

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

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Jacob 00:01

Welcome, everyone to another episode of the future of work with Jacob Morgan. My guest today is Arthur Blank, Co-founder of Home Depot and author of the brand new book called Good Company. Arthur, thank you so much for joining me today.

Arthur 00:15

Well, thank you, Jacob. It's good to be with you and your listeners.

Jacob 00:20

And I had the opportunity to go through your book, which was fascinating. I mean, the stories that you have in there are really amazing and we're going to get to all those. But why don't we start with just some background information about you so how you grew up? Where did you grow up? How did you get to become the co founder of Home Depot.

Arthur 00:40

You probably don't have enough time for all of that, Jacob. But I would try to give you the condensed version of it. I grew up in Queens, New York City. And my father ran a small drugstore health wants more drugstore is actually owned by a brother. I lost my dad when I was 15 he was 44. My mother, he had started his own business, a wholesale pharmaceutical business to doctors and hospitals and drugstores across the country. And he passed away my mother with age 37 stepped into that business had no business background, but she ran that business successfully. It was sold to a large conglomerate called Daylon. And during the interim period of time, I'd gone to college went to Babson College, which is a small business school outside of Boston, came out work for one of the big seven at that time Arthur Young & Company and became a CPA in New York and elsewhere since and so I worked in our family business for about three years or so.

Arthur 01:48

And it was sold to Daylon and went to the south was running a chain of drugstores for Daylon called Elliott's Cuthright drugstores and stripe discount stores and it was part of a big company that big company was not doing well. They decided they didn't have the funding to continue our expansion which was pretty rapid then and, and my partner at HD, Bernie Marcus was running all of their all of their discount stores and and later had moved to LA running their their home improvement center company Handy Dan Home Improvement centers. And so I told him I wanted to leave because I wasn't

interested at age 20 or 21 or maybe 23. I was a very young man, you know, really young. I was graduated finish college in three years. So I was I was I was way ahead of my time really.

Arthur 02:48

But in any event, so Bernie and I went to California I worked with Bernie in Handy Dan rather than leave I'd gotten to know him through our national meetings that we have with all these businesses and we always working together had a similar view of business in the world and a lot of ways. We both got fired in 1978, which was a long story, we first book built from scratch that Bernie and I did together. We talked about that, you know, this book really has to do with, you know, our value set our six core values and ones that originally developed at HD and now translated and transposed into all these operating businesses we have that are in very diverse environments, very diverse industries and in very diverse geographies, and how they've all worked very successfully as successfully as they still do today at the Home Depot.

Arthur 03:46

So when we got fired and 78, I, you know, I decided what do I you know, really want to do and Bert and I both decided, we, you know, start a home improvement center company, one that we could not have competed with, although the one we were running was very successful and that was a large warehouse, no frills, downmarket store, low prices, great service, great services, etc, hence the Home Depot. And that was started in 1979 I was there for 23 years Bernie stayed on another couple of years after me probably 25 years we both essentially departed really at the same time I physically left earlier. He moved upstairs if you will, a couple of years earlier and then left soon after that.

Arthur 04:32

So when I left I, you know, felt like okay, what do I do with the rest of my life? And, you know, I've always loved sports. I've always loved you know, variety of businesses and each one has a different story behind it, but we're now cobbled together a group of businesses that are incredible. We own the Atlanta Falcons, part of the National Football League and very successful franchise today Atlanta United Which is broken every attendance record in the history of Major League Soccer, which is all North America. We operate on a PGA Tour superstores, which is the most successful golf specialty retail store in the world today, we operate a number of ranches out in Montana and one open to the public is skull mountain sky. And it's the highest graded dude ranch in the West today. And we have a group of associate lead foundations and we have, of course, a big family foundation, which does work throughout the United States and primarily in Georgia, Atlanta, Georgia and Montana, but really throughout the United States, and to some degree internationally as well.

Arthur 05:43

That's a very, very long story. In between, I've got you know, six great, kids, you name an age, I have a child and six grandchildren. And so we decided to write this book really to help reinforce viewpoint, my viewpoint, I think, a viewpoint of a lot of people today that the notion that you know that business needs to focus on one thing, and that's the bottom line and everything else is, you know, you, you pay some homage to it, but not much. I think that we've proven that, you know, if you have a set of values that speak to all of your stakeholders profitability, yes. But your associates who you're serving our case, fans, guests or customers and the communities in which we operate and live, that that holistic formula

for success on a winning model is really the answer to sustained profitability in the broad sense of the word profitability of making a difference during the time we have on planet Earth. And so, and we find today with a lot of millennials, Jacob, I mean, you're I think you're relatively young man yourself, as I remember.

Jacob 06:59

Yes. I'm barely in the millennial category by like one or two years.

Arthur 07:03

But I mean they're asking and pushing the sense of urgency today. with, you know, why am I here? What's the purpose of life? You know, where I go to, quote, work play every day, how is that connected to make the difference in the lives of not only myself and my immediate family, but how's it making a difference in the lives of other people throughout humanity? And, and I think that, you know, as John Lewis who just passed away recently, as a good friend, John Lewis would call it you know, I'm in good trouble. You know, our young people today a young Millennials are creating some good trouble pressing for answers on relationships, associations with entities they're involved with and with community and with social questions and civil questions. And, you know, questions are the quality that you know, they have a sense of urgency about today.

Jacob 07:59

Yeah. Couldn't agree more. And today, I think, last I checked, Home Depot has a market cap of over 300 billion over 400,000 employees, and is number 26 on the fortune 500. So it's I mean, it's completely mind blowing to think of how you started this company so many decades ago. And it's now one of the largest and most recognized companies on planet Earth. And so I wanted to kind of go back a couple years when you when you first started the company I mean, what was like? So you had this idea, you knew you wanted to do it? And what was the process like did you buy one store and then start there? Like, how did you go from the two of you guys to 400,000 people?

Arthur 08:43

Yeah, well, that's a really good question. You know, it's interesting. I went to a conference many years ago when Sam Walton, the founder of Walmart was alive and Sam was a conference speaker and at lunch. He was taking questions and somebody asked him, I think they had reached the first \$10 billion mark. And so they asked him well, you know, today, I don't even know what you would know what the volume Walmart is today, God knows, probably half the earth. But you know, I mean, Sam said, we just opened one store at a time. And they just added up to whatever they added up to.

Arthur 09:21

So, you know, I would say that in the case of Home Depot, we started out with the four stores in Atlanta, we, we made sure that model works. So we sat on those four stores and constantly refined the model for basically by listening to the customer and responding to what they were telling us, what was good, what they liked, what they didn't like, what they want to see more of and less of, SOP and wise, you know, services wise hours wise things of that nature. And then in September of 81, we went we

went, we went public, and, and we opened up four stores in South Florida. And I think one of the interesting things that That took place then right before that September, that would be in August, I had lunch with a gentleman who was the executive vice president for Goldman Sachs and his senior partners. His name was Joe Ellis. And Joe said to me, you know, we started your business in Atlanta, and it's incredibly successful, but you realize that the chance of you being able to export this business elsewhere is going to be very limited. I mean, your culture is so it's such a powerful part of this formula, and that your ability to sustain it and grow it is going to be very difficult.

Arthur 10:36

I thought about for a couple of weeks, and I sat down with Bernie one day at lunch, and I said, you know, Bernie had lunch with Joe a few weeks ago, Joe Ellis, and you know, I mean, he was one of the kings of Wall Street at that time, and we were just, you know, four stores startup company, etc, etc. And he said, he doesn't think that we can be successful elsewhere because our culture was so unique. In Atlanta, and we there was no way we could bring that culture to another market that far away. So I said, I've been thinking about it, you know, for a couple of weeks. And I will tell you the conclusion I've come to is the only way we can do this, because I basically agree the culture is really it wasn't really so much the products or the pricing of the assortment, all of that was terribly important. But the underpinnings all of what we did was this culture that was unique, that we only can do that is if we begin promoting people based on culture first, not could they literally just write it down and make a list, etc, etc. But do they live it? Are they ambassadors for it? Do they represent our values day in, day out? And if the answer was yes to those questions, they were ready to be promoted as a store manager, district manager, district manager or whatever it may be.

Arthur 11:52

So that principle of understanding that succession planning was going to be based off of culture and understanding these values and living them. Being able to demonstrate that kind of leadership, I think is really what sustained the growth of HD and I think today if you went to a shareholders meeting Jacob you would find out today and I try to go every year this year they virtually so I didn't go but every year the meeting starts out and the good gentleman running the company today Craig Menear who I hired probably 30 years ago is a great guy. He's a chairman CEO and president of company today start out with the same thing they have an inverted inverted pyramid up on a board which shows the customers on top and Craig Menear at the very bottom being on a servant leader role.

Arthur 12:38

Now used to be myself and Bernie, but the customers are always on top followed by our frontline associates. And then joining that right adjacent to it is a values wheel. And that values wheel is the same values wheel that we've used and apply to all these businesses today. And the beauty of the book is that you think about Well, those values they work at Home Depot because you started them there and we understand a retail business etc is that they work in a stadium, they work for football team, they work for a soccer team, they work for golf retail, they work for for guests ranches, they work for a foundation. So they work the same values work identically in all of these different kinds of institutions, producing the kinds of successes that we want with associates who really understand these

values and live them. So you know, that's the beauty of the story. And the beauty of the message behind the book. I think

Jacob 13:35

I was reading that the first store is actually built in spaces that you leased from JC Penney in I think it was 1979. And it's fascinating because I would imagine the 70s and 80s you had a lot of lot of competition. I mean, Lowe's was around you guys were around. I mean, there were a lot like there were a lot of these types of stores that were there. And a lot of these organizations have disappeared. There is no more JC Penney, there's no more Kmart, there's no more Sears. What did you guys do that allowed you to survive and not just survive? But I mean, you guys are even to this day, growing.

Arthur 14:08

Yeah, well what we did is that we kind of reinvented the industry you know, when Bernie and I left Handy Dan under the umbrella of this, you know, firing in 1978 we both had a lot of opportunities corporate wise to do a variety of different things, run different businesses, whatever it may be. But we had great self confidence and we loved the industry. We love the Home Improvement center industry, but we had said to ourselves, even though Handy Dan Home Improvement centers, which was the name of the company, was the most successful Home Improvement center company in America at that time, we said if we ever had to compete with a large no frills down market, you know, big box store with great low pricing, assortment services, service levels, etc. We never could have done it. So if we said we were the best. In the contrary, you know, when we're operating pretty much throughout the United States Primarily sunbelt, but pretty much the country we sell, we couldn't have done it. So I said, Let's reinvent that, you know, let's, let's start that.

Arthur 14:09

So we leapfrog the industry by seven or eight years. And because we were private, for the two years between 79 and 81, we would have competitors from Lowe's and every other competitor across the country, you know, many, many, many others that were very successful. And they would come in and visit our stores and they wouldn't see the numbers but they'd see the traffic, they would see the amount of inventory and there are stories behind that too, but we don't have time for those but they would see the amount of inventory the amount of people the level of service who committed to etc. And it would say, you know, these dumb jerks. I'm using a nice word now because it's not the word that they use, but these dumb jerks are going to go broke. They invested too much in space, too much in inventory too much in people and they're going to go broke.

Arthur 15:53

When we came public. At one end, we had a release on numbers to sell stock. People were amazed at what we're doing. And then debate came Well, you know would us is a local competitor, and whether it be in the southeast Southwest, you know, any place in the country, can we sustain ourselves against this organization and they believed that because customers that shop with them for many, many years they had a committed clientele, that they would just continue to shop with them, regardless of who was there. But reality was when you show the proper respect and humility to who you serve, the customers in this case, and understood that you know, they wanted the best assortments and the best prices and

the best value for their hard earned dollars that loyalty would would move in a direction that was most responsive to that.

Arthur 16:42

So every marketplace we went to, you know, we would do our thing and competitors will continue to do the same things they had done for 50, 100, 150 years in some cases, they would be out of business and people would shop on our stores and you know, the rest of it is self explanatory. But you know, Lowe's, to their credit, for many years did the same thing. And then finally, under one of their CEOs, I'm trying to think of which one it was not important right now. But the one of the CEOs, they said, you know, we really cannot beat these guys at the old game. If we're going to compete with them, we're going to have to have stores that are similarly size and in you know, what have you. And so that's what they've committed to over the years

Jacob 17:27

It's interesting, because they actually had a head start, right? I mean, I read that they were founded, I think it's almost 100 years ago now. So they had several decades head started on you. Still, you came into the game later and just kind of pretty much

Arthur 17:42

Well what they had done, Jacob is continued to operate their stores the same way they always did. They hadn't changed. And that model was was okay. It wasn't a bad model. It was okay. But you know, you know, as an entrepreneur, if you will, we're thinking about, well, what is it that customers really want beyond what they're currently seeing in the marketplace, and it was more assortments, it was low prices is high levels of service, which most people, most operators, most competitors view that, you know that compilation of commitments is being too expensive, too costly. But they didn't know is that our sales per square foot would end up being double, triple, quadruple what everybody else was in the nation.

Arthur 18:24

So, but behind all of that, the most important ingredient, it was a level of service we had in our stores. And a brief story I can tell you, which we talked about in more detail in the book is that the gentleman who was the CEO at Lowe's when I when I was running HD as a CEO at that point in my career, I retired and he had retired. And I was I was over in Augusta as a guest of somebody playing some golf and he left a note for me said if you're around I'll be on the putting green come over and say hello, etc. I said fine, I did that and he said to me You know, we visited 200 of your stores a year, 200 a year in the United States and Canada. And that point we had stores in Mexico and Chile as well. And we went to see those those too. And it was a couple things that were amazing to us.

Arthur 19:14

One was that every store, we went to no matter who we spoke to, whether it be a cashier, or a lot engineer, or a store manager, or a merchant, anybody who could talk to, they all understood your philosophy, they all understood the values of the business, and the consistency. And we could never copy that in all of our stores. So even though we had stores that were the same size, and products was similar and pricing was somewhat similar. We didn't understand the kind of commitment you have to

customer service. And so that part of our culture of listen and respond, put people first and including everybody and innovate on a continuous basis and leading by example and community involvement, getting back to those all those six core values. They didn't really understand them. They were just observers of them.

Arthur 20:01

And the result is that their sales per square foot, which you understand is a businessman, and retailing is a big, big generator of profits. Ours is twice theirs and is still twice theirs. Because we understood what, you know what commitment made to those core values and what commitment I made to customer service, which they really in their hearts, and they could observe it, and they could know it. But they didn't really know where it mattered the most where they were making decisions, making investment decisions, and making operating decisions that were just in conflict with that.

Jacob 20:39

Can you and this is a little bit not directly related to this. But in the book, you talk about a story that happened I think when you were 10 years old, about a robber, can you share that story?

Arthur 20:54

Yeah, you're going back in time Jacob, but yeah, I was probably about 10 years old. My father, as I said earlier it was a pharmacist he worked for his brother. His brother owned the drugstore school Owe's pharmacy was in Sunnyside small drugstore, conventional drugstore etc. and a weekend you know my brother and I would live in a one bedroom apartment and the apartment door wasn't really locked. I mean people kids used to come and go all the time. And so my father the doorbell rang, he went to the door, he opened it up with three men there, the knock him down. I remember hearing we had bikes bikes fell in the foyer when my mother and father used to sleep and went in there and there was a guy standing over my father with a gun to his head.

Arthur 21:44

And he said, you know, we want you know, we want the money. He said, we don't have any money. He said, Well, I know you own the drugstore and you take home the cash every night at that time, and oh, this is like foreign language to most people. That much business was done in cash and you would take it home, you know for the weekend versus, versus actually depositing it. But that's the way business was often done in any event. So he said, Look, my brother owns a drug store. I'm a pharmacist, I work with my brother, we don't have any cash here in the house, whatever we have, you're welcome to have, you know, have my wife here and two boys here, etc. and say, Well, you know, we don't believe you were going to search the house fine. They searched the house. They put my mother and myself and my brother in the in the one non bedroom we had which was a family room, living room, whatever you want to call it kind of thing.

Arthur 22:35

And one guy was sitting there with a gun in his lap. And my mother was giving him this is one of the areas what areas I got principal from in my life. My mother was, you know, she was in her early 30s. Then she was giving this guy a lecture on what he was doing was really not right. It wasn't going to be a productive career path for him. He was going to ended up in a bad place and they really should really

rethink their purpose in life and all this kind of stuff guys got again finally turns around while these images please shut up. So I don't think she did but at that point they took me put me in a bathtub, you know tied tied my hands my legs, put some tape over my mouth after I called him a couple of names and I remember one of the robbers said to me if I tell you mother what you just said to me, you're gonna get your mouth washed out with soap.

Arthur 23:29

So but I was only 10 years old at the time and I you know, I was using every bit of profanity that I knew which is you know, whatever it was 10 years old. And they left and I was the first one to get out of the tub and you know, as a wirey kid and I was able to get my hands untied and you know, we couldn't call the police because the phone lines have been cut but we finally they came and they finally found the people you know, I don't know several weeks later, but it was a was a story and living My mother who had an incredible principal, and she wasn't going to back off or back down from anybody, no matter, you know, whether it had a gun on their lap or otherwise she was going to tell him what was right. What was wrong, from her viewpoint

Jacob 24:12

And how did you bring that principle into your leadership style, whether it was inside of Home Depot or your sports teams or any of the different businesses that you have? Is that something that carried with you?

Arthur 24:23

Yeah, you know, I think so. I would say in this way that, you know, you're faced with difficult circumstances. I think all the time. You know, a lot of times, they're not always difficult. A lot of times, they're just, you know, Joyous decisions between to, you know, to win situations. But, you know, for instance, during this COVID period of time during the pandemic there and the resulting effect on our economy and social unrest, and everything we're all dealing with in the year 2020, which will put a big eraser to in the future. You know, I think you have some tough decisions to make and so you rely. And those core values and my mother was always a very principal person. The evidence that day was, you know, giving a lecture to this guy who, you know, I mean, was sitting there with a loaded pistol and didn't want it would only hear so much of it before he just told him to shut up.

Arthur 25:15

And I, as I remember, she probably kept talking anyway. So, you know, I think, you know, the whole notion of principal mattering speaking up saying what's on your mind doing the right things for the right reasons, my mother had an expression, do the right things for the right reasons and live with the consequences. I think that you know, one of these values that I mentioned earlier so you know, it's living a life that's based on values decision making based on values living a life that has purpose to it, so it's not a question of getting up in the morning and asking life you know, you know what, what, what can you do for me today, but life ask us, what can we do? What are the opportunities That you're taking advantage of to make a difference in the lives of other people. And I think younger people today thank heavens are asking that question more and more, you know, you know, I'm born, I have an opportunity, you know, what do I do with my life and business or otherwise, and business and otherwise, to make a difference in the world?

Jacob 26:24

If you were to walk into a company nowadays, a big, big corporate organization, maybe something the size of Home Depot or a little bit smaller. And do you think you would be able to spot who the good leaders are and who the bad leaders are? And if so, what would you look for to identify a good versus a bad leader?

Arthur 26:44

That's a really good question. I think because I get asked and you know, I think Jacob you probably get asked a good bit too, given your background, from younger people. Well, I'm graduating college What should I do? And I tell people this I tell young people the same thing, tell my kids the same thing. So you know, Uh, you know, find your passion, find what your interest is, whatever that may be, you know, everybody's different in that regard or, you know, forms of different and, and then find, you know, an industry and most importantly find a company in that industry, you know, organization institution in that industry that represents your values that connects with your spirit and who you are and what you're about and what you care about.

Arthur 27:25

So then you're connecting, you know, your work and making it kind of work play like this Zen philosophy of what we should be doing in life, and you connect it to an organization is living with a purpose that matches your purpose. So I think, you know, as opposed to, as opposed to running after a company that may have the best pe ratio or the May the best opportunity for high levels of profitability anybody else in industry and, you know, I'm not saying that's bad, that's a good thing. Obviously at HD, we did it and you know, many companies that we connect with and we try to compete that way with our teams in our ranch and our golf business, etc, to be the very best of the best.

Arthur 28:05

But you also you want to connect with associates who really feel like, you know, my time, my energy and this expression and I've used over the years, which I put forward to our associates, I said, well, you have to ask yourself is that, you know, is this organization is this institution is our businesses, whatever segment of business you're involved in, is really worthy of your life. So sometimes people look at me like, like, what does that mean? So what it means is that, you know, I mean, you're giving us 8, 10, 12, 14 hours a day, whatever, you know, whatever it may be, you're working long hours, you know, you it's takes a lot of commitment. You want to work with an organization. I don't want to say for but with an organization that you feel really matches up to what your inner energy inner passion is telling you is important in your life.

Arthur 28:53

And I think, you know, our role of a servant leader and being connected to our fans, our guests, our customers. With our associates, and with the communities and our philanthropy 98% of my state's going to be recycled back to the foundation to our associates, that means a lot, you know, they come home, they feel good about that they walk in the door, they, you know, their shoulders are back their, their, their chest is out, and they, you know, feel proud of what they've done all day and why they've

done it. So I think that kind of connection is really important today, young people are much more demanding of that than I think we were when we were younger.

Jacob 29:29

So as a leader, I suppose part of their responsibility is to help make that that connection.

Arthur 29:34

Yeah, absolutely.

Jacob 29:35

Okay. It's kind of follow up to the next question, but I suspect you kind of already answered it. And that is, is there something about leadership that you think most leaders today get wrong?

Arthur 29:47

get it wrong?

Jacob 29:48

Yeah. Something that a lot of leaders do, or that they...

Arthur 29:52

Yeah, you know, I think the ones I think the great leaders in their own businesses, their own industries, and I'm talking about and every manufacturer is Manufacturers service suppliers, you know institutions financial institutions. You know one of my good friends who read the book and made some comments in the back cover about his Jamie Dimon who runs JPMorgan Chase largest financial institution in the world.

Jacob 30:15

I was gonna ask you about him too

Arthur 30:17

Jamie has an incredible set of values. I tried to recruit him. We talked about that in the book for probably six months and came really close to being able to recruit him as my replacement.

Jacob 30:26

It's my next question for you.

Arthur 30:28

yeah, but uh, but someone like Jamie, even a really big organization, Jamie has great values. Very similar to the six core values we discussed in this book, you know, wouldn't be exactly the same but very similar. And he demonstrates those every day in his role as a leader. So it's a big organization worldwide, etc. But they understand that Jamie is going to lead based on on the values that are built into you know, his core and what he's expressing through the businesses and if they're going to be

successful, they better understand them. They be able to live them and be able to articulate them when they articulate by living them by making them happen in here, the business they're involved in.

Arthur 31:14

So I think that's what the great leaders know today. ones that are not great leaders. You know, they may send out a memo every other day reminding you to do this, and this and this next thing, next thing, but truth of matter is their behavior every day doesn't reinforce it. And so I think great, great leaders, they, they walk the talk or lead by example. And there are many examples in the book I give, you know, that which I think is really important, it means you're rolling up your sleeve and, and walking the talk and leading by example.

Arthur 31:45

And when you do that, not only is it set the right pace for everybody in the organization, but it also brings ideas to you when you're on the front lines and you walk into somebody else's footsteps. the footsteps of the front line associates with regards to the business you've seen, feel and understand things that you wouldn't ordinarily. So that is that something that you really can't replace by by just reading about it, you have to go do it yourself to feel.

Jacob 32:14

You also have a section in your book where you talk about the marriage of purpose and profit. And it feels like a lot of leaders oftentimes assume that these two are mutually exclusive meaning like, you can only focus on purpose, not on purpose and profit. But at Home Depot, you found a way to make both of them a focus what was the secret to doing that?

Arthur 32:33

Yeah and I think today, you know, I would say that that is being demanded. I mean, it was always something I think people wanted. I think the younger generation, the millennial generation is absolutely demanding that in the marketplaces today, they want to be associated to companies that are are very profitable because they, they want to be, you know, sustainable. They want to make sure that, you know, they're going to be around the future, but also companies that you know, take time to focus on you know, who they're serving-- on their associates on their communities, on the suppliers and stakeholders, etc.

Arthur 33:07

To it, I think if you look at the Business Roundtable in 2019, actually, under the guidance of Jamie Dimon, the chairman of that group, 192 of the largest corporations in America, they have changed their, you know, their manifesto from, we're here to give maximum return to shareholders, that we're here to do that, and at the same time, equally to do all the other things that I just described. So I think you know, and that's where young people, you know, that are looking for opportunities, that's where their head is today. That's where they're going, who's living that authentically, and who's just saying it, and the ones that are living authentically are going to track and keep the best talent, at least on I'm convinced that so

Jacob 33:50

I'm convinced very much of the same thing. You mentioned Jamie Dimon and I love the story that you talked about in the book. Can you go into a little bit more depth around how you tried to recruit Jamie Dimon and why he didn't end up becoming the CEO of Home Depot?

Arthur 34:04

Well, Jamie, I met Jamie through through actually Ken Langone, who was also one of the cofounders of the company really wasn't on the inside, but he was our, our financial, you know, Guru, if you will, investment banker for all the years that we were there. But I met him through, you know, through Ken, Ken knew him from the banking world did work with Sandy Lyle and a group of other people have been successful. And he had left us in a left Sandy under some difficult circumstances and he was available. And so I spent, you know, six months as I said earlier, trying to recruit him, he loved our business. And he loved our culture. He loved it, you know, this six wheeled culture that we talked about in the book and each one examples and he felt even at, share some of his working that he you know, he lived A lot of those values as well.

Arthur 35:01

So he had come to Atlanta, we go for a run every single day together, that's when I was running a lot Jamie was running too. And I would take him to lunch, his favorite places, we love Southern barbecue, we'd have Southern barbecue and stay over the house and my wife would, you know, cook him a nice breakfast or whatever. And so we hung around together for six months and did whatever we could bring him. And I think he was very close to joining us. But I think at the end of the day, Jamie said to himself and said to me, we become really good friends and are today. That, you know, I've invested 17 years and financial institutions. And, you know, although I do think the culture is very similar to what I believe in, it's a whole different world and I would rather try to build on on what I've already invested in for 17 years. And he's done an incredible job of that. So He, he and his wife are both really good friends, they have a lovely family and Jamie represents, you know, the kind of leader you'd want to work for if you're interested in that kind of financial institutional life.

Jacob 36:13

Well, you mentioned these, these six values, which we actually didn't get a chance to touch on yet. So maybe we can spend a couple minutes just going over what those six values are.

Arthur 36:24

Well, if you look at the value wheel there, you know, put people first and listen to respond include everyone innovate on a continuous basis, lead by example, and giving back to others. So the book talks about each one of these values, and gives you examples, stories, examples of how they apply in all these different buildings, businesses, and all these different settings. And, and you know, how they're there, what, what is the foundation and the bedrock for all of these businesses regardless of the environment that they're in.

Arthur 36:58

So You read the book or you've screened at gone through it, you know, any of these you want to talk about, we can talk about, we can give you some examples. But, you know, if somebody is looking for, you know, well give me some, I mean, it's nice when you talk about it, but give me some real life

examples of how this holistic people profit, you know, planet kind of approach to business today works. This is a great place to start or a great place to add to your inventory of knowledge. So I would encourage not to try to sell books, but I'm trying to, you know, share with other people the success we've had in being able to run a business that has these values and demonstrate these guys every day gives back every day, and yet produces at very high levels of levels in terms of profitability.

Jacob 37:47

Well, let's start with one because I know a lot of people who listen to the podcast are leaders in some capacity. Maybe they're entry level or maybe they're more senior, but the lead by example is one that I particularly like

Arthur 38:00

Well, I'll give you one story, which I talk about a little bit in the book goes back to the days of HDR if you're talking about current ones as well, but one HD, we, for our listeners who may not know what a compactor is, is what you used to take, you know, you get all this car gated material and inventory into a retail store, take the inventory out, you put it on the shelves or display it or whatever it may be and have all this corrugated material. So there's a lot of air and whatever reason we're going to start up company and you know, we're doing things on the fly. And you know, we didn't get our compactors until, like two weeks after we started receiving merchandise. And I was working in one of our stores and I was had my sleeves rolled up like everybody else. And when our compactor came in our receiving areas in our store had gotten so congested with all this car gated material that we literally couldn't receive any more merchandise.

Arthur 38:58

So I spent, you know 24 hours in the store literally running the compactor and compacted, almost material. And, you know, one of the guys went up to the store manager and said, You know, there's this nut in the back. He's been here for 24 hours, hasn't left, he's compacting all this stuff so we can get more merchandise intact up on the shelves. I mean, I don't know who he is, but you ought to consider for a promotion sometime. The manager said by the way, he's one of our founders. So you know, that's an example of leading by example.

Arthur 39:30

And I'll give another one that is kind of funny in our stadium, Steve Cannon who's our CEO of all of our for profit businesses other than ranches, and Steve within the stadium and he has his program, you walk in my shoes, which basically means you do the work of our frontline associates. So he was running at a concession stand at the concession stand the way the french fries were being packaged produced and sent down the the delivery mechanism to the person was giving it to the customer about a third of the fries were falling out because the packaging wasn't done correctly. So Steve, obviously noticed that and he went back you know, you know we take great pride in our food and beverage because we do tremendous volume as we were food and beverage pricing is, is that what we call street pricing is half of what everybody else's is in America. So we do an incredible amount of volume in our stadiums as a result of that but we had to change the way the package was in, you know, then all the fries that were being cooked and everything actually got delivered to the customer instead of half of them spilt in the conveying process.

Arthur 40:40

So, I mean, every business that I've been in Home Depot's putting on an orange ape and walk into stores talking to the customers talking to the associates when I go to a PGA Tour superstore. Walk around you know, talk to customers. How are you being fitted, is everything okay? You need anything you want anything And we don't you know, nobody's on commission. We're here to fit you with the best product that we can. And if you can't play like you know, Tiger Woods, we'll make sure you look like him. And we'll have all the power to make sure that's the case. So whoever your favorite golfer is male or female. So it's really you know, you lead by example by understanding

Arthur 41:20

I'll give you one more quick one happened last summer at our guest ranch that we opened. I was sitting in the bar at night and having good drink and I heard our guests were packed in their place and the place and I heard a couple of guests you know that the restroom around the corner is plugged up it's not working. So I didn't I didn't call anybody I went in there and I you know, I flushed it and fix the the commode and then I went down to just check on one of the other commodes was one other one that was also stuck, you know, stuck up and I fixed that one. I didn't tell anyone, I just went back and sat down.

Arthur 41:39

Well the next day you know the associates were saying, you know, the owner was fixing commodes last night. And you know, to me it wasn't a big deal I just you know, I didn't tell our our guests because it's not important but you know it's important for you associates to feel it was no job beneath me you know job beneath that leader wherever it may be that they're all this leaves and the truth of the matter is and this is the God's honest truth Jacob I used to come back to meetings at HD or in all of our businesses now. Our Ranch is where I spend a good bit of time over the summer, you know, with my family, etc, etc. And people say to me, how is it you know, so much about what's going on here or there and elsewhere? And, and the response is always the same as that because I spend time you know, watching our fans, our guests, our customers, I spend time assisting I spent time working at the ranch, we do this dinner ride every Wednesday night and we talk about it you know, we have a couple hundred quarter horses on our ranches. So it was you know, the dinner ride is a big deal.

Arthur 43:01

And we have a woman who's been working for us for 29 years as a baker. She's famous throughout that area of Montana truly is a baker but, anyway she makes like 20 different kinds of pies. Every Wednesday night after we get riding down there, after we have dinner I rolled up my sleeves, and I served pie to 150, 125 people. And I'm happy to do it. And they say as the owner, oh my god, what's he doing serving pie to us? Well, you know, it's another way for me to send a message to our associates that are there and to the guests that we have there, that no job is beneath me that I'm there with them. I'm side by side with them.

Arthur 43:37

Same reason the fourth quarter of an NFL game, I go to the sidelines, I'm not I'm not with the coaches not with the players which mean the goal line and the 35 yard line, safe territory. I don't talk to anybody but they know that I'm there. They know that I'm with them win or lose that are with them. I'm standing on a with and I'm not sucking on some drink up in my suite. So So, you know, that kind of identification, both from a learning standpoint and from a connection standpoint, to our associates and to the people we're serving is is really important. And the level of knowledge you accumulate by doing those kinds of things is irreplaceable.

Jacob 44:17

And I'm actually looking at the mountain sky website as we speak. I'm going to have to take my family out there,

Arthur 44:23

You should. You know I will say this, I'm not bragging, just just reality. So these values, you know, I mean, you might say, well, sounds great. I mean, how do they translate into like, like real money. 96% of our guests at Mountain sky in a place is not inexpensive. It's priced competitively, but it's not inexpensive. 96% of our guests before they leave the ranch after staying for a week. They sign up for the same cabin the same week, the following year. 96% that's a marketing budget is zero, because our word of mouth is 100%.

Jacob 45:00

That's amazing. Well, I wanted to I know we only have a couple minutes left. So instead of jumping into one of the other values, which people can learn about by grabbing the book, I wanted to jump into another story because it sounded like things were going very, very well at Home Depot. And then things started to go down a little bit as a new CEO took over. And the book you talk about some of the challenges that were there, and I think the, the next CEO was Bob Nardelli, right, right? Correct. Yes. Can you share a little bit about what happened there?

Arthur 45:36

And I you know, I mean, I think the important part of that story, and I think that, you know, Frank Blake, who took over for Nardelli and Craig Menear, who took over for Frank, and both Bernie and myself would say the same thing. And it's a really good example, how one person even with it was a quarter a million associates when I left the company, how one person can make a difference, particularly you One person to a point of a CEO or leadership position. So Bob began to make decisions that will counter our culture. I mean, Bob made a whole bunch of decisions that would increase our profitability short term, but would diminish our values on a long term basis,

Jacob 46:16

Can you give an example of what some of those decisions were?

Arthur 46:18

Sure, I can give an example. An example was, we put the level of training we, we took up, we treated our part time people same as the full time people. In terms of training, you say, Well, that doesn't make sense, because they're only working part time. So why would you invest as much money because the

idea was that when a customer was walking the aisles in a home depot store, they didn't know if Jacob Morgan was working 10 hours a week, 20 hours a week, 40 hours a week or 140 hours a week, and they didn't really care. When they walk up to Jacob Morgan, and they asked a question about plumbing or electrical or, you know, garden department, whatever it may be. I mean, they expected him to have an answer. So you know, we had to commit the same way. Have a training to Jacob as he was anybody else.

Arthur 47:03

So an example was Nardelli cut the training. So he said there part time people only give them part time training. Well, you know, in terms of profitability, immediate profitability sure that whatever you saved you saved, but long term what you were hurting, and it was very clear that we're hurting it hurt him over a short period of time then became extended, is that you hurt the long term relationship because the customers then could see a different level of service. They didn't understand why that Jacob Morgan suddenly didn't understand what the hell he was talking about. He was in the plumbing department, but he had no answers for anything having to do with plumbing, because he wasn't properly trained.

Arthur 47:40

So you know, you can relate that back to our PGA business today. And our golf business is doing incredibly well. You know, it's just running in unbelievable levels. But even if we're short staffed, we bring in new people to operate on the sales floor. You know, we don't put them on the sales floor until they're properly trained. We would rather ask the existing people on the sales floor, do us a favor for the next couple of weeks, we ask you to work some overtime. So we can train these other people before we bring them to the sales floor. So you know, it's, you know, we and that's our core philosophy, we don't want to expose them to customers and have them fitting clubs improperly, or balls improperly a clothing improperly, or whatever it may be, because they're not properly trained. They have to be properly trained. Same thing in our stadium today. Nobody gets to interact with any of the people in this 5000 on game day in our stadium, those 5000 people, they don't get to interact with any of the people coming into the stadium until they're properly trained. And even if we're short staffed, we're not putting improperly trained people on the floor, on the floor of the stadium

Jacob 48:49

So when, when this happens, so obviously I'm assuming people were a little excited in the short term because they're like, oh, my goodness, look at the profits are going up. But then over time, like you said, it's starting to have a negative impact on Home Depot.

Arthur 49:01

Yeah, it did. I mean when you look at the performance of the company after, you know, the first couple of years, I mean, they're all these. I mean, there's so many ways in every business, Jacob and you've been connected to a lot of businesses, there's so many ways you can compromise in any virtually any business today, and to increase your profitability over a short period of time, but often you do it by you really, you're not just cutting away fat and you're cutting away the muscle, and eventually you're cutting away the bone. And when you do that, you know, it may not show up immediately, but it shows up soon as soon thereafter.

Arthur 49:36

And that's what happened during that period of time is that, you know, the decisions were made that they're really cut at the core values of our of our company. And after, over time, the customers could see the difference and Associates could feel the difference, you know, as as Frank Blake took over for Nardelli, he would say, you know, the beauty of this culture is that, you know, despite all of the I wouldn't say intended efforts, but even the unintended consequences of you know, short term thinking, and not understanding our values properly, that decision making led to some really bad results and bad customer service and that was reflected in our volumes reflect innovation and profitability.

Arthur 50:17

The beauty was that the culture was so embedded in so many 10s of thousands of people that that culture, the embers never went out. It was always like, you know, we think of you days around a campfire and you go to bed at night and the campfire is roaring. If it's a well made fire in the morning, you know what, it's still it's still it's still hot, still hot fire there. So they were able to reignite the culture and bring it back to where it was then, before Nardelli when Bernie and I were there, and since now, it's incredible levels as well.

Jacob 50:49

I think in the book, you say that the first thing that Frank Blake did when he took over was he reached out to you and Bernie.

Arthur 50:56

He did Yeah, he called us. I mean, you stop to think about that, a guy becoming CEO morning, you know, major company, New York Stock Exchange company, I meant just, you know, a million things, suppliers, associates, you know, things going on stakeholders, investors, and he called Bernie and myself and he wanted to get together like that day if we could, and I had lunch with him. And I think Bernie met with him later that day or dinner that night, whatever it may be. And we both, you know, over the time, Frank is, is retired now, and Craig is there. But, you know, I see Craig on a periodic basis, anything I can do to help the company I do, and any variety of ways. So, and they're deeply appreciative of that. And Craig, and he acknowledges you read the book and acknowledges that and one of his comments in the back of the book that the greatest inheritance he got from the founders was this culture. And its culture is what we talked about in the book and how it's come to life in all these existing businesses.

Jacob 51:56

So there are few other particular stories that jumped out When I was reading the book, one of them was the Bowater store that you had. And it seemed like there were a lot of managers who didn't change despite I read, even somebody taking what was it like a bulldozer and driving through the manager's offices to tear them down.

Arthur 52:14

Yeah, well, yeah. I'll tell you a quick version of that. That was one of the mistakes I learned is that we tried to change, there were six, there was some sorry, there were, there were nine stores we required in Dallas in New Orleans and Shreveport and Mobile, Alabama. And so we thought, even though the

stores are doing, they're about the right size, real estate wise, but they were doing a fraction of the volume that we were doing, probably per store, probably a quarter to a third of the volume we're doing per store. But we didn't want to give up the volume. So we said let's try to change the stores, change the merchandise mix, change the training, inject our culture, into you know, into the stores while they were operating.

Arthur 53:01

And we found out that you know, one of the things you really can't do is that, you know, it's, it's, we talked about this in the book at some length how to avoid this, but, you know, you try to change the tires on a car going even 10 miles an hour. It's a pretty painful experience. So sometimes we have to do is just stop it, change it and then go forward. And that's what we eventually did stop changing going forward. But they were so rooted in the elements of being a store manager and being in a managed in a store in this little element of an office that are one of our district managers to make his point he got on a forklift. And he was operating the stores in Dallas. It went from store to store to store and with a forklift one day he knocked down all the managers offices, because he was making the point is that we didn't want you in office. You want you on the floor, talking to the customers talking to their associates. Understanding the business seeing it wasn't you weren't going to get answers out of a stack of papers sitting on your desk.

Jacob 54:07

It turns out that I guess you ended up having to let go of the managers because nothing you did would get them to change.

Arthur 54:12

Yeah, well, really, you know, and that's, I think another learning that I think that sometimes, you know, you're trying to change somebody, you know, core philosophy about culture and what that means and our values, etc. Sometimes you can do it and sometimes you can't, and they were so embedded in the way they were doing business that they just couldn't see it any other way. So we basically had to change out all the people over a period of a couple of years.

Jacob 54:40

Okay, so let me jump to one more question then. And this is actually a quote that I really liked from Charles Lazarus that you had in the book from Toys R Us, and just want to read the quote, and maybe you can comment on it. And he said, the hardest moments are when you have to look at a person who helped you get to 1 billion and realize that person can't help you get to 10 billion. So for leader, I mean, what do you do in that situation?

Arthur 55:29

Well, you know, that that conversation took place at the conference, I think I mentioned earlier that Sam Walton was speaking at and Charles was offered to take me to lunch and you know, at that point, you know, I mean, Toys R Us was, you know, one of the great retailers in the world. And so I went to lunch and you know, asked him will tell me, we have this, you know, fledgling retail company, and you know, what's going to be the biggest challenge he said just what you described Jacob, so You know, what it really means is that it doesn't mean that you get rid of people, it means that you just have to realize

what the limitations are. And you know, we use the succession planning model of the, of the nine box approach, if you will, box you know, each box is a different description, but essentially they become, if somebody's really good at what they're doing, but they have no capacity for growth and at some point, we all reach our limits. They become what I call a box three associates which means they're excellent at what they're doing. But they really they reach their you know, their reach this another version of must express used to be the you know, in your reach that, you know, that that Pinnacle and you make another jump and you can't go any further.

Arthur 56:46

So whenever you reaching that point, it means you just you recognize the limitations. You recognize the values that they have and value that they can bring to the organization. You keep them in place. You just don't promote them. So it means that their compensation moves you know more along with CPI, whatever else and and you appreciate and value what they do. But they may not be somebody you can build on in the future, you may have to look for somebody else who's not only good at what they're doing but has capacity for growth.

Jacob 57:19

Got it? No. Makes a lot of sense. Well, I mean, you've clearly created a remarkable company even though I know you didn't leave. It was kind of tough, as you talked about in the book, how you ended up leaving. But it's, well, maybe you can just share one quick story there and then we'll we'll wrap up Can you share how you ended up leaving Home Depot?

Arthur 57:37

Well, I think I had I had made a decision probably nine months, maybe a year before that I had done it for like 22 years and I you know, I love the company, etc, etc. But I really felt that I really wanted to do something else. It was exactly what it was gonna be. But you know, I was ready, you know, and Bernie, I think pretty much felt that way as well. Well, and we had groomed, I don't know, 8- 10 people to take our places over the course of the last probably 10 years we were there. And we lost them all. one reason or another, but primarily because they became so wealthy, they lost the eye of the tiger. So that's, you know, that's one downside of becoming so successful.

Arthur 58:20

So, anyway, I was chairing the succession Committee for the board. And that was when we looked at Jamie Dimon and tried to recruit Jamie, you know, hard worked on that. We had another individual who now is the lead director on the board. His name is correct Greg Rudderman who I felt and actually our associates felt our management team felt would have been a great CEO. I think, you know, I would have been, he would not have you know, he would not have made the same mistakes that Bob Nardelli made, because he understood our culture and lived it but at that point, Jack Welch, Ken was on the GE board. Jack made it clear There were three people in the running to take his place.

Arthur 59:03

The two that didn't take his place he was going to release. GE was you know, very high performing one of the highest performing industrial companies in the world under Jack. And so one of the people was,

you know, that let go was Nardelli And, you know, Ken has, you know, like I do, but Ken has a, you know, a great sense of urgency, let's get on with it, let's do it, you know, etc, etc. And he really would say, what's the right word is but he really, you know, ramrodded maybe there's a better word for that, Jacob so your viewers can listeners can think of a better word, but you know, he really pushed through Nardelli without all the processes that we ordinarily would have gone through and turned out that that was a mistake, you know.

Arthur 59:55

But, you know, Bernie and I have talked about it, you know, a number of times, then Is that you know, people would say well you should have had somebody in place ready to run it I said well we broke our ass trying to do that we had a bunch of people that we felt could do it and and they left because they retired they made you know, millions and millions of dollars and they just wanted to didn't want to you know, continue to stay in the hunt that way. So I think the importance of succession succession planning that is so critical in companies, particularly if if we depend on an untouched in a cultural philosophy, where it's not like just a product being manufactured and do you have the best product you have the best manufacturing good produce the product, but a company that's based on services and cultural beliefs you really, you're really better off promoting from within always

Jacob 1:00:52

Couldn't agree more. Well, Arthur, thank you so much for taking time out of your day to speak with me Where can people go to learn more about you or grab your book

Arthur 1:01:01

It's being published by Barnes and Noble in the middle of September. And they can pre order the books now from a variety of places. And it's, I think it's an easy read. I think it's an important read for people that are looking for some real life examples that they can relate to, of how to build a culture and a variety of atmospheres and maintain that in a very holistic way that meets the purpose filled lives that people are really demanding today.

Jacob 1:01:34

As somebody who's read the book, I can attest to that. So Arthur, thank you so much for joining me. I really appreciate it.

Arthur 1:01:40

Absolutely. Thank you. You take care of yourself. Thank you very much.

Jacob 1:01:42

Likewise. Thank you. Bye bye.