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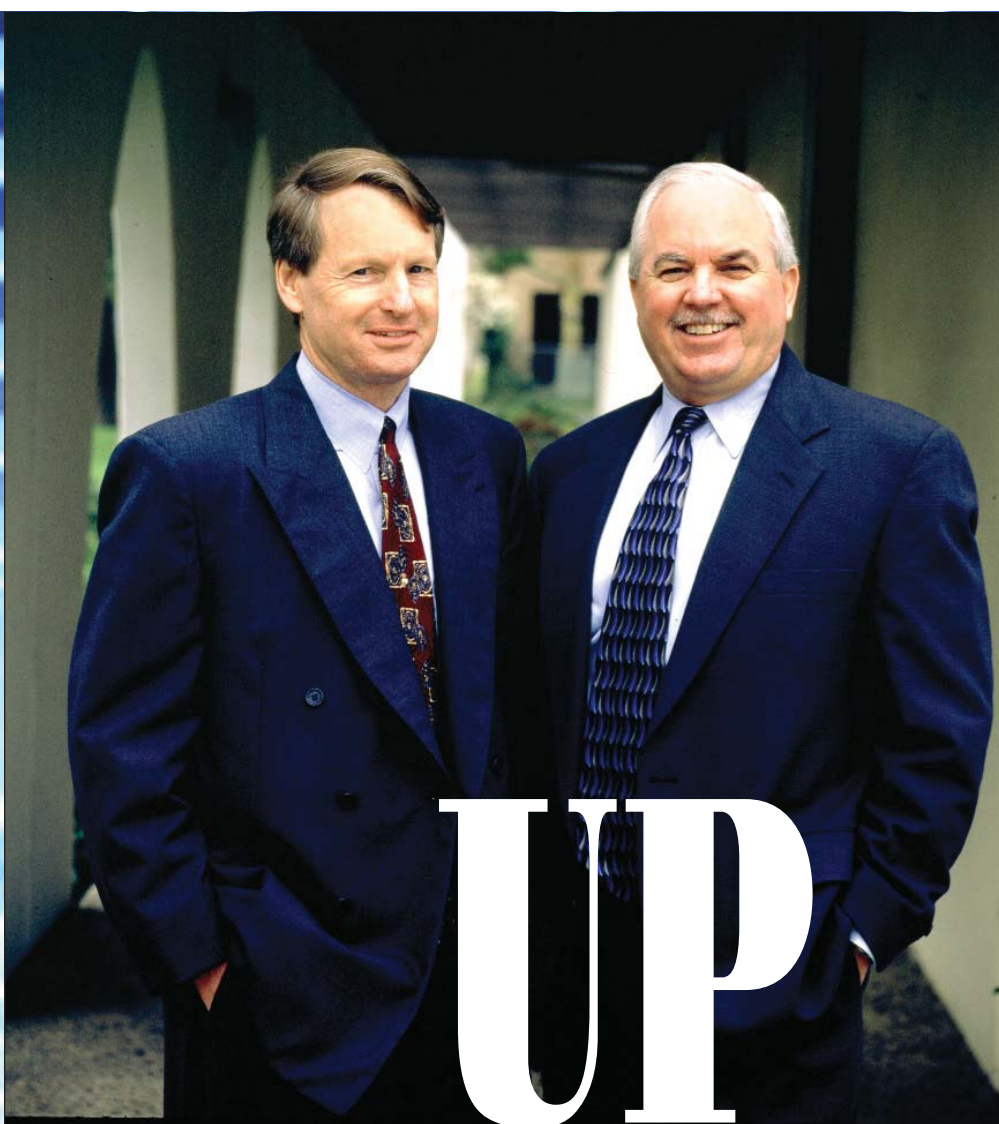
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# Family-friendly **PRESIDENT**

On the street and in the office,  
Tom Watts has exuded  
Prudential's corporate  
culture for 30 years



*Tom Watts celebrates 30 years with Prudential Overall Supply, whose family-friendly corporate culture continues to withstand the test of time*

**Watts and Dan Clark share POS founding vision of providing more jobs in their company by earning a fair return on uniform and textile service.**

# **the corporate ladder**

**T**he corporate atmosphere in which Tom Watts has thrived for 30 years is a pleasure for him to describe. Now president of Prudential Overall Supply (POS), he can smile when he talks about how management has adhered over the decades to company philosophy.

But it hasn't been easy for them, with difficult competition, an uncertain economy, and the need to satisfy customers who have become more demanding. Hard work, persever-

ance, and creativity have been required to make Irvine, Calif.-based POS the kind of success that Watts and his colleagues have enjoyed for so long.

Founder John D. Clark, since passed away, established POS in 1932 to provide jobs for people so they could raise their families and educate their children. The company would accomplish this, he charged, by focusing on its core competence and generating a fair return on investment.

His son Dan, now chairman and CEO, perpetuates the philosophy. Watts explains that Dan oversees POS with the same vision as his father's: grow the business each year and earn a reasonable return.

"The business is the business. You've got to run it. But at the same time, you need to take care of your people and treat them with respect and dignity."

A native Californian, Watts sensed the company's family orientation when his father, Mel, was a route salesman for POS. The elder Watts ran an evening route for about 10 years. One night in 1971, in the aftermath of a major earthquake, the father asked the son to join him. "Some bridges were down and freeways were closed, so he asked me if I wanted to ride along with him on Friday night and help," Tom recalls.

He was surprised that the industry existed; he only knew about it from the little that his father had told him. But soon he was hired as a route sales trainee.

"I really liked the people who were already in those positions, as they were all very outgoing and friendly. The thought of being out on my own and away from the same location every day and the wide variety that each day presented were very appealing to me."

Rungs on his ladder to the top were customer service rep (CSR or route salesman), utility route salesman, route manager, sales and service manager, GM, regional manager, operations VP, and now, president. In each case, the company approached him about moving up.

Only one of these was a new position (operations VP). He sought each job because he was confident they "would continue to help me understand the business better and broaden my knowledge base." The only switch that didn't excite him was a lateral move that increased his commute from 20 minutes to almost two hours.

Getting his start in route sales hooked



*Route salespeople know that Watts, who had their job, is familiar with their fundamental functions and need to deliver on promises.*



him because it gave him the opportunity to talk to a "very diverse group of people" (his customers) and become familiar with a variety of businesses. "I really enjoy learning about anything I can in regards to other industries," Watts says.

As a CSR, he immediately appreciated the importance of his production colleagues to his success. "If my load was not correct, my day was not going to be fun." He respected plant staff as some of the hardest working people he'd known, focused on doing the right thing and always getting it done.

Later, working in an office appealed to

him, he says, because of the basic responsibility to teach others. "I'm not much on desk sitting but getting out with other people and showing them how to do it better is a big part of what I like to do."

Of all the roles he's played, however, his years on the route were most responsible for building his understanding of "what the industry and service in general, is about." It also tuned him into the company philosophy that POS needs to do everything it has promised its customers to expect a fair price in return.

There was another benefit: personal credibility with CSRs. They know he is

familiar with their fundamental functions and need to deliver on promises. And when changes are necessary, he knows how these will affect their daily routines.

### Challenges of growth

When Watts joined Prudential in 1975, the company had its corporate office, six plants, and a depot, employing about 600. Today, there are 19 plants, nine depots, a central truck shop, a Malaysian joint venture, and about 1,500 people.

It's hard to label any milestones as particularly significant to the company's growth, he says, other than the most visible ones, like opening new locations or expanding geographically. Besides California, in uniform rental and cleanroom laundry, the company has U.S. facilities in Arizona, New Mexico, Texas, and Virginia.

Twelve locations are in their home state, however, which is increasingly recognized as a difficult place to do business. Yet Watts is undaunted. "I'm a California native and there aren't very many of us around. So I don't know any better," he laughs.

"But seriously, we're committed to this state. We were founded here, our roots are here, and we are dedicated to the dream of John D. Clark to continue to grow, provide jobs for our employees, and perpetuate the company."

Among other factors, POS' future success hinges on its ability to capitalize on shifts in the economy from manufacturing to service, he says. Key staff members are helping Clark and him recognize the impact and steer them in the proper direction.

"Each of our locations has potential for exponential growth. Our challenge is to recognize what facet of our company it's best to grow in," he says.

Manufacturing niches may always be strong in the United States, he believes. Many countries to which we are exporting factory jobs, such as China, South Korea, and Vietnam, can't deal with specialty



*Watts is encouraged by the possibilities for the industry with products that aren't so dependent on the nation's labor force's composition, such as mats.*

markets. "They are similar to our industrial output in the middle of the last century. They can make large quantities of the same or similar items, but they won't tackle the small projects."

In the meantime, the U.S. service sector continues to grow. Also benefiting uniform companies: security is becoming more of an issue. "People want to know that the person who they're dealing with is the authorized person for that service," he points out, and such garments provide some measure of that security.

For proof that California still offers much opportunity, Watts points out that there are still numerous one-plant textile-service operations there. He figures POS competes with as many as 30 small companies in southern California alone.

With a population that now exceeds 36 million, the state is said to be the seventh largest economy in the world. California has been a magnet for immigration from all over the United States since the end of World War II. Today, there's something of a labor shortage, Watts observes, and controlled immigration is critical to meeting employment needs.

"We've found that recent immigrants to the U.S. are very hard-working and dedicated, and I really enjoy the diversity they bring."

### Ready for the push

How will the industry grow in the new economy? In California and elsewhere, Watts sees more uniform rental companies using a hybrid approach. Rental continues to expand, although less in the industrial sector and more in service businesses. More customers want a high degree of personalization in their garments, which usually means a direct sale. Or they can buy depreciated rental garments at the end of their contracts.

"There is some movement to direct sale on the Web," he adds, "but it seems to be moving at a snail's pace."

As some jobs disappear from the U.S. economy, due to increased productivity and international competition, there are fewer traditional industrial uniform wearers. That's not such a good thing for the uniform service industry, he agrees, but he notes possibilities for the business in products that aren't so dependent on the nation's labor force's composition.

"The other half of our core product line is in mats, mops, towels, and paper products and we are always looking for ancillary services that might suit our expertise." POS has a "product task force" that meets each month to review the company's current offerings and explores possi-

*Providing a unique brand of service (polybagging demonstrated here) is part of POS' commitment to supply customers with what they expect.*



bilities for new ones.

Of the latter, he says, “some we’ve adopted, and others we’ve said ‘no’ to. But we’re constantly looking and asking our suppliers to bring suggestions to us from their experiences.”

The Internet-fueled ‘90s boom may have set the gold standard for American business expansion. It’s hard to define “normal growth,” he says, because the numbers just keep getting bigger, making the big percentages harder to attain.

At POS, “we are coming off of our best sales year in four or five years. We’ve had two consecutive sales years that have exceeded all others.

“Although our growth is not where we think it should be, we’ve got tremendous momentum and that has really caused an excitement in our organization. When you add the fact that our ownership continues to tell us to grow the business, we don’t see any letdown.”

POS had a couple of “low growth” years in the early 2000s due to divestiture of its cleanroom consumables business. “The bottom line is that we are not looking back, and we refuse to accept failure.”

And with growth in the West likely to continue, they have much to look forward to. He quips, “every time the Rose Bowl parade and game are on TV, and the spectators are wearing shorts and tank shirts, we see a whole new migration of people to the West.” The labor force will continue

to expand, and will do so beyond traditional uniform rental markets.

The industry’s challenge, he says, is to “continue to redirect our efforts into non-traditional areas to take advantage of the growth. We need to seek out the small niche markets that are replacing the large manufacturing organizations of the past.”

### **Attracting employees**

When POS celebrated its 70th anniversary in 2002, it had 36 California employees who’d spent 25 or more years with the company. Dale Bain, the headquarters-based personnel director, now has 46 years. Why does Prudential keep people as long as it does? It’s the culture, Watts says. “We are a product of the way that Dan and his family believe people should be treated. Very family-oriented and willing to give anybody an opportunity.”

Pay practices have resulted in wage levels that are above average. Compensation is adjusted by location, as opposed to standard company-wide rates, he notes.

As an employee benefits provider, he figures POS is about the same as most competitors, although the profit-sharing program is exceptional. It’s been around since the ‘50s and made many POS people safe and secure in their retirement.

“One of our regional managers recently told me that his mother is still living partially off his dad’s profit-sharing money, and he retired in the early ‘80s.”

To maintain a quality work environment, tactics include maintaining safety committees at each location. They identify job functions that may cause problems (i.e. repetitive motion) and facilitate cross-training and other measures to address these. It’s also a priority to supply employees with proper support items, such as wrist and back support braces.

Difficulties with worker’s compensation are legendary in California. “This has been one of the greatest challenges in the history of the company,” Watts says. Managers focus on preventing injuries: “the only way to control costs is to keep them out of the system.”

POS hasn’t really been affected by the decline of union membership over the years, he observes. The company has both union and non-union plants, with CSR and production people represented.

“We prefer to be non-union, but if one of our groups really desires to be represented, we’ll allow an election process with the NLRB so that the majority can decide.” Numerous POS plants have asked to decertify unions; on one occasion, it went the other way.

Factors that could decrease the POS workforce size, such as increased use of automation or sales slumps, have not materialized to any extent. The company has had only had three major layoffs in its history, involving very few people, he says, except for the shutdown of garment manufacturing in California.

Mostly there have been opportunities for growth. People in the company feel they can grow into management positions in locations other than the one they started in. Every job opening below the GM level is posted at all locations, including the location, title, requirements, and necessary qualifications necessary to be considered for the job.

If a transfer application is submitted, it’s forwarded to the proper personnel for consideration regardless of whether the “owning” plant wants to retain the employee or not. Each application reaches the regional manager level at a minimum.

Beyond labor, among the major costs of doing business is environmental compli-

ance. Key changes in Watts' time in this respect have included the end of drycleaning and gasoline tanks at plants; lower water temperature wash formulas; emission control equipment on boilers; and onsite wastewater pretreatment systems.

He estimates these have conservatively taken about 5 to 7 points off the bottom line each year from plant operations, which have to be made up in efficiencies. Similarly, the safety compliance burden has probably taken a continuing 3 to 4 points.

As resources (energy, water) have become more scant in POS markets, the company has tried to sign long-term supply agreements where possible, situate plants closely to each other to serve as backup in case of emergencies, and conserve heavily.

Accountability for goods has changed over the years, with some customers steadily asking for more information about their use patterns. At the moment, POS is in the preliminary stages of overhauling its route accounting system. In the near future, Watts says, "we will be able to give customers more data than they've ever dreamed of."

## Selling and reassessing

POS' continuing success depends on how well its people can handle various challenges in line with the corporate philosophy. This comes to light when new executives are needed. At the corporate office, the early 1990s arrivals of Stefan Schurter (now senior VP), John Thompson (CFO) and Jerry Martin (sales and marketing VP) provide examples of how "when we bring people in from the outside, and they stay, they assimilate into our culture." All three are now integral members of the organization.

Others have come on board in such high positions and found they didn't enjoy it. They couldn't understand how POS can succeed with its principles as its highest priority. But if they give it a try, Watts says, they discover that "they have the same train of thought as the rest of the organization, and they recognize that above all, we know we have to grow, first and foremost."

## Ties to UTSA spark career growth

Prudential Overall Supply has long been an active UTSA member. For President Tom Watts, participation began in the late '80s when he attended what's now known as the Ehrlich-Stempler Executive Management Institute. The program unites budding executives from all corners of the industry for management classes and peer networking one week per year for five years.

Watts says he "had a fantastic experience with the instructors, both personally and professionally." He keeps tabs on a few EMI classmates, although many of them have since left their organizations or their companies have been acquired.

EMI Dean Kent Baker, who teaches the first year, "has always been my favorite instructor," he says. The third year, which focuses on personality skills, "is really a super year for personal growth."

Of the POS staff who also went to EMI, each returned "with glowing reports. It's difficult to quantify improvement, but all have said that they've benefited from it."

For Watts personally, over the years, annual conventions, the Clean show, and some training seminars have helped. His company's people who sit on various committees have said they've grown from the experience.

"Our team members who go to seminars and conferences return with the same invigorated feeling that they say helps them improve their performance.."

Informal networking at such meetings is "a huge, often overlooked, benefit. I've used my contacts many times over the years to get help on new situations. I still have people who I can call to get helpful information from and we compete with some of them every day."

An integral part of the culture: everybody sells, regardless of job title. When growth wasn't spectacular in the early part of this decade, some restructuring was necessary, which made some staff less comfortable. But everyone understood that sales and growth keep everyone employed.

At that time, the cleanroom consumables business had been divested and management realized it needed to compensate with additional growth in other business lines. With Martin as the key leader, roles were shuffled, and sales goals were set higher and given greater emphasis. Sales staff was expanded, too. By 2002, revenues hit record levels and profits were noticeably healthier by 2005.

The company also took a hard look at some of its older practices. "The economics of doing business, especially in California, have changed so much that we can't do it the same way we've always done it," Watts says. POS still shows the same concern for customers; Clark, for example, continues to visit them personally.

"But we've had to step back and say,

"Do we have what customers really want?" Management started looking hard for matters that concerned staff but might not be truly consequential to the people they serve. Thus, in visiting customers, POS people started to spend more time getting answers to questions like, "What would you like us to do differently or better?"

The stakes are high, he notes. The company isn't going to mimic national competitors. And it's not a small, single-market operator. "We're either going to get bigger, smaller, or disappear, and our goal is to get bigger. The niche corner laundry is going to be around. The Cintases of the world are not going away."

But for Watts' 30 years (and longer), the basic task has always been the same: grow the business. POS is getting better at providing value-added service, he says. "The last two years have really shown that when we focus on something specific in the organization, our people will really step up."

And why not? That's what families do for each other!

