



Company Snapshot: Conscious Capitalism: Core to The Container Store's Success

According to a 2012 study by the global management consulting firm Hay Group, retail stores typically see turnover of 67% in part-time employees. Yet the Container Store, a leading storage and organizational products retailer, boasts an annual store employee turnover rate of only 10%.

The Container Store's employee satisfaction translates directly into bottom-line success: the company has grown from a founding \$35,000 investment in 1978—about \$131,000 in today's currency—to earn over \$800 million in net sales in FY 2017. "A good capitalist will see the value of what we're doing," co-founder Kip Tindell says. "We would not be as profitable if we did less for our employees and vendors."

Putting Brand Values into Practice

Tindell and fellow co-founder Garrett Boone describe The Container Store as a Conscious Capitalist company, referencing a growing trend among companies towards values-based businesses where good ethics is good business. The trend popularizes stakeholder theory principles, formalized by R. Edward Freeman, which argue that businesses should create value for stakeholders as opposed to simply financial shareholders in order to also benefit employees, communities, suppliers, and other actors who are affected by the business.

An example of The Container Store's values in practice is the company's trademarked Foundation Principles, which Tindell developed in 1988 after opening their seventh store, in Houston, and realizing they needed to clarify the company's values. Today, these principles are an integral part of the company's identity. They are printed on shopping bags and T-shirts. Conference rooms at the company's headquarters are named after them. The seven values are:

1. 1 Great Person = 3 Good People.
2. Communication IS Leadership.
3. Fill the other guy's basket to the brim.
4. The Best Selection, Service, & Price.
5. Intuition does not come to an unprepared mind.
6. Man in the Desert Selling.
7. Air of Excitement!

Among the most famous of these values is “Man in the Desert Selling,” highlighted by Tindell and Boone as the company’s “core competency.” The company describes this service philosophy as a “moral imperative, providing a way to frame the empathy they want employees to have for their customers. Don’t merely offer the lost stranger some water; realize that he might also need food, a place to sleep, a pair of shoes, or a hat to protect from the sun. A Container Store salesperson must understand a customer’s needs — even those she may not realize she has — in order to provide real, comprehensive solutions.

The Business Benefits of Conscious Capitalism

Raj Sisodia, a professor of global business at Babson College and Co-Founder and Co-Chairman of Conscious Capitalism Inc. who also sits on The Container Store’s board, has said that only 30% of American employees are actively engaged with their employers, 50% are not engaged, and 20% of employees are actively disengaged. A white paper by The Energy Project cited a “level of meaning and significance” and “connection to [the] company’s mission” as among the fifteen most common unmet needs at work. These statistics indicate an overall lack of engagement and commitment between the employee and employer.

On the other hand, Sisodia’s research has shown that companies following Conscious Capitalist values by investing in and engaging its employees “[outperform] the stock market by a ratio of 10.5-to-1 over a 15-year period, delivering over 1,600% total returns when the market was up just over 150%”. A Stanford University survey of 800 MBA graduates from eleven European and North American business schools showed that people are more committed to organizations with a “benevolent climate” that prioritize employee and community welfare as opposed to an egoistic climate ruled by self-interest.

In fact, a reputation for ethics and caring about employees was ranked third on the Stanford survey’s list of fourteen company attributes most valued by the graduates—so valued that graduates were willing to forgo up to 14% of their expected income to work for a company with a better reputation for ethics and social responsibility. In another study by Charles Fombrun and Mark Shanley, the authors found that a favorable corporate reputation may enable a firm to attract better applicants, among other positive benefits.

As a Conscious Capitalist company, The Container Store aligns well with these findings about the benefits of caring for stakeholders such as employees and the wider community. Tindell and Boone recognize that building a retail environment with great customer service requires exceptional staff on the retail floor. To this end, Tindell and Boone have worked to build a retail company that stands apart among retailers for humanizing its workforce and attracting standout employees.

The Container Store invests heavily in its employees, focusing on both formal training and a supportive work culture to enable employees to provide exceptional customer service. Employees at The Container Store receive 263 hours of formal training in their first year and earn \$48,000 on average — twice the typical retail salary. Compare this to *The Good Jobs*

Strategy author Zeynep Ton's research on the retail industry, where she found that most retail companies saw their employees as "a cost that they tried to minimize" by way of poor training and poor pay and a high degree of uncertainty in employee schedules.

At The Container Store, Tindell and Boone have worked to create a supportive work culture and community. In describing the ideal workplace environment, Tindell recalled a girl in fifth grade: "She was the coolest girl, and she liked me. It really made me want to go to school every day. There doesn't have to be that chemistry in the workplace, but we want people to adore their colleagues."

The Container Store's trademark values, which serve as the basis for its organizational culture, have also helped formalize The Container Store's "ethical culture" – the element of a company's organization culture related to ethics. In particular, the company takes care during hiring and employee orientation to seek out employees who tend towards a "giving" mindset and build cultures that favor such a mindset. Studies show that "givers" prioritize actions that benefit others—including other employees as well as customers—and are less likely than "takers" to engage in unethical behavior.

Personifying Company Values: Being Gumby

The company represents its ideal giver as "Gumby" — a popular animated clay cartoon and The Container Store's unofficial mascot—who represents the company culture of being flexible and willing to bend over backwards to help customers and coworkers. All employees at every level are encouraged to "be Gumby." Even Tindell and Boone will sometimes help unload trucks and serve customers on the floor, serving as role models and social proof of the sincerity behind The Container Store's values. The Container Store's on-site cafeteria, The Gumby Café, also reinforces this concept on a day-to-day basis.

Research has proven that efforts to formalize a common vocabulary and values system can pay off in terms of higher employee trust, which, as Fordham Business School professor and ES collaborator Robert Hurley describes in his white paper on high-trust organizations, can "deeply engage associates in vigorous and integrated collaboration to create value for customers" and directly affect a company's bottom line. According to Hurley, a key aspect of building trust in an organization is establishing value congruence and a common identity—such as through The Container Store's seven Foundation Principles and Gumby mascot.

The Container Store's efforts to promote a family culture at work demonstrates its belief that recognizing and appreciating people's work makes them happier and more fulfilled, which allows them to better serve their customers, families, and communities at large. To this end, Tindell uses Valentine's Day as "We Love Our Employees Day", and brings chocolates and gifts for staff. The company hosts an annual chili cook-off and a "distribution center derby," and celebrates news with games, snacks, and confetti.

“My employees advance on Maslow’s hierarchy,” says Tindell, in a Bloomberg interview. “I didn’t think about this when we started out. But it’s the most powerful thing you can do. Then the universe conspires to assist you.”

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