

The Alchemy of RTO Human Resources

By Margaret Harrist

Finding the right combination of employee benefits and programs for your company may seem a bit like modern alchemy. Add in the unwelcome catalyst of an extremely tight labor market and many rent-to-own companies across the nation are struggling to recruit and keep staff on board. Is there an elusive, secret formula that can help companies hire and retain top-notch employees? To find out, APRO hired America's Research Group to conduct a telephone survey of current rental-purchase employees. Employees were asked 40 questions to gauge their attitudes and opinions about their jobs, their employers and the rent-to-own industry.

The survey results reflect the comments of a wide range of employees, including sales, store managers, account managers, assistant managers, delivery personnel, secretaries and others. Overall, the survey indicated that employees consider rent-to-own a good place to work, but pointed to a number of areas where improvements could be made.

But before tweaking components of your human resources program, "It's important to look at the overall human resources system you have in place," says Keith Carrico, owner of Innovative Insights, a consulting firm that specializes in providing human resources services to mid-sized companies.

"Employee relations is truly a balancing act," he says. "There is a chain reaction when problems take hold in human resources; each factor affects another. It really is hard to see the forest for the trees and when you keep running into the same tree, it's tempting to just cut that tree down. But the real solution is to review your company's human resources system regularly because employee needs and market forces change over time."

Hiring And Keeping A Great Team

Two of the biggest issues for rent-to-own companies is developing a compensation system that truly reflects job responsibilities and then putting in place a system for developing employees, Carrico says.

"Pay and training go hand in hand," he says. "If you are good at developing employees, but don't pay enough to get the right people through the door in the first place, you won't get the results you're after. And if you promote employees through turnover, but don't train them adequately, it shouldn't be a surprise when those employees don't do well."

Almost half of the employees surveyed said their initial training was on-the-job - a method that does not provide consistent messages across a company. "Unfortunately, training tends to get shortchanged in many instances," Carrico says. But that isn't the case at Showplace Inc., a rent-to-own chain with 23 stores in northern Ohio. Employee development is a key component of the company's human resources program. "We have about 150 employees and there is someone in training 60 percent or 70 percent of the time either in the corporate office, regionally or in a store location," says Gary Ferriman, company president. "We're fairly entrenched in the management theories of FranklinCovey and have several licensed Covey trainers on staff. We invest a lot of time, money and effort in training."

Like other rent-to-own companies, Showplace struggles most with hiring and retaining entry-level employees, says Ferriman. "We're starting to use the Covey philosophy in developing a competency management program that should help in this area. We're asking our outstanding employees in each job category to identify the important competencies

involved in their work. We'll then design our interview questions based on that information to better gauge whether potential employees will be successful in that position. After employees are hired, we will periodically identify competency gaps and provide the resources - including training, reading materials and a mentor - to help them to improve." Ferriman adds that the competency management program is just getting under way and will probably take a few years to fully implement. "We don't have a formal career path for employees, but that's what this program is intended to do," he says.

At Rent-A-Center, a chain of 2,100 stores that employs some 12,000 people, competency tests are used at the pre-employment stage, before promotions and to help design the company's training programs. The company provides new employees with training on the basics of rent-to-own and subsequent training that uses the company's actual financials. "Some 99 percent of our managers started out as hourly employees, just learning the basics," says Marty Roustio, who joined the company as an account manager in 1990 and is now manager of coworker relations. "I think the opportunities with this company are unbelievable."

Money And Advancement

Money matters ranked high on the list of surveyed employees, with 60 percent stating they'd rather have higher pay than any other benefit. In addition, more than 40 percent said that low pay or poor benefits at their company prevents them from recommending it as a good place to work. Roustio says that, according to his company's research, Rent-A-Center is one of the highest-paying rent-to-own companies, with account managers starting at \$30,000. "Our turnover still varies according to the job level, but I believe our high rate of pay helps get more people in the door. We don't have a problem hiring, but that doesn't guarantee a good fit," he says.

KLQ Enterprises, a 17-store chain located in Washington, has found that a holistic view of the business and its employees is a good approach. "Our philosophy is that we don't have drivers and salespeople; we don't put people into pegs. Everybody is being trained to learn every part of the store. We believe that the people making deliveries are extensions of the sales people; if they don't understand the sales process, they're a hindrance to us out in the field. We educate our people on how the industry makes money and make sure they understand how each part of the store contributes to that," says Kevin Quinn, KLQ president and former APRO president.

All but one of KLQ's 17 current managers started out with the company as account reps and the shortest-tenure manager has been with the company for eight years. "We feel that if a person has come from within they understand our thought processes and our way of doing business," he says. "I'm very proud of the longevity in our company."

In almost 20 years in the business, Quinn says that he has changed his way of thinking about money and success. "When I started out, my goal was to make \$40,000. Once I achieved that goal, I raised the amount. But then I realized that this type of goal setting is the wrong way to go. My goal is now to pay my employees really well because if I can do that, this company is doing really well," he says.

Operational Matters

In a large chain such as Rent-A-Center, there is the risk that store-level employees feel detached from upper management. In the APRO survey, one in three delivery people and one in four sales people don't trust the corporate office or the owners of the company.

Recognizing that risk, Rent-A-Center designed its corporate structure to ensure a solid connection between the stores and corporate headquarters. Each store manager reports to a market manager, who is in charge of six to eight stores. The market managers are able to visit each of their stores on a regular basis and get to know each manager and the employees on a more personal level.

"Our market managers assist the store managers in managing the business and the employees, including helping with training, recruiting and coaching," Roustio says. "Although my door is always open and the home office is accessible by all employees, the market manager can also serve as a connection between the home office and each store."

Mike Tissot, vice president of the Countryside Rentals chain of stores in Ohio and Kentucky, finds that there's no substitute for getting out in the field himself. His company includes 12 stores; he can be found in one of them two to three days of each week. "I ride with my delivery people on the trucks and work in the stores. It's absolutely invaluable because it's the only way to find out what's really going on," he says. "Access to leadership in a company is very important. And my employees know that I care and that I'm not just ruling from an ivory tower."

Recognition Scores High

A large number of rent-to-own companies offer employees periodic bonuses or incentives to recognize performance. For example, KLO Enterprises has a number of bonus programs designed to acknowledge the accomplishments of individual stores and employees. Quarterly bonuses are paid to employees when their store meets certain operational goals. The company also names a "store of the quarter" and honors those employees and their spouses with dinner and a cash bonus. And any manager whose store records \$1 million in revenue receives a one-time net bonus of \$10,000.

KLO also awards trips to its manager of the year (with spouse) and, if the company as a whole meets its budget, any manager who hits his budget also gets a trip (along with his spouse). In September, KLO is taking 30 people to Hawaii. Although these big recognition programs are popular, KLO's Quinn also makes sure that recognition happens on a daily basis - and at a very personal level. "When you have more than 100 employees, you get to where you don't know who the new hires are. So we have the names and pictures of each of our employees in a book at the home office. We study that book before walking into each store," he says.

Countryside Rentals also recognizes top performers and stores on a monthly, quarterly and/or annual basis, but the company takes employee recognition a bit further. "I send an e-mail to all of our stores every Monday recognizing the top performer the previous week. If that e-mail doesn't go out on time, I hear about it," Countryside's Tissot says with a laugh.

Employee Empowerment

In the APRO survey, one in eight employees are not sure or don't think they make a difference in their company's success. Only 25 percent of delivery and sales people feel that they make a difference for the company.

One of the pieces missing in many instances, says Carrico, is that employees don't have a full understanding of how the company or the industry works. As a member of APRO's Education Committee, he is helping to develop a variety of e-learning programs to help in this area, including courses on the rent-to-own industry, delivery and safety, account

management, customer communication and salesmanship.

"It's important to educate employees about the rent-to-own industry, but then each company has to make the link to what that means on a daily basis," he says. "E-learning is a tool, but cannot in itself fix these problems."

Showplace's Ferriman noticed long ago that employees who feel connected to the success of the store benefit the business significantly. "We had some employees who were really good at displaying an ownership attitude and saw that the customers took to them very well. So we started wondering how to get employees to take ownership and feel like they had a greater stake in the business."

First, Ferriman and his business partner (who has since left the company) started sharing information with employees - including annual planning documents, monthly P and L statements and corporate P and L statements. Next, they introduced an employee incentive/bonus program for nearly every department in the company so employees could share in the profits on a monthly or quarterly basis. Ten years ago, Showplace introduced a profit-sharing retirement program so employees had a stake in the long-term profits of the company. And six years ago, Showplace became an employee-owned company.

"My partner sold his shares and I sold one percent, so the company is now 51 percent employee-owned. I am peer-reviewed by my staff on my performance as president and everyone has a quarterly performance review so that we all understand what's expected of us and how we're doing," he says.

Ferriman thinks the move to employee-ownership has had very positive effects on the company. "Turnover is almost non-existent at the manager level and has decreased significantly company-wide since making this change. Another benefit is that employee-owners tend to speak up when they see opportunities for improvement because they feel connected to the business," he says.

Sharing information on the business with employees is also the policy at Countryside Rentals. "We practice total open-book management with all of our employees so they can see how the company is performing. Every employee gets a share of the profits twice a year and that goes a long way toward making store-level employees conscious of how their store performs," Tissot says.

Opportunities Ahead

The bottom line to any human resources program is consistency, Carrico says. "When reality doesn't jibe with what was presented in the interview, employees get frustrated pretty quickly. A company has to be consistent in thought, word and deed."

His best advice? Review your overall human resources program to make sure there aren't contradictions or policies that undermine your business goals.

And finally, Carrico encourages business owners to get out there in the field and see what is working. A policy in practice may not always have the effect that was intended, he says. Margaret Harrist is a free-lance writer.