

The Home Depot

Interview with Chairman & CEO, Bernard Marcus

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Shoppers at The Home Depot stores like the one across from the company's Atlanta headquarters may revel in the sheer abundance of merchandise. But chairman & CEO Bernard Marcus insists the key to the company's growth isn't only its product line, but also its people: "I'm always asked how we find the kind of people who staff our stores, who wear the orange aprons," says Mr. Marcus, who co-founded the retailing giant in 1978. "We don't find them. We have to create them."



A New Jerseyan by birth, Mr. Marcus earned a degree in pharmacy from Rutgers University only to embark on a career in home improvement. From 1972-1978 he was Chairman and President of Handy Dan Improvement Centers, Inc., where he first tried out some of the retailing ideas he would later perfect at Home Depot: competitive prices, high volume and an obsession with customer service. "When customers walk out of our stores," he says, "they marvel at the service and attention they've received." Last year, Home Depot was rated America's most admired retailer by Fortune Magazine.

Mr. Marcus serves on the board of several corporations, nonprofit organizations and educational institutions. He and his wife, Billi, founded the Marcus Center in Atlanta, which provides support services for persons with mental retardation and developmental disabilities and their families.

Q. How has Home Depot achieved its reputation as one of the country's most respected companies?

A. The answer is simple. Our people. They're fundamental to our growth. We share the common goal of giving our customers the best possible retail experience. To achieve that we devote a tremendous amount of time and effort to develop a workforce imbued with the credo that every customer who walks out of our stores must be a satisfied one. Home Depot is noted—and envied—for its ability to attract, develop and keep talented people. We train them thoroughly and continually, and we encourage them to make decisions on their own initiative. We really believe that one person can make a difference. And collectively they've created our growth.



Q. How do your employees play an active role in the growth of the company?

A. I'm always asked how we find the kind of people who staff our stores, who wear the orange aprons and demonstrate what we call "orange power." We don't find them, we have to create them. We look for people who are honest and highly motivated, who want to work and create something. They may not have the skills, but they have the desire. We take that raw material and mold it into a winning team. And we empower them to think and act independently. We believe our people are the most important difference between ourselves and our competitors. They've enabled us to develop long-standing relationships with our customers and expand our business. And so when customers walk out of our stores, they marvel at the service and attention they've received.

Q. How do you develop this kind of committed workforce?

A. We do that not only by picking the right people, but also by constant training. We have training classes at every level of the

company. It's more important than any other task we do. Everyone is involved in training, from the chairman and president, to the heads of divisions, to store managers. Nobody else does training this way. It's time-consuming and it's hard work for management. But that's the way we instill our corporate culture in every employee and keep it fresh. It's also how we grow. And we share our growth with all our people. We pay well above the industry level and we offer stock ownership and profit sharing.



Q. What is so different about your training process?

A. These classes are not just lectures. At least half the time is devoted to discussions. Our people are encouraged to tell us about all the things that concern them. After all, they're at the point of the action. They know what's really going on because they're right there and see it on a daily basis. The problem at many companies is that there's a short circuit from the ranks to management. There's a hierarchy ladder. The bigger the company, the less chance there is that the concerns of the employees reach the top.

But at Home Depot, with our 80,000 employees and \$15 billion in annual sales, discussions are completely open. Our people know that if they want to say something, they can say it. They can express anything that's on their minds without any fear of retaliation. We encourage that. We think it's critical to our success that our people can open up and tell us anything they want to. And they're not afraid to do just that. Of course, to achieve that we have to prove that we can be trusted. Trust is an essential factor. And that trust between management and employees translates into trust between ourselves and our customers.

Q. How would you define Home Depot's image?

A. Customer service is at the core of our identity. And that trust I just described is a key part of it. Internally, we're a company that has a family atmosphere. A store consists of a group of individuals who must be able to work together and live together. They've got to be happy together, be blissful together, and suffer together as well. If things are not going well, they all have to be involved with it. We also have to support one another. This company has a philosophy of taking care of our own people. All of them consider themselves part of the Home Depot family.



Q. Why is it important to the success of the company?

A. Because if you're happy with what you do, if you like where you are, you perform well. There are many companies that are run out of fear. Fear that if you make a mistake, you're dead. If you don't do exactly what you're told to do, you'll be fired. That's not the case at Home Depot. We encourage and reward independent thinking and initiative. If you make a mistake or an error in judgment, that's okay, as long as it's an honest mistake, because we ask our people to make judgment decisions all the time. Our policy is that no customer ever leaves our store unhappy, no matter what it takes. Now, we don't have a book that tells how to satisfy every single problem of every single customer. In retailing you never know what's going to come up. You can be in a store 50 years and you will have experiences that never happened before. That's why our people must be able to use their common sense and their judgment.

Q. If the internal image of the company is that it's like a family, what's the outside image?

A. Our customers trust us. They trust the name Home Depot, again because of the people aspect. They feel comfortable in our stores, comfortable enough to ask any kind of question, even one they might think sounds foolish. They know we'll spend all the time that's needed to answer it. That's how we build customer loyalty. They've also come to know that we're committed to providing top-quality merchandise at affordable prices. And if a store gets so crowded that we can't provide that kind of service, we'll build another one near by. Our goal is to develop strong, long-term relationships with our customers. They trust us because they know we stand unconditionally behind anything we sell or say. Our credo is that a customer should walk into one of our stores with a smile and walk out with a smile. Now write a better one than that.



Q. As you look to the future, what will you do to continue to grow and preserve your reputation as the most admired retail company in America?

A. The pitfall for many companies is that their top people start reading their own press releases and begin to fall in love with themselves. They start spending time on things other than their businesses, they lose their focus and they think of themselves as big shots. But we are very careful to remain totally focused. We believe we have an undying obligation to the people who have brought us to where we are. I can't tell you how strongly we feel about that. I don't know of another company that speaks with the passion that we do about satisfying our customers. If we keep that passion, we won't have to worry about the future.

Q. Is Home Depot now a distinctly American brand?

A. I think so. The name Home Depot is very meaningful wherever you go, all over America. Even where we don't have stores, they know who we are. They've read about us, and they tell us they're waiting for us. When people come to an area where there are Home Depots, from a place where there aren't any, their friends will insist on taking them to enjoy a new kind of shopping experience. So it is a brand, without question. And, as I've said before, our people are an essential ingredient of that brand.

Q. How did sponsoring the Olympics make good business sense?

A. First, we felt we owed it to the city of Atlanta. We started there, we prospered there, we're an important part of the community, and we're a large employer in the city and the state of Georgia. In addition to that, we think we're in kind of an Olympic race ourselves. We're always pushing for the gold medal anyway. Our employees identify with being No. 1. They won't be satisfied with a silver or bronze. They want a gold because gold means growth and opportunities. So our program aimed to get our people to understand that we're in an Olympics together, but not just every four years. Our Olympics is every day of the year.