareholders will be ecstatic too.”

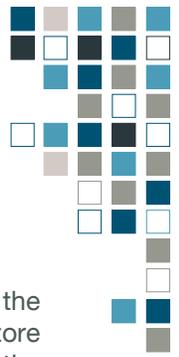
Kip Tindell  
Chairman & CEO  
The Container Store





## HOW THE CONTAINER STORE SERVES CUSTOMERS, VENDORS AND SHAREHOLDERS BY PUTTING EMPLOYEES FIRST

The Container Store, the nation’s leading retailer of storage and organization products, has enjoyed overwhelmingly strong growth since its inception in 1978. Instead of competing solely on convenience and price, as do most retailers, The Container Store’s dominance in the market is also the result of an intense focus on human relationships. At its core is an “employee-first” mentality that emphasizes bringing great people on board, paying well above the industry average, providing outstanding training and development opportunities, and providing a solid values framework that enables employees to unleash their “creative genius.” This has resulted in an environment where employees, customers, vendors and, ultimately, the shareholders, win.



The Container Store is the nation's leading retailer of storage and organization products, with approximately 5,000 employees and sixty-one 25,000+ square-foot retail stores across the country and a thriving online and call center business. Since its inception in 1978, the retailer has enjoyed high double digit, year-over-year growth rate. In 2012, revenues reached \$706M. The company is in a period of rapid growth, and in the next year, six new stores are planned to open, each boasting more than 10,000 multi-functional storage solutions stocked annually.

According to Chairman and CEO Kip Tindell, the key to the company's success has been its "employee-first" culture, with an intense focus on building strong relationships with employees and, ultimately, with customers. In his keynote address at the 2013 Great Place to Work® Conference he noted, "If you take care of the employees better than anyone else, they will take care of the customer better than anyone else. If the employees and the customers are ecstatic, the shareholders will be ecstatic too."

Tindell's claim that the culture at The Container Store is "employee-first" is not just lip service. For the past 14 years, The Container Store has been named to FORTUNE's 100 Best Companies to Work For® list, with six years spent in the "Top 5." And, in an industry known for its notoriously high turnover rates, The Container Store reported last year that voluntary turnover among full-time employees was just 5.7%. Said Tindell, "If you're lucky enough to be somebody's employer, you have a huge moral obligation to make sure they want to get out of bed and come to work in the morning."

By bringing on outstanding employees through an intensive hiring process, then training and paying them well (average pay for The Container Store employees on the sales floor is one-and-a-half to two times industry average), and setting the stage for employees to unleash their "creative genius," The Container Store has been able to build a workplace where employees genuinely enjoy themselves and flourish and thrive. It is the firm belief of The Container Store leadership that the focus on employees has been what gives the company its competitive edge and has ultimately resulted in its tremendous success.

## "1 GREAT PERSON = 3 GOOD PEOPLE"

### PHILOSOPHY

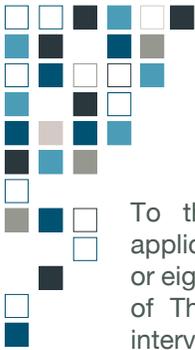
One of the key components of creating the "employee first" culture at The Container Store is bringing only the very best people into the organization to begin with. According to Tindell, this strategy creates an environment where, given the outstanding caliber of their co-workers, employees are excited to come to work. This strategy also justifies paying people above-market wages.

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Said Tindell, "The most important thing about the quality of the workplace is the people you get to work with. Can you imagine being on a golf team with Phil Mickelson? This would make it exciting; you'd be proud to be on that team. Wouldn't you want to get up in the morning and practice a little more if you were on Phil's team?"

The driving philosophy behind hiring at The Container Store is "1 Great Person = 3 Good People," meaning that one great person can deliver the productivity of three "good" people. Tindell noted, "We're trying to build a team; it's just like building an NBA team. We believe in excellence, and we're picky. We want the best people we can find."



To that end, even the most entry-level job applicants are required to go through up to seven or eight interviews, many taking place with a group of The Container Store employees. The group interview is important, because interviewers can see how the candidate behaves in a team setting, as well as their bravery to sell and their passion for the company, which simulates real life at The Container Store.

**Average pay at The Container Store is 1.5 to 2 times industry average. Number of training hours in the first year is nearly 9 times the national average.**

This method also allows teams to discuss job candidates candidly and weigh in on the decision together. “We all know what a bad pick can do to the team,” said Tindell. “It’s so hard to pick the right person. This way, you get to do it with your colleagues.” When all is said and done, just 3% of all job applicants secure positions within the company.

The “1 Great Person = 3 Good People” philosophy also drives the generous pay practices for store employees. The average pay for a full-time salesperson at The Container Store is approximately \$47,000/year—nearly twice the industry standard of \$22,920 (source: Bureau of Labor Statistics). Tindell pointed out, “If you really believe the people you’re hiring are three times as productive as a regular employee, then you need to put your money where your mouth is and pay those people really well. We’re not advocates of paying average people really well; we’re advocates of paying great people really well.”

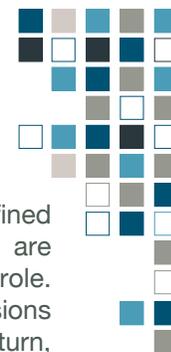
And with that, he noted, everyone wins. The company wins because they get three times the productivity for only one-and-a-half to two times the labor cost. The employee wins because they make 50% to 100% more income than they would elsewhere. And the customer wins, because they get phenomenal customer service from a great employee.

### **FOCUS ON TRAINING AND DEVELOPMENT**

Also key to building an employee-first culture is providing outstanding training and development opportunities for everyone in the company. While all employees at The Container Store have access to training resources that are far beyond what is seen by their industry peers, the emphasis placed on nurturing employees on the sales floor is truly remarkable. According to American Society of Training and Development’s (ASTD) 2012 State of the Industry Report, U.S. employees receive an average of 31 hours of training per year. At The Container Store, full time store employees receive 263 hours of training during their first year of employment, and 100 training hours their second year.

When it comes to career development, store employees monitor their careers closely with one of the several store managers at each location. According to Tindell, career development is a constant focus, and employees will spend close to a full day annually in a formal performance review

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with his or her manager, often with up to 30 pages of documentation. They've even created another layer of management at the stores dedicated to managing employees' careers and productivity.

Interestingly, especially given their outstanding track record of success in the market, store employees are not evaluated based on commission and their reviews are not metrics-based. Rather, reviews are based largely on the "7 Characteristics of a Great Employee"—qualities like "Adaptability and Attitude," "Professionalism," and "Teamwork."

A key reason for such intense focus on training and development at The Container Store is that they believe customer service, and specifically the human connection between employees and customers, is one of their top differentiators in the market. To that end, employees spend their time learning the ins and outs of the 10,000 products available to customers, understanding what tools are available to them in the sales process, and becoming intimately familiar with the company's driving business philosophies as a way to guide on-the-floor decisions.

According to Karen Hartman, a The Container Store sales employee who started as a part-time cashier and now has over 25 years of tenure with the company, employees like her have been given years and years of training to develop who they naturally are as salespeople. They are not paid on commission, and are not timed. Instead, they are given the space to really get to know the customer and focus on "face-to-face, heart-to-heart" connections. She says that she knows that if she focuses on that, and helping the customer find the perfect solution every time, all stakeholders win and she doesn't have to worry about anything else.

### THE SEVEN FOUNDATION PRINCIPLES

Part of enabling employees to build these "heart-to-heart" connections with customers is striking the right balance between freedom and guidance. According to Tindell, "Life and certainly retail are too situational for you or me to be smart enough to tell everyone how to act in every given situation. But we don't want to be 5,000 yahoos going in 5,000 different directions. So we agree on the ends, and then we liberate each employee to choose their means to the ends."

At The Container Store, "the ends" are defined by its seven **Foundation Principles**, which are engrained in every employee no matter their role. The Foundation Principles have guided decisions as small as how to handle a customer return, and as large as how to weather the recession without a single layoff. The Foundation Principles ensure the entire enterprise is aligned toward a common way of being, and include "1 Great Person = 3 Good People," "Intuition Does Not Come to An Unprepared Mind," "Communication IS Leadership," and other guiding phrases that embody The Container Store's culture.

**The Foundation Principles unleash the creative genius of each individual employee, enabling them to figure out the best means to the end, resulting in much higher productivity.**

Developed in 1988, the Foundation Principles were Tindell's response to business growth that was beginning to outpace the culture. If they were having trouble with an employee, they could no longer just straighten it out informally over dinner, said Tindell. "We had to become a real business and figure out what we truly stood for." So he developed the Seven Foundation Principles, which continue to guide the business and each individual employee to this day.

According to Tindell, the guidance provided by these overarching principles allows the creative genius of each individual employee to be unleashed, enabling them to figure out the best means to the end, ultimately resulting in much higher productivity.



## REALIZING POTENTIAL

The Container Store has been able to realize its tremendous potential by putting its employees first and empowering them to serve customers in an exceptional way. Listening to Tindell, it appears that The Container Store's success is just as much a result of understanding the human spirit as it is a result of understanding business.

Said Tindell of the human spirit, "People want to come to work in the morning and work with really great people. They want to do fabulous things with these great people and go home feeling wonderful at night about what they've accomplished." By creating an enjoyable workplace where the innate potential of each of his 5,000 employees can thrive, he has enabled his stores to reach outstanding heights.

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## About Great Place to Work®

Great Place to Work is the leading authority on high-trust, high-performance workplace cultures. Our insight and expertise is based on 25 years of work with thousands of companies and research drawn from over 10 million employee surveys.

We use adaptable, customizable tools modeled on the dimensions of trust found in great workplaces, to design tailored solutions for organizations that put people first and believe that people drive superior business performance. Our advisory service, best workplace benchmarks and leadership development programs, help companies build trust-based relationships to nurture a culture that fosters sustainable business success.

Great Place to Work® produces 45 great workplace lists around the world and the FORTUNE 100 Best Companies to Work For list here in the United States. Our ongoing research validates that great workplaces are more successful businesses and provides us with the framework and expertise to help companies transform their workplace cultures.

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