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Introduction

When I bought my first turntable at the age of 14 I had no idea that one day I would be the biggest retailer of hi-fi equipment in Britain, that my shops would be declared the busiest in the world by the Guinness Book of Records* for 13 years running and that chief executives of some of the biggest organisations in the country would be asking my advice

Had I known that then I would probably have been more obnoxious.

Like many entrepreneurs I was a poor performer at school – though one of the few who wasn't actually expelled. I was provided with a good upbringing by my parents but blessed with certainly no more than the average number of brain cells and I'm definitely not a workaholic.

It is precisely because of this that I think this book was worth writing, to give encouragement and support to people that maybe lack confidence and aren't academically brilliant but still have the skills to provide a profitable service, to create jobs which we badly need and to generate taxes to support the society we live in.

I also hope that established business people and managers in other structures, find it thought provoking and ultimately beneficial, because managing people is the key to success of any organisation.

This is not a long book because essentially the message is a simply one, one which I also hope you'll enjoy. If you have any queries or comments please do not hesitate to get in touch.

Julian Richer

*highest sales per square foot

Chapter 1

Getting out of the Stone Age

Now we are in the 21st century and most employers are still in the Stone Age. No matter how many books they have read and how much technology they have bought, the managers of many organisations in this country are primitive in their business – the people. They think they can run their company and make money while they ignore the needs and wishes of their customers and staff, they're wrong.

Anyone in business, even starting out, can see that competition is getting fiercer and pressure on costs is growing. A successful business has to stand out above the competition and get the maximum from its resources. This applies just as much these days in the public sector – hospitals and schools for instance need to get the utmost out of limited resources.

That's obvious, but how do you do it?

I've put a great deal of effort into my own business to find the answer to that question, and in the process I have learnt a lot which can also benefit other organisations. As a consultant I have already been able to bring my ideas to a number of other companies, which have taken up many key suggestions and put them into practice. Now, through this book, I want to introduce my way of business – the Richer Way – to a wider audience.

I am not just talking about selling hi-fis. Naturally, I approach things from a retail point of view – but this book is not only for retailers. No organisation, manager or employer can afford to ignore certain fundamental questions: How do you get the best out of your workforce? How can you develop the right culture within your organisation? How can your organisation be constantly improving?

These are essential issues for everyone in the commerce, industry and services to address. I don't only mean essential for the sake of the business profits; I would go as far to say they are essential for the health of society too. When I say we need to get out of the Stone Age, it's because I feel we would have a more civilised society if we learned to think more intelligently about people and discovered how to treat our employees and our customers better.

Some chapters here, such as chapter 8, are perhaps of greater interest to retailers like me, as I go into detail about how to treat customers from the moment they walk through the door. But these days everyone from building societies to dentists recognises they have customers too, and I hope there are snippets in these practical chapters that people in other types of organisation can use.

A lot has been written about how to succeed in business – mostly by people who have never run a company in their lives. You can search for clues in autobiographies of the rich and famous but somehow they never tell you the real secrets in between relating how they got their knighthoods.

While a great deal of business success does come down to the drive, skill and luck of the individual, there is much more organisations can do – regardless of their size and sector – but to do it they'll need to turn some cherished business assumptions on their head.

I have learnt from the ups and downs of my own business and as a consultant advising on customer care I've also had an insight into a wide range of other businesses. The lesson everywhere is the same – focus on people.

Once you start looking at the people, priorities change and you find yourself out of step with the rest of the business world.

I've been accused of being quirky for some of the things Richer Sounds does. But seeing these as gimmicks is missing the point. There are very good reasons why holiday homes for staff are more important than leather chairs in the boardroom and why our employees work in tiny, crowded shops but get to ride around in a Bentley.

Most businesses make the mistake of measuring their performance in terms of figures when they ought to be measuring it in terms of people.

Anyone can play around with prices to push sales and turnover up. You can mess around with margins and hammer costs to make profits look good. But these are short term tricks. Unless the customer is happy, the business will not last.

British businesses – with some honourable exceptions – have taken a long time to come to the realisation that they have to put the customer first. Now they need to act fast if they want to keep those customers. The public is getting better informed and fussier. Firms that fall down on customer satisfaction will get left behind.

But customer service is very low down the list of priorities in most industries. You very rarely see a customer services director on a company board. Customer service is usually left to a manager who reports to the marketing director. The signal those companies are sending is that customer services is an afterthought.

A lot of British organisations resist the idea of customer service. They think of it as an American import and argue customers won't be fooled by an insincere smile and 'Have a nice day'

It is true that customers won't be impressed if there is no real commitment to service underneath. But customer satisfaction is not just about smiles and name badges: it should drive every aspect of the business. If your prices are too high, that is not good service. If your product is unreliable that is not good service.

Customer service means organising the business for the benefit of the customer, not for the benefit of the managers, factory production schedules or share-holders. It means treating customers as people who have needs and wishes you must meet.

It's a simple idea, but not one that many companies succeed in putting into practice. In this book I want to describe what actions you take to put the customer at the heart of your business.

Customers are not the only people on whom the success of your business depends. What about all the other people you deal with and rely on, from suppliers to bank managers? It is amazing how many managers treat them all as a nuisance, to be either fobbed off or grovelled to – when seeing them as people, with their own legitimate requirements, can make a big difference to the success of the business.

But most important and most neglected people in any business are the employees. And the most important – and most neglected – of these are the ones who actually deal with the customer.

I have worked now as a consultant for more than 40 companies, from sewage equipment manufacturer to the biggest national retailers. Time and again I've found that if a business has problems with customer service, it comes back to how that company treats its staff.

The product is irrelevant: the key to success is always how you treat people, so that they are motivated, productive and, in turn, treat your customers well.

Many managers know this and are looking for ways to better employees. But the level of thinking is still pretty primitive. They think a pension scheme and a company care make them a caring employer. But they don't understand how to motivate their staff and how to ensure the staff do a good job, every time.

I believe work should be fun. I also think we should do less of it.

Managers and staff ought to enjoy coming into work, and they should do a productive day's work when they are there. They should not have to stay until 8pm at night or come in at weekends to do their job. That's now the norm in many organisations but at richer Sounds people have to answer to me if they are caught working six days a week without a very good reason – and we're just as profitable.

It's not how long you work but how well you work that counts. If your people are not productive, that is because you are failing to motivate them and control them.

Lessons from the most successful companies have shown how important control is. Whatever business you are in, the aim should be to find the best procedures and make sure everyone uses them.

But control becomes sterile and restrictive unless people have motivation too. Too many organisations have a fundamental lack of understanding of what motivates people. Motivation comes down to some basic things, like pay structure that rewards performance or a suggestions scheme that rewards initiative.

The trick is to link the rewards to the aims of the business.

Companies do not maximise their potential – and could ultimately fail – because they don't reward what they really want their staff to do.

They claim to want good customer service but that is not what they reward. They hire and promote on the basis of qualifications, gender, or what school people went to. Pay rises reward length of service; commissions and bonuses reward sales volume, turnover or market share.

Take the banking industry which traditionally had a booming business. They rewarded their sales people with massive commissions and so their people sold products, especially loans, which weren't right for their customer. In the mid 2000's it became clear that an unknown number of customers wouldn't be able to repay their debt, this subsequently led to the crash of the banking system and resulted in a world-wide recession.

But if those salespeople had been rewarded, not just for the sale but also for customer satisfaction and suitability of the product, none of that would have happened.

Failing to understand people means many employers send the wrong message to their staff, and then wonder why they do not get the outcome they want.

For instance, many companies are now keen to have more women in senior management positions. They are genuinely committed to this, but I find they have not questioned the unspoken messages they still send to their women staff. Why do they call management meetings at seven in the morning or seven at night when many women have childcare commitments? Why does the social club only organise five a side football matches and why the board member's refer to all managers as 'him' and the junior staff as 'her'?

These might appear trivial details, but they are undermining the company's efforts to change. However much the directors are saying to women 'We want you at the top of this organisation', the unspoken messages are saying, 'Your place is at the bottom'

This book will show you how to go about sending the right messages to people and so getting the right results. There is no perfect formula for success. At richer Sounds we do not claim to have all the answers. We've made mistakes and we still make them, but we try to learn from those mistakes, refine our approach and improve all the time.

The zest for continuous improvement – *kai zen* as the Japanese call it – is essential to any type of organisation. One of the main ways I seek to get that in my company is through our suggestions scheme – an overlooked tool in most organisations. At richer Sounds the suggestions scheme is not just something employees get told about on their first day and never hear of again. It is not just a box in the corner of the office that is never used, or a way of patronising employees by inviting suggestions from them which the company never intends to implement. It is the engine of self-improvement in the business. Ideas come from the staff and they power the company forward.

Organisations talk a lot about improvement, but are they really committed to it? Any company that says it wants to get better all the time, but which does not have a vibrant, successful suggestion scheme, is wasting its time.

Businesses need to change. In the UK we don't think work ought to be fun. We believe there are the managers and the managed and never the twain shall meet. And we think success is vulgar.

Well guess what – a lot of businesses are staffed with people who are bored out of their minds and have no respect for their bosses, while the company struggles to survive.

It doesn't have to be like that and that and this book aims to show you how and why.

I don't claim that this book tells you all you need to know to make your organisation perfect. There will be many other factors involved in success. Businesses tend to rise and fall, usually having their own life cycle, and I expect mine will be no exception. But I don't think the performance of my own companies – good or bad – has any bearing on the principles in this book. These principles apply to everyone and, unlike other management theories; they won't go out of date.

Focusing on people requires listening to what people are telling you, paying attention to individuals and finding out what messages you are sending them.

It needs action. I can't guarantee it will be easy, but I can tell you it will work.

I have drawn on my own experience and while the principles are universal, different industries will put them into practice in different ways. Some of the things we do at Richer Sounds may be relevant to your business, others won't. You don't have to take your managers potholing or provide a flat in Paris for your staff (well, maybe not on day one). But this book should give you a lot of ideas on what to do to get your own organisation into the 21st century.

Chapter 2

Managing and motivating

When I visit a company as a consultant I do something unusual – I talk to the staff. I always make a point of talking to a range of employees, in depth and without their managers present. I ask them how they feel about the job, what problems they see and how they think things could be improved.

If you ask the right questions, and if people know they can talk freely and confidentially, a flood of information pours out. From this flood I pick out the valuable nuggets which tell me how that organisation can improve its business.

Some of what I hear is personal gripes and grumbles, but much of it is people's unhappiness and frustration with the job, which any business needs to address if it wants good morale in the workforce. Staff also tells me about procedures not being followed and standards not being met, and they have a lot to say on how those mistakes can be put right. I assess this and draw out what is commercially partible.

Many of the companies I have worked for are among Britain's most successful and progressive. But I have not yet found a company where there is no room for improvement in morale and productivity. And the key to making that important is always treating staff better.

In the worst cases, I have talked to workforces that were seriously unhappy and found standards that were dangerously low.

I am sure my anecdotal evidence is pretty representative of companies up and down the country. An interesting international study by a group of scientists, Associates for Research into the Science of Employment, found precious little employment in British offices.

Their research discovered that white collar workers in the UK felt significantly more stressed at work than their counterparts in other European countries. More than a third of the employees in the study felt they were not appreciated at work and only just over half had confidence in the ability of their managers.

As an employer, you might take the view that it is not your problem whether people are happy at work or not. You pay them, what more do they want? There are always plenty of others out there that can fill that post.

This is a very short-sighted attitude. For a start, pay is only one of the factors that motivates people. There are a host of other ways you can create better job satisfaction among your employees – and you owe it to your business to do that. The 'hire and fire' attitude has no place in an organisation that is serious about service to its customers.

Respect for the individual has always been a guiding principle for me as an employer. I think 'Do as you would be done by' should apply as much at work as in any other area of life. This is not some touchy-feely waffle, but sound business sense. Trying to be a good employer does help me sleep better at night – but the profits of my business also speak for themselves.

My experience demonstrates that treating your staff better will make your business perform better. It is no good saying you cannot afford to treat your staff better: you can't afford not to.

I know I'm going against the trend here. Instead of learning to treat employees as people, more and more companies are seeing them as a cost, and costs have to be cut.

Too many businesses now think that making a profit is about cutting overheads. This is ridiculously short-term thinking. To take this to the extreme – if you decide that your supermarket will have only one of the thirty checkouts operating on a Saturday, you will be able to show a wonderful profit that day. But you will not find many customers coming back after they have queued at the till for six hours!

You can cut costs again and again, but if customer service suffers, your business will suffer.

Too many companies completely misunderstand the importance of their employees. They think they can save money by 'empowering' staff, which is usually jargon for making fewer people do the same amount of work!

They start stripping out layers of management, failing to see that good management is essential for a successful business. When management structures are flattened, some of the best people leave, taking years of trainings and experience with them, while those who stay get frustrated and apathetic as they see their career path fade away.

Have employers thought about what it means for their workforce to see no future, no opportunities to move upwards and better their position? Demoralisations and stagnations will set in.

Another favourite cost-cutting exercise is to replace full-time staff with part timers.

Part-time working can be useful and convenient for both the employer and the employee. But when firms turn full-time jobs in to part-time ones simply to make savings at their staff's expense, they are making a mistake. If they opt for less experienced, lower paid staff, customer service will decline.

These current trends are dangerous. Before you know it, you have 'empowered' frontline staff, not knowing what they are supposed to be doing and making it up as they along, with too few managers to exert any control. You end up with confusion and stress, customer service suffers and, in the long term, profitability will fall.

Employers should stop and think about some of the other costs they could cut. How much does staff absenteeism and sickness cost? What about theft, or 'shrinkage' as we call it in the retail trade? The British Retail Consortium, in its annual survey of retail crime, found that in 2006-07 staff stole almost as much as shoplifters. Shops lost on average 3% of their Turnover in staff theft. Isn't that a cost worth cutting?

Retail is not the only industry to suffer from theft and fraud. If organisations want to do something about these losses, they need to look at that way they treat their staff, as well as tightening up their controls. Employees steal if they have no respect for the company, if they feel resentful and undervalued.

At Richer Sounds we have shrinkage around half the average level for the retail industry. We also have lower absenteeism through sickness. Our absenteeism rate is 1-2%, compared to a UK average of 4-5%.

We have a very low labour turnover: once people have settled into a job with us they stay, which means we save on recruitment and training.

So the payback on treating people well is phenomenal when you start to measure it. Accountants are very good at calculating the return on capital invested in buildings, machinery and so on, but businesses do not bother to measure the payback on their investment in people.

Once you consider the payback, you can see the value of the investment. A lot of businesses will look at my company and say it's all very well for Richer Sounds to provide holiday homes and a hardships fund for its staff, but we can't afford that sort of thing. My answer is – just reducing shrinkage by 1% of turnover saves £80,000-£1 million every year. That pays for quite a few holiday homes.

But its no good introducing piecemeal incentives to solve, say, a labour turnover problem. If you do not value your staff and are not committed to them, they won't be bought off with a few goodies.

Respect for people has to be at the heart of your organisation. Only then will you have a well-motivated and productive workforce. Only then will that flow into good customer service and only then will your business prosper.

One of the most significant thing's we ever did at Richer Sounds was to change the way we refer to our employees. Within the company, we call everyone 'colleagues' rather than staff or employees. We chose this term in preference to the American 'associates' or 'partners' and we use it as much as possible. It is friendly but business-like and puts everyone on equal terms.

I once recommended this to a huge company which I was advising, as a way of tackling the gulf that existed there between managers and staff. The chief executive was strongly in favour of the idea but others were not so sure at first and when he referred to 'colleagues' at meetings everyone was tittering. But when I went back to this company a year later, the concept of 'colleagues' had been adopted by everybody. In the end a simple difference in terminology probably created more cultural change in that company than anything else I recommended.

If you as a manager think of your staff as colleagues, your attitude towards them will gradually change. Using this term generates respect throughout the organisation.

I hear lots of excuses from employers as to why it is not worth their while investing anything in their staff. People are unpredictable and ungrateful, they say. You send them on an expensive training course and then two months later they leave to join a competitor. You introduce some good perks but after a while staff just take them for granted.

Some firms say they cannot attract good staff, the work is dull and repetitive and no one wants to do it. Others think they are stuck with poor staff they can't get rid of, If only we could set up a new factory and recruit from scratch, they say, we would have the perfect workforce.

All these excuses are indications of poor management rather than an unreliable workforce; I find employers are very quick to blame their staff for every problem.

In reality, you get very difficult outputs from people depending on how you manage and motivate them. Very few people are incapable of doing a job properly. In my company, occasionally we have had people I thought were hopeless, but their managers have that they be retained and with a bit of time and effort they've turned them into first class members of staff.

Managing people is difficult. It is definitely the hardest part of running a business. I've known peoples with a lot of professional skills or talent for commerce who have never been able to make their business grow. They've never been able to open more than one shop, or their professional practice has always stayed small.

The reason is that they have a problem with managing people. They will tell you it's because they cannot find people they can rely on, staff are always stealing and so on. But the real reason is that they don't know how to motivate their employees and build a loyal and committed workforce.

Some of the excuses employers often show a lack of understanding of basic human psychology. Of course people come to take benefits for granted. You have to keep improving the incentives to keep the buzz.

When you start a new company, it's exciting for everyone and all the staff will probably be happy to put in extra hours to get the business on its feet. But as the business becomes established, the novelty wears off and you have to find new ways of maintaining that enthusiasm.

Equally, staff will not be loyal to the organisation unless it is loyal to them. Training courses and fancy Christmas parties are no substitute for basic trust between employer and employee.

It is a mistake to think there are some work places where staff will never be motivated.

My own industry, retail, is traditionally notorious for boring, low paid jobs. The old stigma of 'trade' has never really disappeared in Britain, so the retail industry has suffered from a vicious circle. The jobs are poorly paid, often part-time, and lowly regarded.

Shop assistants are assumed to be stupid by managers and customers alike, so the best and keenest people seek careers elsewhere and those that do go into retail have low expectations. Not surprisingly, they often give the customer poor service.

At Richer Sounds we have turned this on its head. We have a waiting list for jobs in every one of our stores. Our staff are well paid, well trained and have jobs their friends envy. We aim to give good customer service and, although we don't always get it right, we think we do a better job than most because our customers come back more and more.

My principles for managing and motivating staff have been proved to work in my very competitive industry and they work in the wide variety of businesses to which I have been a consultant. They can apply to any kind of organisation.

The important thing is to develop a systematic and effective approach to motivating staff. Anyone can do this. You do not have to have charismatic managers or be in a glamorous industry to have a well-motivated staff. There is no excuse for not getting for not getting the maximum out of your workforce.

To improve the performance of the people in your organisation, you have to examine two areas. Firstly, are managers and staff working within a sound framework? What I mean is does the organisation have clear controls? Is everyone trained in the procedures required to do the job? Are people working to targets they understand and is their performance being continually measured?

Secondly, are people motivated? Are they properly rewarded for their efforts? Is working for your organisation fun?

The key to success is getting the right combination of control and motivation throughout your organisations. In the next two chapters I'll explain how this is done.