



# The Human Investment: *Capitalize on Your Greatest Resource*

by Keith Harris, Boozier Lumber Company

**“All progress occurs because people dare to be different.”**

—Harry Millner

## **A**voiding Commoditization

Increased competition, unstable material costs and consolidation of our customer base should force the building components industry to take a long, hard look at itself. Instead we find ourselves fighting decreasing sales margins while continually taking on ever increasing risk. In the 1950s when trusses emerged on the scene in the evolutionary process that saw truss plates replace plywood gusset technology, the industry was much easier to navigate. In the last fifty years exponential changes have occurred in building code requirements, driving structural engineering into an industry of its own. Today our industry is dominated by production builders who are looking for suppliers to consolidate products and services to shift liability, maximize ROI and do both while driving down the costs they pay for building materials and structural components. I write this not to sing the blues, but to point out the incredible opportunity the changing market presents to those willing to accept it.

**Depending on the size of your business or your position in that business you may find yourself disconnected from the very customer you need most to understand; hence the need to invest in the people with the line level understanding of your customer's business.**

If you are a privately held component manufacturer, the perils of commoditization may have already become apparent to you. Your size in comparison may restrict your participation in the economies of scale enjoyed by your national supplier competitors. Hiding behind cash flow to weather the storm of slipping profit margins is a short-lived strategy. Need we look past the corporate mandates to reduce costs by two percent per year issued by the production builders to see the writing on the wall? Just as we look at the lumber or steel we purchase as commodities to build our products, our customers are beginning to look at our industry as a whole as a commodity necessary to build their products, homes. Think of it as a person wanting to buy a car without regard for details like manufacturer, make or model. The car is merely viewed as steel and plastic situated on four wheels.

The publicly held companies are not immune to this threat. They also see customers and competitors chasing business resulting in razor thin profit margins. The corporate hierarchy often slows reaction times especially when decisions need to be made between relationships and short-term profits. The sheer size of the business also presents challenges between the line level understanding of the customer's needs and the desires of the stockholders.

### at a glance

- ❑ Listening to the market through your employees that are closest to it may be your greatest strategic advantage.
- ❑ We are in a new age of marketing our companies and building brand loyalty.
- ❑ Utilizing your employee's unique perspectives and qualities will make your business unique.

**Okay, most of us can't afford to contract Michael Jordan or Tiger Woods to help us sell trusses, but we can invest in a resource even more powerful: human capital.**

### Separating Ourselves from Commoditization

When facing looming commoditization, the first reaction of any business or industry seems to be the investment in better technology to help control soft costs by improving reporting and/or streamlining processes and procedures. All in all not a bad plan, but it can typically only create a short lived advantage. In the telecommunications world we have seen it is often best to be second when it comes to innovation; just ask AT&T. The one bit of truth where technology is concerned tells us it continues to get cheaper and therefore more accessible. Relying on technology only gives our competition the opportunity to catch up by copying our processes or procedures without the pain of experimentation. Technology is also rarely seen by our customers. Most don't care how we get the job done; they just want it done on time for the lowest possible cost.

If we can't fight the commodity war by WOWING our way to higher profit margins with the smoke and mirrors of technology, where does that leave component manufacturers? If we understand the economy in which we are actually participating, the picture I've painted becomes much brighter. If it's not about the economy of scale or technology, what is it?

### The Economy of Emotion

The economy of emotion is the reason we are willing to pay five dollars for a cup of coffee, or a hundred dollars for a pair of cross trainers, or thousands of dollars for a watch that does the exact job of one we could buy for forty bucks. It may sound like a crazy idea, but our industry is really not that different from the world of brand names like Starbucks, Nike or Rolex. How many times have you used the excuse of not closing a deal because of an existing relationship between the customer and your competition?

Customers make the decision to buy for many reasons: a better price, a new product, a more convenient store, a better sales pitch or advertisement, or a better selection. Getting them in the door is the easiest battle we fight. For customers to stay, we must build some emotional connection; loyalty to our product or service.

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## The Human Investment

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This is also the key to creating our brand's identity. The long-term practice of using spokespeople in advertising hints to the power of creating the customer's affiliation with a product. Okay, most of us can't afford to contract Michael Jordan or Tiger Woods to help us sell trusses, but we can invest in a resource even more powerful: human capital.

## Use Employees to Brand Your Product

Manufacturing structural components or offering framing services may not be as sexy as a new Corvette, but the emotional connection between businesses and individuals still applies. Brand loyalty is not created through web sites and catalogs. It is created by focusing on personal connections and a deep understanding of the customer we're serving. Depending on the size of your business or your position in that business you may find yourself disconnected from the very customer you need most to understand; hence the need to invest in the people with the line level understanding of your customer's business.

For many years corporate America has taken a short-sighted approach to the importance of human capital. Wash-out programs have become all the rage, backed up by one-size-fits-all training programs designed to create processes and procedures that make it easy for employees not to think. This type of micro-management only has its short-term advantages. Total control can move the business forward, but it can only grow so much before the leadership can no longer wrap its arms around the volume and must choke down the growth or make the decision to change its philosophy.

Our employees are our only sustainable competitive advantage. It takes a leap of faith for some of us to decide that the best way to deal with the threat of commoditization, consolidation and increased competition is to focus fanatically on our employee's personal development. This leap may be easier to consider in the framework of these ten points:

1. Our line level employees present the greatest opportunity to gain a deep understanding of our customers' business.
2. Empowering our employees to leverage their unique perspectives and qualities will build much stronger business relationships.
3. The willingness of individuals to hold themselves both accountable and responsible will always trump technical skill.
4. Today, more than ever before, employees have far more choices in where and how they will work.
5. Sustained success of any business is predicated on how well we understand the motivations and dreams of our employees.
6. The happiness and success of the individual is not broken into two parts; home and work. They are one in the same.
7. Employees should not be made to fit jobs—jobs should be made to fit employees.
8. Foster an environment of creativity, flexibility and continued learning and employees will deliver far greater results than any job description, policy or procedure we can write.
9. Build a culture that focuses on the employee and the employee will build a business that is customer driven.
10. Listen to your employees. Lasting positive change doesn't necessarily come from the top. Lasting negative change almost always does.

## The Choice is Yours

One of the only ways to avoid commoditization, consolidation and economic pressure is to separate your company from the fray. Your business was built through an entrepreneurial spirit and you have a choice: renew that spirit through the unique talents and perspectives of your greatest asset—your employees—or become a commodity. **SBC**

*A special thanks to Ed Buck for supporting the development of this article. Stay tuned for future articles from Keith Harris on personnel development and training. Keith Harris is the Vice President of Sales Support for Boozer Lumber Co. in Columbia, SC. Many years of his career were spent in the music industry as a business manager building tour sponsorships through partnerships with companies such as Budweiser, Miller Brewing and Bacardi Limited. Keith joined Boozer in 2000 and focuses his energy on the process management, teambuilding, personal and professional development of a staff designed to support the company's business development initiatives.*



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