

COMPANY STATS

Name	TruServ Corporation
Industry	Hardware
Number of Employees	3,965 worldwide; 657 in Chicago
Location	Headquartered in Chicago; offices in 65 other countries
Product/Service	Hardware and home improvement products
Sales	\$4 billion (supports \$18 billion in retail sales)
Year Founded	1997 merger
Ownership	Cooperative
Web Address	www.truserv.com www.truevalue.com

Using Learning and Development to Achieve Business Goals and Forge a New Identity

One of the world's largest member-owned hardware and home improvement cooperatives, TruServ Corporation provides its retail store members with a wholesale distribution network, marketing, strategic planning, and national advertising programs. TruServ employs 3,965 people in the U.S., including 600 at its Chicago headquarters, and serves more than 7,000 retail stores across the U.S. and in 65 countries worldwide. The TruServ Corporation was formed in 1997 through a merger of the True Value family of retailers and Servistar Coast to Coast.

To make this merger effective and to build a more effective organization, new leadership embarked upon three key initiatives: first, to reduce costs, increase efficiencies, and improve profitability; second, to create a single company culture with learning as one of its core values; and third, to improve relations between TruServ employees, particularly its corporate staff, and its dealer network.

To support these initiatives, senior management launched True Value University (TVU), centralizing a previously scattered

group of learning activities, to ensure that learning and development policies and initiatives would further the company's business goals and foster a single identity and culture. "Our vision is to position TVU as a strategic umbrella for all education. In a dynamic and highly competitive environment, providing continuous educational experiences and learning how to manage human capital is crucial to our success," explained Dave Kornhauser, the director of True Value University. Kornhauser explained that TVU staff "act as facilitators to manage the change, but we don't drive it. That is the role of leadership. Our job is to help manage the change and make it happen."

Using Training and Education to Achieve Business Goals

One of TruServ's broadest education initiatives, an early challenge for True Value University, was to train all of its retail members (customers), its staff, and even its vendors in the intricacies of a new inventory management system. This system is considered to be a cornerstone to the firm's profitability. It is designed to reduce errors, improve planning, and facilitate just-in-time inventory and faster reimbursement. Everyone has to be certified in this Web-based ordering, invoicing, and distribution system, and also has to learn the elements of other critical skills such as strategic planning, needs analysis, and basic accounting.

All three groups benefit from this training campaign, not only by acquiring the necessary skills, but also by gaining an understanding of each other's perspectives. Vendors are included so that they become collaborative partners, working to reduce TruServ inventories and to stabilize their own production schedules. Buyers learned more about regional buying habits. As one buyer reported, "We learned why we shouldn't buy mosquito repellent for stores in Arizona. Why would the stores carry mosquito repellent when there are no mosquitoes in Arizona?" Members became more sophisticated in the ordering process, and staff improved their overall understanding of members' needs.

In another large-scale educational campaign, the same stakeholder groups were taught how supply chains are linked to inventory management. The business goal of this campaign was to achieve a 95 percent truck fill-rate and to ensure that member stores received the correct merchandise just when they needed it. A leading expert in supply chain management from Massachusetts Institute of Technology helped customize the curriculum, which used TruServ situations for case studies. Also, some new computer-based tools for facilitating inventory management were introduced. Teaching tools included a computer-simulated board game, lectures, and visuals such as process and flow charts. "We have put several hundred employees through this training because it is critical to our business. Employees learn the overall system, as opposed to more siloed perspectives," explained Kornhauser.

Both campaigns helped everyone think along the same lines, develop a common language, and understand the big picture—the importance of keeping the trucks filled, the inventories low, and the inventory turnover high. Ordering is now much more precise and based on actual needs rather than on national averages. This year, there was a \$100 million reduction in inventory and inventory turns increased from 2.8 to 5.4.

"Success in today's global economy requires that learning and development experiences extend beyond your own employees to customers and other key members of your value chain. Forming a community of learning partners can become a competitive advantage."

*Pamela Forbes Lieberman,
President & CEO, TruServ
Corporation*

TVU designed and implemented another broad educational initiative, Connect-4 Profit, to support another important business priority: shifting members' buying patterns from purchasing directly from manufacturers and suppliers to purchasing from TruServ. Hundreds of employees and several hundred vendors, as well as members, participated in this initiative, which included

large group meetings, presentations, member testimonials, and Q& A sessions. As a result of the initiative, the Coop realized profits of \$21 million directly resulting from changing these buying patterns.

Building a Common Culture through Shared Values

The ongoing series of "Ethics and Values" workshops, introduced shortly after the merger and required of all TruServ employees, was designed to help the company build a common culture. The central theme of the workshops is that shared ethics and values are essential for an organization and provide the "compass" for individual decision-making and professional judgment. The workshops help employees to "recalibrate their compasses" and align their business values with those of the company.

Because of some of the issues that were raised, considerable care was taken to ensure that the workshops were constructive, candid, and relevant to the broad cross-section of participants, who range from warehouse dock workers to corporate staff. A senior manager begins each session, describing the workshop goals and answering questions. A professional facilitator then guides participants through an informal discussion of business ethics and values. Participants next complete exercises identifying the values and ethical principles that they feel are most meaningful to the organization. These become the foundation for a series of discussions—always quite lively—that focus on ethical dilemmas faced regularly by TruServ employees. The workshop closes with an exercise designed to elicit suggestions that would ensure continuing progress in developing shared values.

Developing leaders from within is an important way to assure the sustainability of a common culture. The company's recent Leadership Development Initiative, in the process of being implemented by TVU, develops "high-potential" talent by identifying potential high performers based on

well-defined key leadership competencies, conducting thorough assessments of each, and then delivering a customized leadership program. Twenty-five employees will participate in the program when it is launched this year. Metrics that will be used to measure its success will include: maximum allowable percentage of avoidable turnover; percentage of key vacancies replaced by these employees; amount of time they remain in one position (based on the assumption that these individuals should be moving around throughout the organization); and percentage of key vacancies filled with high potential talent from legally protected classes.

TVU: Creating a One-Stop Training and Development Center

Before the merger, training options were limited, narrowly departmental in their scope, and delivered in a fragmented manner. Frustrated with this scatter-shot approach, members and employees requested a one-stop center to coordinate all training activities. Centralizing all training functions, TVU now offers a substantial number and variety of training offerings in such areas as technical and business training, interpersonal skills development, communication, and management and leadership training.

TVU offers 20 to 30 percent of its training activities through e-learning. As Kornhauser explained, "E-learning is useful as a supplement, but we will never rely exclusively on e-learning. It is an effective medium to deliver concepts and principles but people still need conversation and learn best by doing." According to Kornhauser, "Adults have different learning styles: visual, auditory, and kinesthetic (learning by doing). As we learn, we often use all three, but each of us tends to emphasize one over the others. Consequently, in our training programs, we try to incorporate all three learning styles."

TVU keeps employees informed about learning opportunities through e-mail, postings on the company intranet, and "The

Pulse," the company newsletter. Employees speak highly of TV U, crediting its success to the quality of its offerings, the professionalism of its trainers, and management's active support. "Having our training in-house is great. Now we have much more support and help in order to find the right training", said one employee.

Management is committed to maintaining its educational offerings, even in downturns. Instead of eliminating programs, they find other ways to reduce expenses, sometimes by having internal staff deliver the training. "The educational programs are one of our basic tenets, one of our essential building blocks," said one vice president, "because we focus on what is important for the long run." Bill Godwin, Senior Vice President of Merchandising Supply Chain, added, "I learned from experience at other department stores, that if you cut people and management training in bad times, you won't have good managers for the good times."

Expanding Skills and Knowledge

All employees are encouraged to participate in the training courses. While some courses, such as the company-sponsored "Ethics and Values," are mandated, most are selected by employees and their supervisors during performance reviews, which always include educational planning. To help this process, supervisors are coached to help employees develop learning and development plans that will help them grow and advance; and, when requested, TV U staff help both supervisors and employees develop these learning plans and goals.

Cross-training is strongly emphasized. "In many training classes," said one employee, "it is not unusual for us to work on projects with people from other departments—customer service, merchandising, transportation. This is good because we gain an understanding of the implications of things like inventory planning, return on investment, and promotional services." More than 80 percent of TruServ's internal training is offered on company time.

In addition to its training programs for employees, TVU offers 34 courses and hands-on retail training workshops for TruServ members, including courses in leadership training, product training, financial management, sales and customer service, and motivating and supervising front-line employees. Storeowners frequently send their employees to these classes, either when the courses are offered in their regions or at the biannual buying market. Regionally customized training and online tutorials can be provided for storeowners.

pre- and post- training annual sales figures or documenting whether owners re-merchandise their stores after taking training sessions.

Alliances with Educational Institutions

TVU also forms alliances with educational institutions so employees can earn degrees relevant to their current positions or to prepare them for advancement. When seeking educational partners, TVU looks at an institution's ability to design and deliver high quality education and training, its ability to customize degree programs, its

flexibility and responsiveness to changing learning needs, the extent of its internal resources for addressing organizational challenges, the experience of faculty, and whether it would be easy to work with the institution.

TVU was instrumental in shaping an MBA program to satisfy the specific educational needs of TruServ employees. After interviewing several potential providers, TruServ selected Lake Forest Graduate School of Management "because of its practical, hands-on approach." TVU felt that because all of Lake Forest's instructors currently work in

industry, they would understand the business environment and be more responsive to TruServ's needs. Lake Forest faculty first surveyed employee learning needs and then customized a curriculum to match these needs. They then worked with key company representatives to develop classroom activities that included real work situations, problems, and projects, many of which are formally presented to senior management.

COMPANY SNAPSHOT

STRATEGY USED	PARTICIPANTS			
	Management/ Supervisors	Technical/ Professional	Frontline Workers	Part-time Workers
Tuition assistance	☒	☒	☒	
On-site workshops and training	☒	☒	☒	☒
Financial support for attending off-site classes, seminars, workshops and conferences	☒	☒	☒	
Training/education on company time (on- or off-site)	☒	☒	☒	
Online learning	☒	☒	☒	☒
Individual Development Plans linked to performance evaluations	☒	☒	☒	
Career counseling	☒	☒	☒	
Formal mentoring				
Job shadowing				

Over the past year, member store participation has steadily increased, principally because of TVU's reputation, passed by word-of-mouth, for "high quality offerings." TVU measures the effectiveness of its member training by asking participants follow-up questions about how it has impacted their businesses, and by observing store trends; for example, comparing

The students, including senior-level employees, are from a number of TruServ departments. They advance in cohort class groups, and work on projects in cross-functional teams. Courses are flexibly scheduled onsite after work hours. Currently, more than 30 employees are enrolled in the program, and management considers it critical to building employees' business skills. Another 70 employees are enrolled in other degree programs. TruServ reimburses employees for up to \$5,250 in degree program tuition.

"Other companies provide employees opportunities to get MBAs," said one employee, "but they are usually only for the benefit of the individual. Here I feel like I'm not only working to improve myself but also working for the group and the company. We can apply our lessons immediately and know that the company will value us even more. It is gratifying to be learning with your colleagues." And sometimes the company directly benefits from an MBA project, such as the project that developed into a new buying model that is now increasing profitability for its members and for the company.

To maintain high standards for all programs, TVU requests participant feedback about courses and faculty, which sometimes results in the overhaul of courses and the replacement of instructors.

How to Create a Learning and Development Culture

In the view of its leaders, achieving TruServ's corporate goals requires more than even the richest array of educational and training offerings. A culture must be created that incorporates learning into daily activities and continually promotes and rewards growth and development. "We work to create apostles of education here." The principles which TruServ management has painstakingly implemented read like a "How To" menu of instructions for creating a learning culture and environment:

- ♦ Ongoing encouragement from managers for employee learning
- ♦ Leadership and HR working cooperatively as strategic business partners
- ♦ Continually seeking input from key stakeholders when planning learning initiatives
- ♦ Customizing curriculum to make it more relevant to TruServ's business
- ♦ Tailoring learning activities to the particular way adults learn best
- ♦ Insisting upon high-quality instruction from internal staff and external providers
- ♦ Emphasizing cross-training to the degree that it is formally incorporated into training and education programs
- ♦ Exposing employees to both a broad understanding of key business principles and to practical and job-specific tools and training
- ♦ Building intensive cross-functional participation into all training activities, so that vendors, members, and staff learn together. This diverse audience is critical to building "communities of practices" and a common identity.

Business indicators demonstrate the success TruServ Corporation has achieved thus far. In three years, its inventory went to \$350 million from \$650 million and now turns over at a much faster rate. The number of the company's trucks on the road went down to 1,600 from 1,800. TruServ has emerged as a new firm with a single identity, transforming itself from an old Midwest company to one that is gaining a national reputation as a high tech retailer. So high tech, that the company won the coveted Information Technology Award from CIO magazine in 2001.

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