Home depot

Robert Nardelli faced many challenges when accepting the position of CEO of Home Depot. In the short term, he had to regain shareholder confidence by proving that Home Depot had a fiscally-bright future.

He also had to transform his management style, that was developed in manufacturing and Six Sigma at GE, to accommodate the requirements of a retail, customer-focused organization. Additionally, competition was becoming more fierce with major retailers like Wal-Mart expanding their home improvement departments and direct competitors like Lowes stealing away the core market share by catering to the growing population of female do-it-yourselfers. All of these challenges had to be accomplished while concurrently transitioning the de-centralized, “ high-spirited” culture of Bernie Marcus and Arthur Blank into one that Nardelli felt would foster the future growth of the organization.

To overcome these substantial challenges, Nardelli had to generate excitement and buy-in from his employees and help them navigate through these changes, both culturally and structurally. After leaving GE, Nardelli came in and advanced Home Depot using a pseudo-militaristic approach that focused on metrics, processes, programs, disciplined structure, and a determination to win. Nardelli had a three-part strategy: improve the profitability of the core stores, expand the market by offering value-add services, and enter the wholesale contractor market. His analysis for these decisions focused on quantitative assessments, not the anecdotal/ qualitative measures previously accepted at Home Depot. He had a quick and deliberate hand in his decisions– if it was going to happen, it would happen quickly. An example of this was the new centralized purchasing function that was in place within 90 days of his appointment. “ The restructuring was a bold and risky business move, the equivalent of a heart transplant for a big retail company, and it had to be done without missing a beat.” Nardelli knew it should be successful, but he had to wait and see if the rest of the company agreed.

Nardelli followed John Kotters “ Leading Change” model in his urgency, his development of a team that he could trust, and his creation of a vision, but thats where the similarities ended. He struggled to communicate his plan in a way employees felt comfortable with and he limited the power of others to act on the vision he planned. Rather than getting some short-term, highly visible wins as Kotters model recommends, Nardelli initially focused on “ problems that werent readily apparent either to employees or investors” such as “ poor inventory turns, low margins, and weak cash flow.” His communication with the employees was labeled as “ Bobaganda” and his policies became marching orders, only communicating procedural information, not why the changes were important or how they were in the best interest of the company and employees.

In hindsight, Nardellis changes were both unsuccessful and unsustainable. Nardellis approach has shown positive financial results (78 percent in revenue and 147 percent increase in earnings per share) but has been noted to demoralize the staff and create a “ culture of fear causing customer service to wane.” Other concerns include the high turnover rate of the executive staff, the 8% drop in share valuation over 5 years, and a leader who seems to rule with a myopic and unchecked iron fist. The increased perception of bureaucracy and directive leadership will continue to alienate the long-standing employees who were passionate about spending their time with the customer.

This concern is confirmed in the University of Michigans 2006 American Customer Satisfaction Index, which showed that " Home Depot slipped to dead last among major US retailers." When customer service erodes, sales follow and all of the best laid metrics, mechanisms and expansion strategies wont protect the core business that Home Depot was founded upon. To implement sustainable change, Nardelli had to permeate all that the company does with his message and allow it to become a normal part of the workplace over a period of several years– Nardelli moved so quickly he missed key steps of communication and empowerment and ultimately his proposed changes will not become a part of the culture, unless he makes substantial changes to the current implementation. Moving forward, Nardelli can take certain steps to improve Home Depot??™s culture and performance. For one, he should change his approach from operating as a CEO who caters only to shareholders to one who considers all stakeholders, which also includes employees, customers, and community. By focusing on the customer experience, he can empower his employees and still implement metrics. From utilizing personal shoppers for customers lacking confidence in a project to web-based pick-up services for the tech savvy/ time crunched consumer, Home Depot can start to take back the market share it had lost to Lowes. Nardelli could have found great benefit in taking 90 days to obtain an initial ??? read??? on the company to improve his understanding, rather than diving into implementation within his first 3 months.

Moving forward, Nardelli should get ??? in tune??? with his employees and the home improvement business by establishing a positive and patriarchal presence throughout the firm. He must capitalize on being business and data-savvy but not lose sight of the political realities of being a modern-day CEO. He can accomplish this by visiting stores around the country, in both announced and unannounced visits, and understand the challenges and concerns facing employees who interact directly with customers.

Nardelli can also learn about Home Depot??™s competitor, Lowe??™s, by sending employees to Lowe??™s stores to see what Lowe??™s is doing differently and successfully from an operational and corporate culture perspective. By doing so, Home Depot can benchmark against Lowe??™s in order to lure customers back to Home Depot. These changes and a better communication plan could help Home Depot get back on track.