

HOW TO HIRE AND MOTIVATE A PRODUCTIVE WORKFORCE

INDIANA DEALER
FINDS STAFFING SUCCESS



HIRING

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“In the door business,
it’s really difficult to hire, train, and develop
good employees. It’s imperative to create
a productive culture, a better way of
managing and treating people.”

- Martin Madden, CPA, MBA, CFA

What do you get when a CPA with an MBA and a CFA (Chartered Financial Analyst) takes over a decades-old garage door business?

A disaster?

Not in this case. In April 2011, 34-year-old Martin Madden became CEO of Overhead Door of South Bend, Ind. (OHDSB). He did have the three credentials mentioned above but no garage door experience. Upon his arrival in 2011, if you measured the company's productivity by sales per truck per day, it was performing below industry average.

But in only five years, the company has doubled its revenues, and profits have followed accordingly. The company's productivity and profitability are now significantly better than average. The number of employees and trucks has grown to more than 50 employees and 25 field vehicles, and the company is on course to continue that trajectory.

How did it happen? In February, I spent two days at OHDSB, trying to learn its secrets. After interviewing both Martin Madden and CFO James Doster, I learned what I believe are some of the key elements in their success story.



Madden

Doster

Benford

About the company

Founded in 1931, Overhead Door of South Bend is one of the oldest garage door dealerships in the country. Located in Overhead Door's home state of Indiana, the company has become the dominant door company in its market area. An IDEA-accredited door dealer, it has strong residential and commercial divisions but is primarily commercial.

Meet the key players

- **Martin Madden, 39**, joined the company in April 2011 and is now majority partner and CEO. Armed with an MBA, CPA, and CFA, his background includes working in accounting and financial consulting with Deloitte, in lean manufacturing in the automotive industry, and as a CEO of one of the largest eye care centers in northern Indiana.
- **James Doster, 40**, currently functions as CFO while splitting his time with another local business. Doster spent time in various positions including warehouse assistant and residential installer in the 1990s. After earning one bachelor's and two associate degrees, he joined OHDSB as the IT manager in 2000. In 2003, he purchased and oversaw the residential business while serving as CFO of the commercial department.
- **Tom (Benji) Benford, 63**, has been with the company for 45 years. Hired in 1971 to apply hardware to wood doors, he soon became an on-the-road tech. In 1985, he was promoted to commercial scheduling manager and then quickly worked his way into a sales position. He was promoted to president in 1995 and became part owner in 2000. Benji is considered the heart and soul of the operation.
- **John Doster**, James' father, was the majority owner from 1977 to 2011. Known as a visionary and entrepreneur, he helped the company become the dominant door dealer in northern Indiana. After being active in daily operations in the early years, John soon launched other entrepreneurial ventures but always stayed involved at OHDSB.
- **Bob Kabel** was an exceptional salesperson who also helped build the company in the 1980s and 90s. Bob had prior garage door experience from the East Coast. He also served as president and part owner of the company. Under the leadership of Benji, John Doster, and Bob, the company grew from two trucks to 20 trucks from 1977 to 2007. Bob retired in 2000 and died in 2008.

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Our interview

How did Martin get involved in this business?

James: I had been acquainted with Martin for several years and I could see that he was very sharp. I suspected that he would be a strong addition, but at the time, ownership wasn't an option.

Historically, our margins weren't good. My brother-in-law, a CPA himself, even advised us to sell the garage door company and focus on our manufacturing business. I knew the potential of the company, but it needed somebody with the capability, drive, and integrity to lead the charge to higher ground.

In 2011 we came together with Benji, and the three of us bought my dad's equity, allowing him to exit the door business. By partnering with Martin, I made a conscious business decision to have a smaller piece of a great pie than a larger piece of a mediocre pie. It was undoubtedly the best decision I ever made for the company and all of its employees.

Martin, what did you think when you first looked at this business?

Martin: When I looked at their financials, I was surprised they were making so little money for a company their size. But I saw a lot of potential. The incredible commitment to customers and professional expertise were already there; we just had to capitalize on it.

I had always wanted to own a company, and I had been actively searching. In two years of looking, I evaluated 70 businesses. Of all those, I thought OHDSB offered the best opportunity because it very much needed the business acumen I could provide.

How would you summarize the changes you made?

Martin: First, I need to recognize the leaders who came before me. We wouldn't have had this opportunity if it weren't for John, Bob, and especially Benji's hard work and passion for the company and its employees. They instilled in us a "Yes We Can" attitude that meant we never turned away a sale and would do whatever it takes for a customer. We are entrusted with continuing a powerful legacy and adding to it.

But to summarize the changes, I'd say that, instead of running the company like a

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INVESTING IN TRAINING

Realizing the crucial value of good training, OHDSB spent \$10,000 to create a comprehensive training manual for all employees. Training and investing in employees are clearly priorities.

In my two-day visit, I sat through a one-hour employee meeting with 30 people involved in their commercial business and a two-hour training session for three newer employees.



The employee meeting

The one-hour meeting focused on recent cases of "failing the customer." Instead of berating specific employees, the meeting focused on everyone's responsibility to build lasting relationships with customers.

"This is a relationship business," said Benji, leading the first half of the meeting. Identifying the financial impact of the commercial customers involved, he talked about the responsibilities of being a leader in the industry, having pride in your work, and exhibiting professionalism at all times.

"We need to teach and learn from each other and hold each other accountable," said Rich Love, operations manager, who led the second half. He asked for technicians' input on what "failing the customer" means. Employees said that it means "failing people" and making multiple trips that destroy productivity and affect bonuses.

My reaction: I was impressed with the employees. They seemed to feel a genuine responsibility to please customers, make the company succeed, and be the industry's leader in their market. I could see how the meeting helped to transmit the culture to the newer employees.



Two-hour training

Martin Madden led the two-hour training session that focused entirely on "scheduling theory." Instead of telling the trainees how to do it, the session identified the business principles of scheduling that lead to customer satisfaction and company profitability.

One of the trainees had been a manager at Applebee's. Martin often mentioned the similarities between the door business and the restaurant business. The trainees easily understood the need to please the customer and provide quick service.

My reaction: I was surprised to see a door company train employees on "scheduling theory." Again, I was impressed with the employees. They did not see the meeting as drudgery, and they quickly grasped high-level concepts. They clearly embraced the company's mission as their own mission.

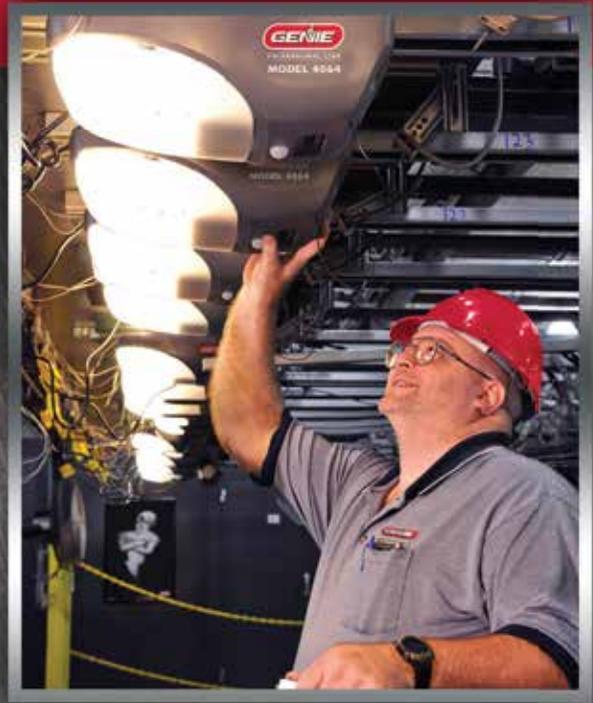


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job, we looked at it strategically. We're now very deliberate about growing in a profitable way. We basically applied that "Yes We Can" motto to the financial side of the business.

James: Martin initially led us to change some of our rates for commercial parts and service so that we would be fairly compensated for the value we bring to customers. At first we had a lot of skeptics in house who said we were going to lose a ton of business. That did not happen because we have always done such a good job maintaining relationships and providing quality service.

Getting the people on board was the challenge, with the key issue being, "How do we smoothly transition to running the company like a business without alienating all of our employees?" I think we did it deliberately enough, while we tried to explain

"The (hiring) process is difficult; it's deliberately meant to wash out weaker candidates. We look for people who fit with our company culture and who are not averse to change."

to them how the changes would benefit everyone. It took some time, but the employees eventually came around when what we promised came true.

Martin: In the first few years, we did lose a half-dozen key people. So we quickly had to adapt.

James: I knew we'd have to make some personnel changes, but the business had been in my family since the 1970s. I am a bit of a softy when it comes to people, and, frankly, I didn't have the stomach for making some of those tough decisions. Martin did, and he handled it well.

Martin: Companies often fail because managers aren't willing to do the difficult things. Letting people go is extremely tough to do, but great employees need to work with other great employees. I learned very quickly that our people are our most important asset, and they need to be developed.

So, when we set out to significantly increase investment in the business, our initial efforts sought to help the people in the field

to make them more productive. For example, we spent \$275,000 for scissor lifts, and we upgraded all our safety equipment.

James: We had always invested in good tools and equipment. In 2004 we began leasing vehicles and cycling them more frequently. The trucks were newer, maintained better, and they looked great on the road to our customers. But most importantly, our guys were happier, proud of their vehicles, and proud of their company.

Martin: Any company can buy the same equipment, use the same products, mouth the same mottos, and still fail. It's your culture and how you execute that make the difference. The secret sauce is creating a cooperative and productive working atmosphere that motivates people to succeed.

How did you come to that conclusion?

James: Early on, Martin took on the role of the commercial scheduler after one of our first, difficult personnel changes. I think that move was key. It killed nine birds with one stone, and it raised our productivity to the highest it had ever been.

Martin: I originally set out to do the scheduler's job for six months, but I ended up doing it for 20 months. It helped me to learn the business backwards and forwards as well as to begin to effect a culture change from the heart of the organization.

Scheduling is the heartbeat of the company; it's literally how we get work done. As commercial scheduler, I was in the driver's seat to send productivity through the roof, maximizing each tech's routes and improving customer service. It's like being an offensive coordinator, calling a football game as it happens.

I was that voice that communicated each job to each employee every day. Employees gradually gained an appreciation for my knowledge of the business. But more importantly, I truly gained an appreciation

that our field technicians are the keystone to the success of our business.

The biggest challenge in any organization is the people. In the door business, it's really difficult to hire, train, and develop good employees. It's imperative to create a productive culture, a better way of managing and treating people.

Let's start with hiring. What are you doing to hire better people?

James: The hiring process is long, spread over several weeks. The process is difficult; it's deliberately meant to wash out weaker candidates. We look for people who fit with our company culture and who are not averse to change.

What's involved in the process?

Martin: We have several tests that assess candidates for a wide variety of issues. If they get past a mechanical test and initial background checks, we do a 30-minute telephone interview.

If that goes well, we give them four days to complete three in-depth tests. The tests gauge things like their adaptability, conscientiousness, interpersonal effectiveness, respect, self management, leadership, team orientation, stress tolerance, dependability, and customer service orientation. Totaltesting.com is one of our sources for tests.

James: We use the Culture Index and DiSC assessments to get a good read on an individual's personality profile. After that, we give them four days to get us a list of references. We then check all the references and contact their former supervisors.

Martin: When we call references, we don't talk to HR people. We find that supervisors will be more honest.

James: We also use the Topgrading method as developed by Bradford and Geoff Smart. We utilize several of their processes for hiring 'A' players.

What's the best hiring tip you learned?

James: It's called TORC (Threat Of Reference Check), straight from the Smarts' methodology. We tell the candidate that we will talk to three or four previous supervisors.

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We then ask the candidate questions like, “When we talk to your last supervisor, how will he or she grade your performance? What will they say are your strengths and weaknesses?”

We then ask those prior supervisors the same questions. We compare how well the statements of the candidate and the supervisor match up. It works very well to reduce the BS factor.

Martin: When we talk to the supervisors, our last question is, “Is there anything else you want to tell me about this person?” This often gives us very good information.

We then proceed to the live interview phase. That’s when we get several key employees involved and ask several open-ended questions.

Employees are involved? How many participate in the interview process?

James: We may have as many as seven employees involved. We have two different group interviews with a few employees in each group. Everyone asks questions of the candidate, and everyone has an equal vote.

The vote doesn’t need to be unanimous, but we take a majority vote. *No* means no, and *maybe* also means no.

Martin: The interview process also shows our employees that we need and trust their input. I think it helps to create a harmonious working atmosphere. Since they’re involved in hiring, these employees have a certain buy-in for each new employee. They want to see the new people succeed.

James: The final stage is a drug test, a strength test that varies with their position, and a DOT physical.

That’s an incredibly detailed—and long—process.

Martin: These tests cost a lot of time and money, but we believe they save us much more lost time and money from hiring the wrong person.

Our philosophy used to be that we would hire a “pair of hands,” and see if they worked out. As a result, we had ridiculous turnover, and it cost a ton to train all these new people. Furthermore, our established

employees would hesitate to form a relationship with new folks. Why reach out if a new person might not make it a week or two?

We started doing this process about three or four years ago. We’re still tweaking it, but it works very well for us. The overall quality of new employees has stepped up significantly.

Our philosophy is that people are our most important asset. Consequently, that should be where we devote most of our time and resources. Ultimately, we want to hire the most talented people and then take care of them properly. It is the most critical thing that we do.

You must have had someone who made it through the system but still did not work out.

Martin: We hired a project manager recently who lasted only two or three months. He wasn’t doing a bad job, but he just didn’t mesh well with our other team members. Ultimately, we had to part ways.

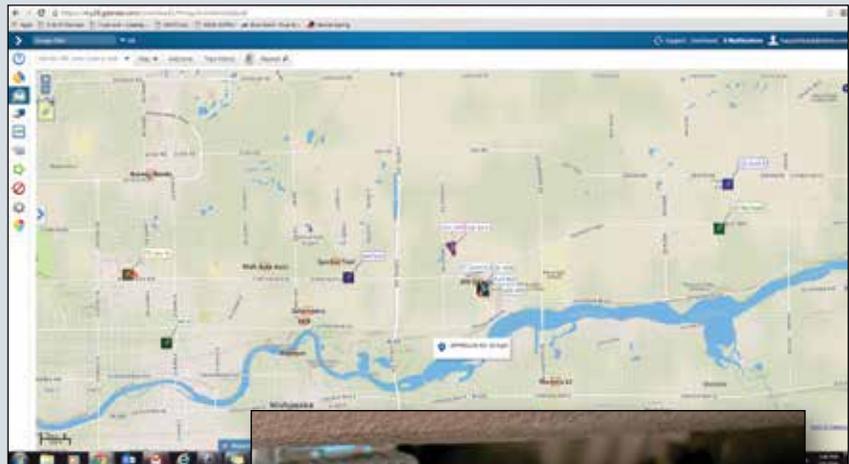
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GOOD MOVES: GPS TRACKING

Cost: Each GeoTab unit costs \$99. The monthly cost is \$27/vehicle.

Use: Plugged directly into each vehicle, the GeoTab constantly communicates key details such as vehicle location, speed, idle time, harsh braking, service needs, and possible accidents. Each truck’s daily log of activity is emailed to managers every day.

Benefits: “It increases your ability to effectively route your fleet, and it holds your guys accountable for their time throughout the day,” said Rich Love. In the event of an accident, it provides helpful evidence. “Insurance companies love it,” said Martin.



What do you wish you had detected in his interview?

Martin: When you get a candidate who is very likeable, the tendency is to overlook their weaknesses. You hope that they'll overcome them, but it never turns out that way. We find that "projects" simply don't work out.

James: As soon as we lose the discipline and hire too quickly, we always regret it.

Martin: We're constantly trying to improve our batting average when hiring candidates. We will never bat 1.000, but if we're batting .750, that's pretty good.

Once you've hired a good employee, what do you do to keep them motivated?

James: We have several programs that basically say, "This is your company; act like an owner." A key part of that is our profit-sharing plan for our employees.

Profit-sharing bonuses are paid quarterly. They're directly dependent on company

profitability, and employees can earn up to a five percent bonus, which happens often.

Our technicians on the residential side are paid on an incentive program. They are paid more for larger projects, and there is an incentive for them to collect payment on the jobsite. To promote quality work, installers must warranty their own work for six months from the date of installation. They are not paid for callbacks on their own work.

At the same time we constantly preach about doing what is right for the customer. We're not out to take advantage of customers because that is not how we operate. We tell our employees to treat every customer as if it is their own mother or grandmother. That's the way you stay in business as long as we have.

Your system appears to be working well for the company's bottom line. Is it also working well for your employees?

Martin: The best compliments I receive come from our employees. They tell me that they appreciate our open

communication and our transparency. They appreciate that they're treated with respect. In addition, we try to be upfront about our mistakes and what we are doing to correct them. We are very far from perfect, but we hope that through our honesty, employees will feel comfortable sharing ideas and suggestions.

They make their own decisions about improving their jobs, and they're paid fairly. With the incentives and profit-sharing, some employees are earning almost twice as much as they were a few years ago.

Besides the financial aspect, we're trying to create a team culture where each employee wants to help one another succeed. They understand why their jobs are important and how they individually contribute to the company's (and thus everyone's) success.

As a result, we've grown because our employees have done a great job taking care of customers. But the best part has been building the lives of our employees ... providing career opportunities where there might have been dead-end jobs. ■

**GOOD MOVES:
FASTENAL VENDING**

Cost: There is no cost for the vending machines or for maintenance. Initially, there was a \$400 per machine annual licensing fee for the software. "I think that we purchased so much annually that it was waived," said Martin.

Use: Employees enter a code to "buy" each part. "Fastenal requests that 60 percent of the vended items are Fastenal items. But we have not had any issues with occasionally adding more than 40 percent of our items," said Tracy Stefaniak, manager of inventory/facilities and fleet.

Benefit: "There is no negative to the system," said Tracy.



Tracy Stefaniak demonstrates the vending system, which includes items in all the bins at the right.