

# Creating a Cultural Competitive Advantage

## Challenge

Pet Food Express opened its first store in San Francisco in 1982. As the pet supply industry grew, they created a niche for themselves that combined leading-edge pet nutrition with the best employee training and customer service in the industry. The remarkable commitment to building a customer-centric company fueled Pet Food Express' steady growth from 6 stores in 1994 to 63 stores in 2017, transforming it into an acclaimed industry leader. However, Pet Food Express faced stiff competition from big box stores that had come to dominate the national market through sheer size, brand recognition, and aggressive advertising and sales. Considering these market realities, company leaders became convinced that their primary competitive advantage was the unique culture of Pet Food Express—the special way that their employees work together and serve their customers. If they were to continue growing profitably, they needed to prioritize and preserve their culture. They also recognized how the very growth they were pursuing could easily disrupt their operating culture, the loss of which would likely alienate the fanatically loyal customer base so critical to the company's success. Pet Food Express' management knew they needed a systematic way to sustain their culture through effective team performance management as they continued to pursue growth into the future.

## Solution

It was with this need in mind that Terry Lim, the company's chief operating officer, read *Leadership and Self-Deception* as his first assignment in a new business book club. Immediately,

he knew he had found the framework of ideas that would provide the company's foundation for ongoing growth. "I stayed up all night reading it," Terry said. "It was immediately obvious that this was the way—this provided the structure, the language, the philosophical underpinning for our company culture." Terry and others in the company became certified as facilitators of Arbinger's training programs—programs which have now been delivered company-wide.

"There is real substance in the training," Jose Sanchez, a Bay Area store manager, remarked. "It provides a guide for everything we do." The training is reinforced periodically in refresher courses. Just as importantly, company employees from at every level apply the Arbinger principles in all aspects of their work from customer service to team performance management. The executive team, for example, ensures that company policies and practices invite, encourage, and reward an outward mindset across the organization.

Similarly, Petfood Express has applied an outward mindset to its team performance management philosophy. Leaders give each employee the decision-making authority to do what is right for fellow team members as well as make decisions that impact customers. "We're expected to really help, off-script," one employee in her late teens said. "I love working for a company that trains you to do the right thing and really take care of the customer, and then allows and encourages you to actually do that."

Though fun, lively, and warm, the company culture is anything but soft. A central feature of that culture is the sharing of straightforward and honest feedback, stemming from a genuine desire to help employees grow. "You can't get sustainable change in a store until everyone is connected and communicating," Kellyn Fuller, a store manager, commented. "And it's not always a soft approach—sometimes you need to be direct with staff about what they need to work on. But it's how you deliver that message that really determines your

impact.”

As Amy Vargas, a district manager, noted, “Now that I have the tools, I don’t hesitate to give the truth.” This helpful honesty and directness is the foundation of the way Petfood Express approaches team performance management and is at the heart of the trust that exists at every level of the company. Kathy Bretz, a district manager who was promoted from within the company from a sales associate position all the way to district manager, believes it is this trust which has proved critical in maintaining the culture through Pet Food Express’s aggressive growth. “Our customers trust us, staff trust us, we trust each other. It’s about honesty and expectations.”

## Results

As a result of their systematic approach to developing an outward mindset in every employee, Pet Food Express has successfully maintained and deepened their unique culture while growing to over 60 retail stores throughout California. For seven consecutive years, the company has been honored as the recipient of a “Bay Area Top Workplace” award, a distinction based on the ratings of company employees. It is the only retail company so honored. The company has also been recognized multiple times as “Retailer of the Year.” In 2015, Business Insider spotlighted Pet Food Express as one of “25 Companies That Are Revolutionizing Retail,” highlighting the company as a true innovator in its industry.

Although Pet Food Express has seen their competition mimic many of the company’s initiatives, Terry Lim is not concerned. “They routinely copy the wrong things,” he says. “The deep-rooted culture that drives the way we treat people is what drives our success, and that is something our competitors simply can’t, or won’t, copy.”

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*Terry Lim – COO | Pet Food Express*