

# Inc.



# Graniterock

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## **The Change Masters**

Threatened by new and better-funded competitors, Granite Rock creates an organization to consistently stay two steps ahead of its adversaries. **INC./MARCH 1992**



## **How're We Doing?**

The 100-year-old, family-owned Granite Rock Co. shares its annual report card from customers and tells us just what they've done with this info. **INC./MAY 1991**

Like most companies these days, Granite Rock was threatened by new and better-funded competitors. So it created an organization that consistently stays two steps ahead of its adversaries

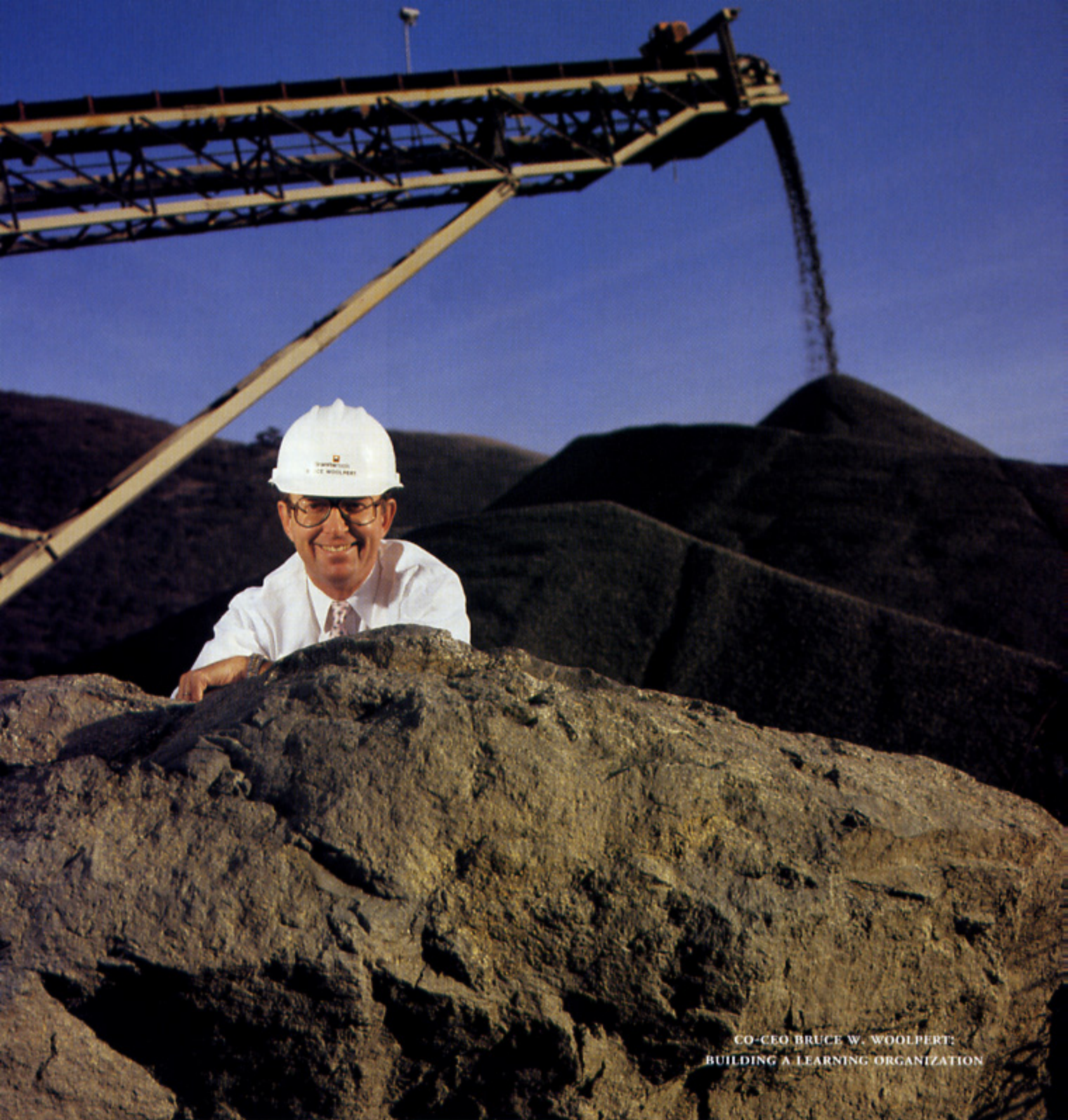
ENTREPRENEURS RARELY HAVE TROUBLE naming their companies' competitive advantage. *Our product is unique.* Or, *No one can touch our service.* Or maybe, *We're the low-cost producer, so we have the best price.* Everyone running a business knows the homely truth: a growth-oriented company needs some kind of edge on the competition.

What everyone doesn't know is how to maintain that edge over time. Cast a skeptical eye on your own company. Maybe you've been growing, even in the current slowdown. But what prevents competitors from bellying up to your table, elbowing you aside, and scarfing up your dinner? (Not to mention scarfing *you* up for dinner.) Perhaps they're already developing something dazzlingly new and different. More likely, they're learning to do exactly what you do. Only better.

A few years ago a handful of managers and theorists began asking what had to happen inside a company so it could adapt to changing conditions—so it could keep its competitive edge or develop new ones as attackers gained ground and markets shifted. The nation's business schools soon were buzzing with phrases like *the adaptive company* and *the learning organization*. "The ability to learn faster than your competitors," proclaimed a manager quoted by MIT's Peter M. Senge in *The Fifth*



# THE CHANGE



CO-CEO BRUCE W. WOOLPERT:  
BUILDING A LEARNING ORGANIZATION

# MASTERS

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BY JOHN CASE

INC./MARCH 1992



MECHANIC MANUEL RANGEL: EVERYBODY WATCHES THE NUMBERS.

*Discipline*, "may be the only sustainable competitive advantage." Such was the emerging wisdom.

But most of the pronouncements on competing by learning remained dolefully abstract because the thinkers had a hard time finding companies that really were learning and adapting effectively. Senge's book—subtitled *The Art and Practice of the Learning Organization*—was long on theory and hypotheticals, short on real-world examples. *Fortune* columnist Walter Kiechel III, in a perceptive report on adaptive companies, argued that organizations such as Honda and Quad/Graphics, the Wisconsin printing company, were on the right track. But "the trouble with the learning organization," he acknowledged, "is that as yet there's no real-world example that completely fills the bill."

OK. *Inc.* herewith announces an end to the search. Mr. Kiechel and Mr. Senge, meet Bruce W. Woolpert. In fact, meet Wes Clark, Rita Alves, and all the other managers of the Granite Rock Co., of Watsonville, Calif. Meet Ray Morgan, who works up at the quarry, and Ken Nabal, who runs one of the batch plants. For if you or any of your readers

ever wanted to see a company that learns as it goes—indeed, that carries learning to ridiculous extremes, all in the name of maintaining its edge on the competition—that company is Granite Rock.

AT FIRST GLANCE, GRANTED, YOU MIGHT wonder what's to learn. Especially in this commodities industry and especially for a smart guy like Bruce Woolpert.

Granite Rock's businesses are, well, earthy. The \$90-million company produces and sells crushed stone from a quarry in nearby Aromas. It mixes concrete and asphalt (using stone from the quarry) in 17 batch plants, delivering them to job sites within a 100-mile radius of Watsonville. It sells building supplies at retail; it runs a highway-paving operation. Woolpert's grandfather founded the company some 90 years ago, and it has remained under family control ever since.

Bruce and younger brother Steve took over in 1987 as joint CEOs. Steve had been with Granite Rock for several years already; he would be in charge of land acquisition and long-range resource planning. Bruce had a rather different background. An economist and mathe-

matician by training (UCLA, class of '74), he had finished first in his class at Stanford Business School. Then he put in eight years at Hewlett-Packard, eventually running a small software division. Now his job would be operations chief of the family business.

But it turned out that Bruce and everybody else had plenty to learn. As with a lot of U.S. businesses, the sands of the marketplace were shifting under Granite Rock's apparently solid position.

For decades, the company's competitors had been other family-owned companies, all with a few hundred employees, all doing business in much the same way. Now some of those competitors were selling out—and the buyers, in the new global economy, included some deep-pocketed giants.

For decades, too, Granite Rock had been unionized. Yet the construction-supplies industry—like construction in general—was more and more nonunion. Nonunion suppliers paid their employees less, on average, and weren't bound by restrictive union work rules.

Several other changes were showing up on Woolpert's radar as well. California was tightening its air-quality and water-use regulations. Customers were demanding higher-quality materials and more responsive service. New computer technology offered the possibility of automating much of the quarry work and concrete production. But the investments required would be costly and time-consuming.

Bruce Woolpert is a mild-mannered man, almost scholarly in his demeanor. Even so, you get the sense that he regarded these challenges the way Tom Cruise's character in *Top Gun* regarded enemy aircraft: as opportunities, not problems. Surely the company could learn to compete in this new marketplace. Why shouldn't Granite Rock be as sophisticated and people-oriented as Hewlett-Packard, as customer-centered as Nordstrom? Woolpert began with a little learning of his own. He spent time in the quarry, at the cement plants, in the mixer trucks, asking people—he shuns the word *employees*—what they liked and didn't like about their jobs. He had them list companies they themselves patronized because of their excellent service. He invited Tom Peters in for a daylong presentation, making sure a cross section of employees attended. He promoted some new executives from within and brought in a couple from the

outside, such as his business-school roommate, Wes Clark, by then a 10-year veteran of Cummins Engine.

Before long, the outline of a company capable of adapting to its new environment began to take shape. Today, after only five years, the company's accomplishments are unmistakable.

- Granite Rock's new quarrying and materials-handling technologies are unmatched in the industry and have made the company the region's low-cost producer of crushed rock (*aggregate*, in the trade).

- Granite Rock's quality and service levels allow it to charge a price premium of up to 6% for concrete and asphalt, yet still gain market share, as it has done every year since 1987.

- Despite unionization, the company engenders fierce loyalty in its 400 employees. Few leave, except to retire. Many learn more than one job. Most serve on one or more of the company's 100-plus quality teams. Employees often seem to do more than the job requires.

- The company has developed fast, effective methods of solving problems. A customer is dissatisfied? A batch of asphalt is bad? An employee is unhappy? At most companies, managers react to such everyday glitches by reaching for their fire fighters' hats. At Granite Rock the appearance of a problem touches off an automatic and systematic response designed to identify and correct the problem at its source.

Woolpert seldom uses words like *learning* and *adapting* in describing Granite Rock; he favors phrases such as *a total quality company*. Never mind. Whatever else Granite Rock may be, it is also a huge mechanism for gathering, analyzing, and acting on information. The company learns both as an organization and through individuals. If Woolpert were to teach a course on how to build such a business, what follows might be the syllabus.

#### GET THE INFORMATION

"The role of managers," says Woolpert, instantly redefining what generations of executives have thought of as their job, "is to make sure there's a *flood* of information coming into the company." What's a flood? Judge for yourself. Data pour in from at least three sources.

- **CUSTOMERS.** Granite Rock is famous for its customer "report cards," annual surveys that ask buyers to rate the company against its competitors. (See

"How're We Doing?" May 1991.) But the report cards are only part of the story. Longer surveys every three or four years provide more detailed information about customer needs and wants. Quick-response cards ("Please comment on the service and products you received today") and a short-pay system (customers aren't charged for a product or service they're unhappy with) ensure that Granite Rock hears about serious problems right away. Periodic focus groups let the company probe for ideas about new products and services.



## I NFORMATION

### GATHERING HAS BECOME A CORPORATE REFLEX. CFO

### RITA ALVES TRACKS A DOZEN DIFFERENT VARIABLES.

The result: Granite Rock learns where to concentrate its resources. In concrete, for example, on-time delivery is critical to customer satisfaction. In the quarry, two issues turned out to be paramount. "What we heard from a focus group," remembers Clark, who is now a division manager, "was that customers wanted to pick up rock at any time of day or night, and above all, that they wanted to get in and out quickly." Those requests led to what may be Granite Rock's most dramatic technological innovation (and one of its biggest investments), a loading system dubbed Granite Xpress. Today truckers picking up crushed stone pull up to the quarry, check their order on the computer, stick a magnetic card in a slot, and load their own from automatic

overhead bins. Like an ATM, the system functions around the clock. It has cut the time a trucker spends at the quarry from an average of about 30 minutes to less than 10.

- **THE COMPANY'S OWN OPERATIONS.** Like a high-tech manufacturer, Granite Rock produces regular statistical-process-control charts for its products: size variability for a dozen kinds of aggregate, mix variability for a hundred concrete recipes. And it can tell you exactly how it's performing on key measures of customer service, such as on-time delivery (now close to 95%). Monthly charts go up on every company bulletin board, giving employees both a benchmark and a goal.

But where other companies Granite Rock's size might chart a dozen critical variables, Granite Rock seems to chart a hundred. Chief financial officer Rita Alves tracks changes in the aging of receivables, in the time it takes to turn around a credit application, in the accuracy of the company's sales invoices, in on-time delivery of operating statements. Transportation manager Mike Marheineke, who oversees delivery of aggregate to Granite Rock's production facilities, treats his internal customers like external ones, gathering survey data about on-time delivery, drivers' attitudes, and the like. The Redwood City asphalt plant tracks not only "big" variables, like product quality, but also "little" ones, like the time it takes customers to load up and get back on the road.

By now this culture of information gathering has become a kind of corporate reflex. Manuel Rangel, a mechanic in the company's Santa Cruz maintenance shop, decided on his own initiative to track the number of road-service calls he received. "I asked him why he was doing that," says Bruce Woolpert, shaking his head in wonder. "He told me, 'The best measure of preventive maintenance is whether we have any breakdowns. If I see the number of breakdowns declining, then I know I'm doing a good job.'"

- **THE OUTSIDE WORLD.** You say your company invites an occasional speaker? In the 12 months ending with November 1991 Granite Rock heard from Judith Segal ("Confronting Problem Behavior"), Steven L. Phillips ("Improving Teamwork and Quality Team Effectiveness"), Jerry Harvey ("Management by Agreement"), Wynne Carvill ("Basic Law"), and Charles Harwood ("Making

Quality Happen"). The programs are part of what has been dubbed Granite Rock University, and everyone who wants to come is welcome—on company time. Attendance? "Typically 50, 60, 70 people," says personnel director Shirley Ow. On a more practical level, suppliers give frequent technical presentations for managers and hourly workers alike. A seminar sponsored by King Bearing Co., in November, discussed matters such as antifriction bearings and V-belt drives. A Caterpillar seminar in December covered the operation and maintenance of Cat equipment.

Granite Rock teams also make numerous benchmarking trips to other companies. Rita Alves went with a group to a Tennessee aggregate-and-concrete producer in October. Quarry foreman Bill Larkin and others visited a gold mine. ("We looked at materials handling, equipment specifications, their mining plans," says Larkin. "And little details such as how they run their shifts, how many people are on them, how many mechanics they've got, and so forth, compared with what we do.") Clark got together with another business known for its interest in on-time delivery. "We exchanged statistics with Domino's Pizza. We learned from them some places to get better maps. Then we hired some college students to pencil in street numbers on the maps. Domino's does that."

#### ACT ON INFORMATION

Woolpert at times sounds like a Zen master. "Focus every day on being better. Every time management has a meeting, they should be reviewing improvements in process, not sitting around and talking about dead historical data." What counts, in other words, isn't just gathering information but implementing changes—and that too must be built into the company's everyday operation. The keys:

- **RESPOND SYSTEMATICALLY, NOT AD HOC.** "We always had customer-complaint forms. You'd fill 'em out, sign 'em, and send 'em to somebody. But what did we learn from them? They were filed away." The speaker is quality-support manager Dave Franceschi, who is patiently explaining what it means to respond systematically. "The result was, we had no way of keeping the problem from happening again."

Today every complaint generates a product-service discrepancy (PSD) re-



#### IN THE PAST

### WE HAD NO WAY TO KEEP PROBLEMS FROM HAPPENING AGAIN,' SAYS DAVE FRANCESCHI.

port, a copy of which lands on Franceschi's desk. Over time Franceschi can chart exactly where problems lie and how much each one costs the company. "Look here," he says, pulling out a copy of the year-to-date analyses that circulate throughout the company. "Thirty percent of all PSDs are due to employee errors. One-quarter of that 30% is property damage. Which means one of our trucks ran over a telephone pole or backed over some equipment at a job site. If we have a problem backing up, maybe we need a different size mirror on the trucks."

The critical line on the PSD reports is the one marked "root-cause analysis." In the past, says a manager who has been listening to Franceschi, a bad batch of asphalt might be ascribed to "dirty rock," meaning aggregate with too many fine particles. Today Franceschi won't accept a PSD unless it offers a true explanation, such as "faulty screen at the quarry." The explanation alone often shows what must be done to correct the problem.

- **SET UP TEAMS TO SHARE, ANALYZE, AND ACT ON INFORMATION.** Here's how Granite Rock buys its cement trucks, an annual investment of close to \$1 million. The company assembles a truck-buying team, composed (typically) of several managers, a driver or two from every branch slated for a new truck, and

a few mechanics. The team—not yet constrained by a budget—compiles a wish list. What brand of truck? What make of engine? Of mixer? Of transmission? "Ten years ago," says Wes Clark, "a vice-president would have made 10 calls to vendors in the morning and made a decision that afternoon."

The vice-president, however, probably wouldn't have even considered a score or more of items brought up by the members of last winter's team. *Maybe the controls for the slump-control motor should be inside the cab, where they're easier to maintain. Maybe we should specify paint quality—haven't you noticed that our trucks look better after we repaint them? And what about gear ratios? Our newer trucks can't go slow enough to pour concrete for a curb-laying machine.* The group heard gear-ratio presentations from three suppliers, then sent two of them back to prepare detailed bids. The team argued about air-conditioning (*Nah—we don't really need it, except maybe in one location*) and about the silicon hoses that are the newest thing in diesel engines (*The hoses are OK, said the mechanics, but the clips they come with tend to give out*). Later, members made field trips to companies using trucks with some of the key components. There was still no fixed budget—but the group argued vehemently about prices and trade-offs nevertheless. Some of them, they knew, would eventually have to defend their recommendations before the company's executive committee.

Granite Rock makes virtually all such decisions the same way. A team selected the quarry's \$850,000 Komatsu bulldozer. A team solved the dust-control problem that kept screwing up two of the asphalt plants. Continuing teams, both local and companywide, meet regularly to work on improvements in dozens of areas. Mike Barton, a mechanic at Watsonville, serves on a team that's studying how to meet new EPA emission requirements for mixer trucks. Franceschi serves on a data-resources team whose first mission is to put his PSD data on-line.

All told, the company has more than 100 active teams, their activities and recommendations monitored by Franceschi's office. Through the teams, knowledge is gathered and shared, appropriate action taken. That's learning.

- **FOLLOW THE SOLUTION WHEREVER IT LEADS.** Several years ago—no one's quite sure when—Granite Rock realized that



SUPERVISOR RAY MORGAN: 'BRUCE WANTS US ALL TO GET SMARTER.'

many problems occurred after the product left its trucks. Contractors had ordered the wrong kind of aggregate for the job at hand. They hadn't put in the right expansion joints, and their concrete cracked. The customer's problem? Yes—but also Granite Rock's, because customers tended to blame the supplier. So the company began offering educational seminars to its customers. Today division managers are evaluated partly by how many such seminars they sponsor. One recent session—on matters ranging from the use of chemical additives to proper installation of expansion joints—attracted more than 100 customers and cost about \$6,000. Expensive? Not to Clark. "That's nothing!" he says, laughing. "I can blow \$6,000 like *that* on a messed-up job. Concrete is very expensive to pull out and replace."

You might have predicted it: Granite Rock distributes evaluation cards at each seminar. Rate each speaker. Rate each topic. Tell us what you'd like to see next time. More information for the mill.

#### GET EVERYONE INVOLVED

How many psychiatrists does it take to change a light bulb? Only one, runs the

joke—but the light bulb must want to change. And how many CEOs try to wrench their companies into the 1990s, introducing quality systems and teams and whatever, only to find that employees keep on doing things the way they always did? Union workers in particular are notorious for resisting changes in job descriptions and work expectations. Yet Granite Rock's union and white-collar employees alike willingly learn new jobs, take part in quality teams, and come up with ideas for improvement on their own. It's not because of any equity ownership or large-scale incentive-compensation plan—hourly employees earn the wages and overtime spelled out in union contracts, and most managers are on straight salary. Rather, it's because working at Granite Rock provides everyone with three unusual benefits.

• **TRAINING. AND MORE TRAINING.** "Tuesday Facts," the weekly newsletter that the company faxes to all locations, announced last fall's Graniterock University Training Schedule in its October 15, 1991 issue. Dave Franceschi and another instructor were offering four different courses in statistical process control. A customer was giving a seminar in

plastering. The Frontline Leadership Series, taught by various senior managers, was continuing. Appended to that list was a schedule of industry training courses—weeklong sessions given by the Portland Cement Association (PCA), for example, and the National Asphalt Pavement Association. Want to sign up? Go ahead. Your time will be on the company. If you have to travel, your expenses will be paid by the company. Last year Granite Rock sent 21 people, 5% of its work force, to the PCA basic concrete session in Illinois. This year another 21 people will go.

Then again, maybe you just want to take some courses at the local college. The company will pay for them, too. Or broaden your technical skills by attending an in-house seminar on mobile-equipment hydraulic systems. Call up Dave McAuley at the quarry.

Ray Morgan, who worked for 20 years as a union employee and is now the quarry's shipping and production supervisor, still seems a little incredulous at the training Woolpert has made available to workers of all ranks. "I've gone back to Georgia, to supervisory school training. I've gone to several—probably a dozen—seminars now, on different subjects, from safety to quality to whatever. All at the company's expense. I'll be going to Dale Carnegie classes for 15 to 17 weeks, company expense, after hours, in Santa Clara.

"I think Bruce wants us all to get a little smarter. We're allowed to learn anything we can."

Training obviously makes for smarter, more well-rounded employees. It provides another benefit, too: it undermines the us-against-them mentality characteristic of both employees and management in many union shops. White-collar and blue-collar workers attend the same sessions, hear the same ideas, live in the same lodgings when they travel. It's that much easier for them to see their problems as common.

• **OPPORTUNITIES.** Rita Alves, the CFO, started her Granite Rock career as an accountant. Mike Marheineke, who runs the transportation division, started as weighmaster at the quarry. Nearly every manager at Granite Rock, even those who came from the outside, has put in stints in asphalt, concrete, transportation, or other divisions. Nor is this kind of cross-training and intracompany mobility limited to managers. Hourly employees are typically trained to fill in

at other jobs. Inside candidates get preference in hiring (and are even allowed to try a job out for a day before they apply), so many move laterally or upward within the company.

The twin benefits—training and opportunities for advancement—are institutionalized in what may be Granite Rock's most novel contribution to human-resources management. Called the Individual Professional Development Plan (IPDP), the system replaces both conventional job descriptions and conventional performance reviews. Every year a worker sits down with his or her supervisor and maps out a series of goals—for skill development, training, advancement, and on-the-job accomplishments. A concrete-plant operator's list might include, "Know how to develop and implement an improved maintenance plan for the plant; gain knowledge of basic concrete-sales techniques." The IPDP includes a how-I'll-get-there section ("attend a seminar on maintenance requirements and maintenance tracking; spend approximately eight hours per quarter working with sales manager to learn basic selling techniques"), along with target dates. Every quarter, employees review their progress toward the goals.

The IPDP system offers practical benefits for the company: managers say it helps them spot talent and ambition that might otherwise be frittered away. Less tangibly, it helps build loyalty. "There's our Saturday safety meetings," says union truck driver Bill Gears, ticking off what he likes about his employer. "There's our training schedules, all the new things we can learn; there's our evaluation, what we plan on doing, what we'd like to accomplish, the IPDP. When you go home knowing that the company cares for you—well, how does that feel?"

• **RECOGNITION.** Ken Nabal, batch-plant operator, sits at the computerized control terminal of the Santa Cruz concrete plant. On a table near his chair is a sort of scrapbook, complete with snapshots and homemade captions. The book documents some of the process improvements Nabal and his coworkers helped to implement during the past year or so in their part of the plant's operations: A new system for reclaiming spoiled concrete. A new mechanism for storing and moving raw materials. Several other changes, each one of no interest except to people who work in

concrete batch plants. Nabal put the book together himself. No one asked him to, let alone told him to. But he was allowed to do it on company time, and everyone knew it would look pretty good when Recognition Day came around.

Recognition Day is an annual event at every facility. The idea is pretty simple. Top management and guests from other branches show up; they're fed and entertained; and the facility gets to brag about how much it has improved during the past year. The "formal," plantwide Santa Cruz Recognition Day book, prepared (of course) by a team and just a little slicker than Nabal's do-it-yourself rendition, sports pictures of people such as Clarence Thomas, who completed a course in safe lift-truck instruction; Don Birt, who won a company award as a payroll timekeeper; Manuel Garcia, who was employee of the month in January; and three drivers honored for an accident-free five years. In between Recognition Days, employees' accomplishments are likely to be noted in the company's glossy newsletter, "Rock Talk," or in "Tuesday Facts." Annually, more than a hundred employees, including managers, get so-called Incentive Recognition Awards, bonuses of a few hundred to a few thousand dollars that serve both as incentives and as thank-yous for specific achievements.

Corny? Maybe. It all seems to work.

**T**HE COST OF ALL THIS LEARNING—the information gathering, the team-based problem solving, the training and the hoopla that make it possible—is substantial. Training alone costs the company about \$1,000 per employee, or roughly \$400,000 a year, not counting the considerable time and resources devoted to safety-related training. No one has yet added up the cost of time spent on teams, or of all the information gathering. On the other hand, what's the alternative? Some consultants estimate the average cost of poor quality—redoing jobs, refunding money, losing customers—at 30% of sales. Cut that by two-thirds for consultant's exaggeration; even so, the annual bill for an average company of Granite Rock's size would be \$9 million. That covers a lot of hours.

More to the point may be Granite Rock's performance in the face of its deep-pocketed competition. Woolpert declines to reveal exact numbers; even so, he claims some remarkable results.

Sales increased every year through 1990, turning down only in 1991. Productivity has increased every year, including 1991. The company has remained in the black through the recession. It has kept on gaining market share. Moreover, without the severe price cutting that many companies resort to in a slow economy.

The real constraint on a learning organization like Granite Rock isn't economic, for there's good reason to think that all the company's efforts in that direction pay off. Rather, it's the fact that, once you embark on such a path, there's no going back, and there's no compromising. "We can never have one job where we decide it's just too expensive to fix," says Wes Clark with a sigh, after recounting one particularly horrendous Labor Day weekend when a customer got a load of the wrong concrete. "We can never have a job where we say, 'Let's not call the contractor and tell him we blew it.' Because it isn't just that we don't make the expenditure on that job; we've suddenly torn down the culture. You've got to be consistent. For instance, to have a quarry that isn't the very best we can think of would be inconsistent with the strategy."

Protecting the culture of learning, of improving, of being the best—that's the most critical task faced by Woolpert, Clark, and the rest of Granite Rock's people. After all, the company has done nothing that its competitors couldn't emulate, and it will always face wage costs that are a little higher than the competition's. Its competitive edge is only what the theorists would have pointed to: the ability to learn faster than everybody else.

That is a fact not lost on Bruce Woolpert as he contemplates his company's future.

"Our competitors are investing in many of the same ways we are. They have engineering departments working to build the best new plants, offering the highest reliability and lowest maintenance costs. We have no monopoly on smart people.

"But I hope by having everyone involved we're doing more things sooner. We may be in certain areas just weeks or months ahead of somebody. Not years. The industry doesn't work that way. These are powerful companies, multibillion-dollar companies, doing business all over the world.

"We can't stand still." □



# How're We Doing



Granite Rock Co.'s  
annual report  
card from customers,  
and what's done  
with the grades

BY EDWARD O. WELLES

GRANITE ROCK CO., OF WATSONVILLE, Calif., is a 100-year-old family-owned company with operations in a dozen locations between San Francisco and Monterey. The company quarries granite and produces concrete, asphalt, sand, and gravel. It also buys and resells such materials as brick, cinder block, and drywall, as well as masonry tools. With 1990 sales of \$90 million, it is one of the smaller construction-materials companies around. But it is an industry leader, attracting a steady stream of international visitors interested in learning more about what it does.

Granite Rock's fame is based largely on its reputation as the high-end producer in an industry that all but defines the term *commodity business*. Construction-materials companies habitually compete on price. Customers are conditioned to seize the low bid, assuming—wrongly—that if you've seen one load of stone, you've seen them all. But Granite Rock has always opted to turn out high-quality rock and back it up with high-quality customer service. On average, Granite Rock customers pay up to 6% more than they would be charged by the

competition. "Our competitors tend to see price as the main wedge," says Wes Clark, division general manager of the company's three northern concrete plants. "We are not low price, but we are high value."

But charging a premium and touting itself as providing the best value in a commodity-based business puts an obvious burden on Granite Rock. It must work hard to prove to customers that its products and services are worth the extra cost—which means making sure that employees strive to provide the kind of value customers are willing to pay for. How can the company accomplish this? First, it must understand clearly how its customers define *quality* and *service*. Second, it must regularly monitor customers' opinions about Granite Rock's performance relative to that of its competitors. Third, it must communicate all this information to its work force.

Granite Rock handles the first step of the process in the traditional manner. Every three or four years, each division conducts an extensive survey of its customers, probing their wants and needs as they relate to each of the company's product lines. Among other things, the survey asks customers to rank the most important factors in choosing a supplier. Clark's division conducted such a survey in 1987. Another is being done this spring.

It is in the second and third steps that Granite Rock breaks new ground. To compare its own performance with that of its competitors, every year the company conducts an opinion survey that amounts to an annual report card from the customers. All customers receive a short survey form on which they are asked to grade their top three suppliers in terms of product quality and customer service.

Granite Rock then combines the long-survey data on customer priorities with the short-survey data on competitive performance to produce graphs that are posted on bulletin boards around the company. The graphs show employees at each plant how they measure up in the eyes of their customers.

The key word here is *measure*. "We have a strong belief that if something is

worth doing, it's probably worth measuring," says Dave Franceschi of Granite Rock's quality-planning and -management department. The annual report card, in fact, is just one of about 40 different ways Granite Rock tracks its various operations. Is all the paper shuffling and number plotting really worth it? Franceschi thinks so. "This is a way for us to sound an alarm if something's not right," he says.

"We believe that you don't stress a negative—you chart it," adds Wes Clark. "Our people are competitive. They will look at that negative and want to do something about it." □

**THE ANNUAL REPORT CARD**

Once a year, each of Granite Rock's 12 plants sends out forms like this one to all its customers. The specific questions vary slightly from plant to plant, each of which is responsible for a different product, but the format is the same. Some divisions use color-coded survey forms to distinguish between types of contractors. (Blue forms go to landscapers. Masons receive orange forms.) All the completed forms are addressed to the divisional headquarters, where the results are compiled and forwarded to the rest of the division.

**THE GRADING SYSTEM**

The form asks the customer to grade its top three suppliers—one of which is presumably Granite Rock—on their performance in terms of product quality and customer service. Although there are six grades in the scale, the company bases its charts on the total number of A's and B's a supplier gets in a given category. "A C is neutral," says Wes Clark. "If they give you a C, they feel there's no difference between you and everybody else. If they give you a D or an F, they are just punishing you." But A's and B's amount to fairly uniform positive votes, he reasons. An A is for a job well done. A B is a similar response from a tougher grader.

*Ready Mix Concrete*  
**Ready Mix Concrete  
OPINION SURVEY**

Please write in the names of the three suppliers you use most often for concrete. Then evaluate each company's performance using this scale:

**A = The Best**  
**B = Above Average**  
**C = Average, Same As Their Competition**  
**D = Needs Improvement**  
**F = Terrible**  
**N = No Opinion**

Write in Supplier's Name You Use Most Often

Write in Your 2nd Most Often Used Supplier's Name

Write in Your 3rd Most Often Used Supplier's Name

<b>Overall Product Quality:</b>			
Concrete Workability			
Concrete Pumpability			
Concrete Consistency			
Concrete Slump Continuity			
Concrete Strength			
Concrete Finishability			
Concrete Set Time			
<b>Overall Customer Service:</b>			
Dependable, On Time Delivery			
Salesperson Product Knowledge			
Driver Courtesy and Skill			
Dispatcher Eager to Help			
Ordering Convenience			
Responsive to Special Needs			
Resolves Mistakes Quickly			
Price			
Billing Accuracy			
Credit Terms			

-- OVER --

## THE CUSTOMER SERVICE GRAPH

Each of Granite Rock's 12 operations generates about six of these graphs a year, one for each competitor. The idea is to show employees how the operation stacks up against the competitor on the matters of greatest importance to the customers. The triangles indicate Granite Rock's performance rating—that is, its total of A's and B's on the issue in question—plotted against the degree of importance customers have assigned that particular issue. The circles designate the performance of the competitor on the issues.

### THE IMPORTANCE AXIS

The graph's vertical axis is derived from the extensive customer survey conducted by the divisions. One section of the survey asks customers to rank the most important factors in choosing a supplier. Granite Rock concluded that those factors were, in descending order of importance: on-time delivery, product quality, scheduling (ability to deliver products on short notice), problem resolution, price, credit terms, and personnel's selling skills.

It came as little surprise that customers put on-time delivery at the top of the list. Granite Rock's typical customer is a general contractor engaged in coordinating complex construction projects involving many suppliers. A delay in one step of the project can throw the whole schedule off. What was a surprise—and a pleasant one—was the relative unimportance of price. It affirmed the company's strategy of emphasizing quality and customer service.

This April Wes Clark's division of Granite Rock is again sending out the long customer survey to probe for shifts in the market. "We do this every three or four years, or if there is a significant market change," says Clark. "We're in a recession now. Does that mean customers are suddenly going to be more price sensitive?"

### THE PERFORMANCE AXIS

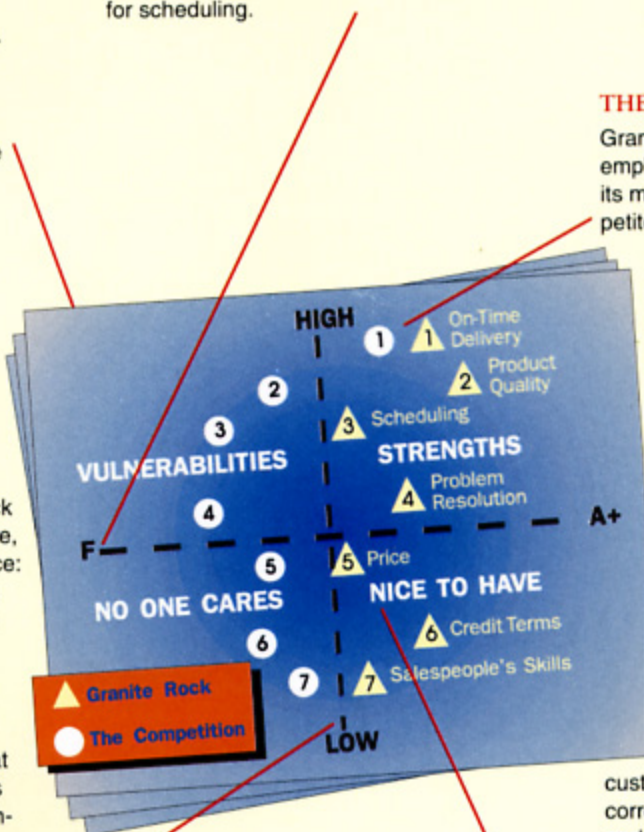
The results of the opinion survey the annual report card are plotted along the graph's horizontal axis. The grades on the axis are determined by adding up the number of A's and B's that the Granite Rock operation or its competitor has received from customers in any given category. An A+ indicates all A's and B's; an F means none. In addition, Granite Rock calculates the group norm, that is, the average number of A's and B's received by companies mentioned in a particular product survey. The goal of each Granite Rock operation is to outperform the group average (that is, garner more A's and B's) by at least 33%. Last year, for instance, customers rated Granite Rock's San Jose concrete operation 59% above the norm for on-time delivery, 69% better for quality, and 76% better for scheduling.

### THE LESSONS OF THE GRAPH

Granite Rock places greatest emphasis on the distance between its markers and those of the competitor. A Granite Rock triangle in the upper-right corner of the graph is something to celebrate only if it is safely removed from the competitor's circle. "No matter how well we're doing," notes Wes Clark, "if they're close to us, it's a cause for concern. What it says is, Here's a service that customers really want, and they can't differentiate us from a competitor."

The graphs thus serve to remind everyone—managers as well as employees—of the areas in which the company can improve. Notes Granite Rock president Bruce W. Woolpert: "Our customer surveys reveal a 100% correlation between quality service and the employees' ability to understand our products and services. That tells us the only thing stopping us from providing excellence is lack of knowledge."

But the surveys and the graphs do more than show the company how it's doing and where it should focus its energies. They also point to issues that ought to be explored in customer focus groups, and they serve as tools for the sales staff as well. "We never use the surveys to go in and make a hard sell. We don't believe in downgrading the competition," says sales manager Russ Crider. "Rather, we utilize them to distill in our minds, and in our own words, the difference we think we can make to a contractor."



### THE QUADRANTS

The intersecting axes create four quadrants, which provide a rough guide to the results. A marker in the upper-right quadrant, for example, indicates that the company (whether Granite Rock or the competitor) performs well in an area of importance to the customers. A marker in the upper-left quadrant means the company has a vulnerability: it has scored relatively poorly on one of the customers' priority issues. A Granite Rock vulnerability is clearly of greater concern than a "No One Cares" (poor performance on a relatively unimportant issue) or a "Nice to Have" (good performance on same).

