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AN EYE ON THE INDUSTRY SINCE 1970

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Reduce Costs and Improve Morale

HOW? ASK YOUR EMPLOYEES

In an uncertain economy, CEOs scramble, looking for ways to cut costs and keep their businesses afloat. The most common step they take is to reduce the workforce by terminating employees, which reduces payroll but also has a devastating impact on morale and on customer service. It's a short-term solution to a long-term problem.

What these CEOs should be doing is looking for ways to reduce day-to-day costs without sacrificing quality or service. Often, when they decide to do so, they hire high-priced consultants to come in, look over their operations, interview employees, and then develop a glossy report of their findings. It's an expensive and lengthy process. And most often it focuses on looking for ideas that will save \$100,000 to \$1 million in one shot.

Those CEOs are correct in turning to experts to identify areas in which they can cut costs—but they're turning to the wrong experts. They should be asking their employees. Those employees are already on site and they are knowledgeable about your people, processes, products, and services. They know what changes could be made to improve productivity and cut costs. They're just waiting to be asked for their ideas—so ask them.

That's what the folks at Mullican Flooring did. The company, headquartered in Johnson City, Tennessee, is the world leader in hardwood flooring and has four manufacturing facilities in Virginia, West Virginia, and New York. In an effort to cut costs, the company

recently introduced the BAD (Buck a Day) Cost Reduction Campaign, which was developed by the Service Quality Institute. The program is based on asking each employee to identify a way to save \$1 a day.

During the first few days of the BAD campaign at Mullican Flooring, 13 employees suggested that the company reduce the number of ear plug sets it gives out to employees to one a day. The resulting savings was \$12,000 a year. The campaign's overall participation rate was 78 percent.

"We had 385 ideas turned in, or about 2.5 ideas per person on average," says Chris Kommes, the company's Human Relations manager. "Three of our six departments reached 100 percent participation. The total savings is still being calculated, and several ideas will involve an investment, but the things that we can change immediately with really no investment will save approximately \$40,000. That's an 8 to 1 return on our investment [for the BAD Campaign]. The result that can't be calculated is the improvement of morale and the supervisor/employee interaction." The company now plans to introduce the idea campaign at its other plants.

Idea campaigns stress the fact that every employee can help to reduce expenses and to improve productivity. You can help to ensure the success of an idea campaign by taking the following steps:

- **Limit it to no more than 30 days.** If it's longer than that, it will lose momentum and become boring. And,

when it becomes boring, it becomes ineffective.

- **Focus on low-hanging fruit.** If you ask for ideas that can save \$1 a day, employees can relate to that. If you ask for ideas that will save \$10,000 or more, they'll be intimidated.
- **Include humor.** The campaign has to be fun. When it is, employees will become involved and enthusiastic.
- **Implement ideas quickly.** If you don't implement ideas in a timely manner, employees will become disheartened and will be less likely to make suggestions the next time you ask for them.
- **Recognize employees.** When you recognize employees who have contributed valuable ideas, it spurs others to do likewise. Don't use money as recognition; it won't last. Instead, celebrate employees and their suggestions with public praise. Make them look like heroes.

When you ask your employees for their ideas on how to cut costs and improve productivity, you make them feel as though they are important members of the team. And you will realize savings that will give you an edge on your competition now and in the future. **RO**

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