

Healthy Choices

Sharing Success

HR BPO Grows Up



Steve Stanley, Kitchen and Bathroom Department Supervisor, receives a check from Paul Hoffman, Store Manager.



Sunny Valera, Assistant Store Manager, with Wendell Kelsey, Sales Associate.



Sherman Faber and Kathy Golemba, Sales Associates, enjoying the Blues Brothers-themed celebration.



Feature

Sharing Success

Committed to being an employer of choice, The Home Depot has developed a program that drives sales and engagement by financially rewarding their associates for keeping an eye on increasing the bottom line

Over the last 25 years, Home Depot has revolutionized the home improvement industry and become the world's largest home improvement retailer in the process. Under the leadership of Chairman, President, and CEO Bob Nardelli, the Atlanta-based company has been experiencing unprecedented growth, reporting sales of \$64.8 billion (at a record growth of 11.3%) in 2003 and recently achieving sales of \$20 billion in a single quarter. Today, more than 22 million customers visit one of Home Depot's 1,806 stores each week. While they might first be attracted to a good deal and wide selection, they return because of the helpful associates in the familiar orange aprons, who provide expertise for billions of home improvement projects each year.



Sales Associate Slavica Petrovic takes a moment to relax after the store celebration.

But how does a company that opens a new store every 50 hours keep approximately 305,000 associates focused on serving customers and driving sales? There are many answers for a company whose tagline, "You can do it. We can help,SM" is intrinsically tied to Home Depot's knowledgeable, friendly, and accessible associates. One of the more unique—and effective—answers comes in the form of Home Depot's Success Sharing plan that was introduced in 2002. Through the plan, Home Depot shares their considerable success with associates through payouts based on store performance—a practice almost unheard of in the retail industry.

"Home Depot's founders firmly believed that if you take care of associates, they'll take care of the customer, and our Success Sharing plan makes that value come to life," explains Dennis Donovan, Executive Vice President of HR at Home Depot. "We are committed to being an Employer of Choice, and know that engagement drives customer satisfaction, and customer satisfaction drives business results. So if Home Depot's talented

Successfully Communicating Success Sharing

Communicating effectively with more than 300,000 associates can be difficult for any organization, but in a retail environment with more than 1,800 stores, it can be an even greater challenge—and all the more important.

The first thing you have to do is capture attention. That's why Dennis Donovan, Executive Vice President of Human Resources, asked the Home Depot compensation team for an announcement of the plan's enhancements that was "bold, exciting, flashy." Home Depot and Hewitt developed a colorful communications campaign designed to ensure that every Home Depot associate knew about and understood the Success Sharing plan. The materials, which reflected Home Depot's strong internal brand identity, also tied directly into the company's Total Value message—an overarching message the company uses to help associates see the "big picture" value of their total Home Depot experience beyond their paychecks.

Part of the Success Sharing plan's success can be credited to clear, consistent information delivered in multiple



Division President Troy Rice fires up the troops.

[Tell a friend about this article](#)

associates are, in fact, our customer service differentiator, we wanted to find a way for every associate to get 'skin in the game,' and mobilize everyone around the rewards structure to drive high engagement in the workforce."

Designed by Donovan and his team, the Success Sharing plan easily gained senior management's support, thanks in part to its focusing associates on a common goal: extending and expanding sales. Under the plan, when a store meets its sales plan for a six-month period, a percentage of anything over and above that plan is put into a pool and divided among the eligible associates at the store. The plan is extremely broad based: All associates not in the company's Management Incentive Plan—and who have been employed at Home Depot for at least 90 days within a Success Sharing period and employed at the time the award is distributed—are eligible for the plan. That covers 292,000 associates in the United States, Canada, and Mexico—95% of whom are hourly—and provides associates with a direct line of sight between store sales results and their wallets.



Paul Hoffman shows off a team check.

Simplicity and Communication: Keys to Success

Initially, the plan had a single payout at the end of the year, and a multifaceted payout calculation. As a result of suggestions from associates, today's Success Sharing plan has two payouts a year—one in March and one in September—designed to keep associates motivated and engaged throughout the year. With store sales as the only metric, the plan is the model of simplicity. Initial communication about the plan helped generate awareness and excitement about the potential new earning opportunity, and ongoing communication keeps associates focused on progress toward their goal. Each store keeps track of store sales in a common area, reminding associates how they're doing in relation to their goal from the moment they clock in to when they leave for the day.

"When we launched the plan, associates were excited about the opportunity, but we also encountered some initial skepticism," explains Donovan. "Some associates wondered if this was going to work and if the plan would deliver, but any doubt vanished on our first payout and was replaced by pride and celebration."

Payouts from the plan are made at jubilant All Store Meetings and can be quite an event, with some stores hiring DJs or entertainment to celebrate the store's performance. In these celebrations, each eligible associate of the qualifying store receives a check based on the store's performance and his or her pay level and time as a Home Depot associate. Checks can range from \$25 to several thousand, depending on store performance and individual earnings. Talk about incentive!

Across-the-Board

To date, results from the plan have been impressive. Last year, Home Depot paid out \$47 million to associates through the Success Sharing plan, with almost 50% of Home Depot's stores qualifying for the plan by reaching or exceeding their sales

formats. Associates first received a Success Sharing brochure in the mail that explained the plan in detail and helped them see how to calculate the potential of increasing store sales to reach their goal. When they were at the store, associates learned more about the Success Sharing plan through computer kiosks, posters in break rooms, and special Success Sharing calendars that managers posted in common areas and used to demonstrate their store's progress against target goals.

The results speak for themselves: High associate awareness and engagement and a strong companywide focus on sales, with 52% of stores qualifying for a payout under the plan in 2004.

H

goals. In the first half of 2004, 52% of the company's stores, along with four store support centers, achieved a payout. To reward that performance, the company paid out \$30 million in September 2004, nearly twice as much as was paid out during the same period last year.

In addition, the plan has had a measurable effect on Home Depot's associate engagement. The company conducted a baseline Employer of Choice survey in 2002 (the year the Success Sharing plan started) and received high associate marks for the way they measured, evaluated, and rewarded people, with 81% of associates responding. Last year, after conducting a stratified sample survey, they were able to demonstrate a 9% improvement in a one-year period.

Business results show a similar trend. In the last three years through 2003, Home Depot's sales have increased 42%. In that same period, earnings per share have increased 71%. In the last quarter alone, Home Depot reported a 19% earnings increase and an 11% sales increase.

"Associates love the plan for obvious reasons, but more than anything else, the plan has everyone thinking about sales and asking important questions at the store level," explains Donovan. "Now, everyone in the store is thinking about ways to drive more traffic to the store, convert traffic to sales, and extend and expand the average sale. That's a significant achievement for any retailer."

Success Sharing has not only fueled Home Depot's growth and rewarded and recognized associates for their contribution, but it's also significantly reduced Home Depot's attrition, which goes directly toward improving the bottom line. In the first year of the plan, the company experienced a 20-basis-point reduction in turnover of hourly associates.

More Growth in Home Depot's Future

Home Depot's future growth is tied to a continued focus on customer service and offering customers distinctive and innovative products, new home improvement services, and enhanced How-To clinics. As the company grows, HR is involved in securing the structure and process for successful change management. To that end, the company recently formed hiring partnerships with both the Department of Labor (DOL) and the American Association of Retired Persons (AARP) to facilitate greater access to new talent pools that may be tempted to don the orange apron.

"HR at Home Depot is focused on continuous innovation for the business," says Donovan. "Our ability to attract, motivate, and retain knowledgeable, approachable, and engaged associates fuels our success and drives a sustainable competitive advantage." **H**

[↑ Back to Top](#)