2018 TPA Conference

Practical Lessons from "Best Places to Work"
—April 16, 2018
What we want to talk about today

What are the biggest talent challenges for supply chains today?

What common traits do great places to work share?

What are some practical tips to improve engagement at your company?
Talent is an important topic for supply chain leaders in 2018

~60% of supply chain leaders have concerns about recruiting and retaining talent

~70% believe digitalization is important, but cannot find right people to drive it

174,000 truck drivers projected to be missing by 2026 (ATA)

Up to 100% annual turnover of warehouse labor in some parts of the country

Retailers founded pre-1995 are 21% more likely to report a talent shortage

Source: BCG GMA Supply Chain Benchmarking 2017; Deloitte—"Retail Talent Disrupted"
What is engagement?

"The job feels like work—I have what I need to do it but I just don't enjoy it—I'd switch jobs if I found something that excited me"
"I joined this company because I believed in what it was trying to do—but I can never get the resources I need and seem set up for failure—why bother trying"
What is engagement?

"It's an okay job. I mean, we aren't changing the world or anything. They pay for my time, and I do what's required. Expectations met"
What is engagement?

"This is more than just any old job to me. I am proud to be part of this place. I'm taken care of, and care about our company"
"I believe in what we are trying to do here and I am given what I need to get the job done well—I'm willing to do what it takes to make sure we're successful"
What is engagement?

Engagement goes beyond satisfaction—employees feel a bond with their company, care about its future, and are motivated to give their best.
### Polling question no. 1: Your organization today

<table>
<thead>
<tr>
<th>Q1. How does the average worker feel in your organization?</th>
<th>Q2. How does the average front-line worker feel in your organization?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Highly engaged</td>
<td>A. Highly engaged</td>
</tr>
<tr>
<td>B. Engaged</td>
<td>B. Engaged</td>
</tr>
<tr>
<td>C. Neutral</td>
<td>C. Neutral</td>
</tr>
<tr>
<td>D. Disengaged</td>
<td>D. Disengaged</td>
</tr>
<tr>
<td>E. Highly disengaged</td>
<td>E. Highly disengaged</td>
</tr>
</tbody>
</table>
Companies with highly engaged workforces out-perform financially

Outperformance rates by companies with high vs. low engagement

<table>
<thead>
<tr>
<th>Metric</th>
<th>High Engagement</th>
<th>Low Engagement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>115%</td>
<td></td>
<td>Gallup</td>
</tr>
<tr>
<td>Operating margins</td>
<td>4%</td>
<td></td>
<td>Towers Wyatt</td>
</tr>
<tr>
<td>Earnings, EBIT</td>
<td>18%</td>
<td></td>
<td>Aon Hewitt</td>
</tr>
<tr>
<td>Gross profit</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue growth</td>
<td>3%</td>
<td></td>
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</tr>
</tbody>
</table>

Recent meta-analysis confirms that higher engagement drives performance.

Top quartile engagement BUs enjoy:
- Customer Metrics (10%)
- Profitability (21%)
- Productivity (17%)

Lower:
- Turnover (24%/59%)
- Defects (40%)
- Shrinkage (28%)
- Safety incidents (70%)
- Absenteeism (41%)

1. For high turnover companies, which are those with 60% or higher annualized turnover
2. For low turnover companies, which are those with 40% or lower annualized turnover

Source: Gallup, State of the American Workplace 2017, "The Competitive Advantage of Engaging Employees", S. 68
Today's panelists come from companies each recognized as great places to work

Joe Bobko
VP of Transportation

Pam Erb
VP of Supply Chain

Bob Black
Former Group President

Elfrun Von Koeller
Partner

100	Named to Crain's 100 Best Places to Work in NYC

#2	Fortune Best Companies to Work for in 2017 and 2018

#1	CPG employer on Forbes 2017 America's Best Large Employers

Top 5	Fortune Best Companies to Work for each of past 8 years
Five dimensions from "Great Places to Work"

- Trust
  - Credibility
  - Respect
  - Fairness
- Relationship with management
- Employee
  - Relationship with other employees
  - Relationship to your job
- Pride
  - Camaraderie
- Trust: Credibility
- Trust: Respect
- Trust: Fairness
- Pride
- Camaraderie
**Foundations of fairness**

Fairness is in the **eye of the beholder**;
left to the individual’s interpretation

We believe if we focus on **respect and listening** to each other,
fairness will follow

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**Key practices and tools**

- Focus groups
- Open door days
- Ask Jack
- Job posting feedback and extra express announcements
- Two-way process in performance plans and reviews
Trust: Credibility

Foundations of credibility

- Key to credibility is **individual communication** ...
- ... even in the context of 48,000 employees working 24x7, in 7 states and hundreds of work sites

Key practices and tools

- Annual meeting in a box
- Daily huddles
- Employee representative role
- Team assignments
Key practices and tools

- Introductions on all-hands conference calls
- Moving past and learning from mistakes
- Transparency
- Accessibility—planned office hours
- Humble/Take Blame/Give Credit
Key practices and tools

- Corporate governance
- Customer testimonials
- Community engagement
- Ultimate Role Model
- Engagement surveys and action plans
"I'm lucky to call several people at BCG my mentors. What I love is that these mentoring relationships extend beyond our professional environment"
Polling question no. 2: Practices to apply

Q3. Which practices do you already use broadly at your company? What do you think your company does well

A. Maintaining credibility
   (annual meetings, daily huddles, employee representatives)

B. Treating employees with respect
   (learning from mistakes, transparency, accessibility, humbleness)

C. Upholding fairness in your practices
   (focus groups, open door days, two-way reviews)

D. Fostering a sense of pride in your work
   (testimonials, role modeling, community engagement)

E. Building camaraderie
   (affiliation events, upward feedback, interest group networks)

F. Other practices

Q4. Are you surprised at what your peers are doing? Where do you think your company is on the spectrum?

A. Ahead of the curve

B. In line with other companies

C. Behind the curve